

SEMPRA ENERGY
Form DEF 14A
April 15, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

SEMPRA ENERGY

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Table of Contents

Table of Contents

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

TABLE OF CONTENTS

	Page
<u>Notice of Annual Meeting of Shareholders</u>	1
<u>Questions and Answers</u>	2
<u>Proposals To Be Voted On</u>	2
<u>How You Can Vote</u>	3
<u>Attending the Annual Meeting</u>	4
<u>Shareholder Proposals and Director Nominations</u>	4
<u>Proxy Materials and Solicitation of Proxies</u>	5
<u>Obtaining Additional Information</u>	6
<u>Corporate Governance</u>	7
<u>Board of Directors</u>	7
<u>Board Committees</u>	9
<u>Shareholder Communications with the Board</u>	10
<u>Director Compensation</u>	10
<u>Audit Committee Report</u>	12
<u>Share Ownership</u>	13
<u>Proposals To Be Voted On</u>	14
<u>Proposal 1: Election of Directors</u>	14
<u>Proposal 2: Ratification of Independent Registered Public Accounting Firm</u>	17
<u>Proposal 3: Approval of 2008 Long Term Incentive Plan</u>	18
<u>Proposal 4: Approval of Amended and Restated Articles of Incorporation</u>	24
<u>Proposal 5: Shareholder Proposal Entitled Shareholder Say On Pay</u>	25
<u>Executive Compensation</u>	27
<u>Compensation Discussion and Analysis</u>	27
<u>Compensation Committee Report</u>	35
<u>Compensation Tables</u>	36
<u>Appendix A</u> Sempra Energy 2008 Long Term Incentive Plan	A-1
<u>Appendix B</u> Proposed Amended and Restated Articles of Incorporation	B-1

Table of Contents

SEMPRA ENERGY

101 Ash Street

San Diego, California 92101-3017

(877) 736-7721

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time and Date 10:00 a.m., local time, on Thursday, May 22, 2008.

Place The Fairmont Hotel, 4500 MacArthur Blvd., Newport Beach, California.

- Items of Business**
- (1) Elect eight directors for a one-year term.
 - (2) Ratify independent registered public accounting firm.
 - (3) Approve 2008 Long Term Incentive Plan.
 - (4) Approve Amended and Restated Articles of Incorporation.
 - (5) Vote upon a shareholder proposal, if properly presented at the meeting.
 - (6) Consider other matters that may properly come before the meeting.

Adjournments and

Postponements The items of business to be considered at the Annual Meeting may be considered at the meeting or at any adjournment or postponement of the meeting.

Record Date You are entitled to vote only if you were a Sempra Energy shareholder at the close of business on April 4, 2008.

Meeting Admission You are entitled to attend the Annual Meeting only if you were a Sempra Energy shareholder at the close of business on April 4, 2008 or you hold a valid proxy to vote at the meeting. You should be prepared to present photo identification to be admitted to the meeting.

If you are a shareholder of record or hold shares through our Direct Registration Plan or Employee Savings Plans, an admission ticket is attached to your proxy card. If you plan to attend the meeting, please bring the admission ticket with you. If you do not bring the admission ticket, your name must be verified against our list of registered shareholders and plan participants.

If your shares are not registered in your name but are held in street name through a broker, trustee or other nominee, you must provide proof of beneficial ownership at the record date such as your most recent account statement prior to April 4, 2008, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of share ownership.

The meeting will begin promptly at 10:00 a.m., local time. Check-in will begin at 9:00 a.m. and you should allow ample time for check-in procedures.

Voting

Your vote is important. Whether or not you plan to attend the Annual Meeting, we encourage you to read this proxy statement and promptly vote your shares. You may vote by completing, signing and dating the enclosed proxy or voting instruction card and returning it in the enclosed envelope or, in most cases, by using the telephone or the Internet. For specific instructions on how to vote your shares, please refer to the section entitled *Questions and Answers - How You Can Vote* beginning on page 3 of this proxy statement and to the instructions on your proxy or voting instruction card.

*This Notice of Annual Meeting and Proxy Statement, the accompanying form of proxy or voting instruction card and our annual report to shareholders are being mailed to shareholders beginning April 16, 2008. You also can view these documents on the Internet by accessing our website at www.sempra.com and clicking on the *Investor* tab.*

Catherine C. Lee

Corporate Secretary

Table of Contents

The Board of Directors of Sempra Energy is providing these proxy materials to you in connection with our Annual Meeting of Shareholders. The meeting will be held on Thursday, May 22, 2008. As a shareholder, you are invited to attend the meeting and you are being requested to vote on the items of business described in this proxy statement.

QUESTIONS AND ANSWERS

Proposals To Be Voted On

1. *What items of business will be voted on at the Annual Meeting?*

The items of business expected to be voted on at the Annual Meeting are:

Election of eight directors for a term of one year.

Ratification of Deloitte & Touche as our independent registered public accounting firm for 2008.

Approval of the Sempra Energy 2008 Long Term Incentive Plan.

Approval of Amended and Restated Articles of Incorporation to eliminate shareholder supermajority voting.

A shareholder proposal, if it is properly presented at the meeting.

2. *What are my voting choices?*

You may vote FOR or AGAINST or you may ABSTAIN from voting on any or all nominees for election as directors or on any other matter to be voted on at the Annual Meeting.

Your shares will be voted as you specifically instruct. If you sign your proxy or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of our Board of Directors and in the discretion of the proxy holders on any other matters that properly come before the meeting. If voting instructions for shares that you hold in our Employee Savings Plans are not timely received, the shares will be voted in the same manner and proportion as shares for which instructions are received from other plan participants.

3. *How does the Board of Directors recommend that I vote?*

Our Board of Directors recommends that you vote your shares FOR each of its eight nominees for election to the board; FOR the ratification of our independent registered public accounting firm; FOR approval of our 2008 Long Term Incentive Plan; FOR approval of the Amended and Restated Articles of Incorporation; and AGAINST the shareholder proposal.

4. *What vote is required to approve each item?*

To conduct business at the Annual Meeting, a quorum consisting of a majority of our shares must be present in person or represented by proxy.

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To be elected as a director, a nominee must receive the approval of shareholders. This means that the nominee must receive more FOR than AGAINST votes, and the FOR votes must also represent more than 25% of our outstanding shares.

Ratification of our independent registered public accounting firm and approval of the shareholder proposal also require approval by shareholders.

Approval of the 2008 Long Term Incentive Plan requires that the number of shares voted FOR approval exceed the total number of shares voted AGAINST and ABSTAIN. In addition, the total number of FOR, AGAINST and ABSTAIN votes must represent more than 50% of our outstanding shares. Consequently, voting ABSTAIN will have the same effect as if you had voted AGAINST approval of the plan.

Approval of the Amended and Restated Articles of Incorporation requires the FOR vote of the holders of not less than two-thirds of our outstanding shares. Consequently, abstaining or otherwise failing to vote on this proposal will have the same effect as if you had voted AGAINST approval of the proposal.

If your shares are held in the name of a broker and you do not provide instructions as to how your shares are to be voted, your broker may have authority to vote them in its discretion on some of the proposals to be voted on at the Annual Meeting. Your broker may be prohibited from voting your shares on other proposals, and these broker non-votes will be counted only for the purpose of determining whether a quorum is present and not as votes cast.

5. What happens if additional items are presented at the Annual Meeting?

We are not aware of any item that may be voted on at the Annual Meeting that is not described in this proxy statement. However, the holders of the proxies that we are soliciting will have the discretion to vote them in accordance with their best judgment on any additional matters that may be voted on at the meeting, including matters incidental to the conduct of the meeting.

Table of Contents

6. *Is my vote confidential?*

Our Employee Savings Plans automatically provide confidential voting. Other shareholders may elect that their identity and individual vote be held confidential by marking the appropriate box on their proxy card, voting instruction card or ballot. Confidentiality elections will not apply to the extent that voting disclosure is required by law or is appropriate to assert or defend any claim relating to voting. They also will not apply with respect to any matter for which votes are solicited in opposition to the director nominees or voting recommendations of our Board of Directors, unless the persons engaging in the opposing solicitation provide shareholders with voting confidentiality comparable to that which we provide.

7. *Where can I find the results of the voting?*

We intend to announce preliminary voting results at the Annual Meeting and to publish final results in our Quarterly Report on Form 10-Q for the second quarter of 2008 that we will file with the Securities and Exchange Commission. The report will be available on our website at www.shareholder.com/sre/edgar2.cfm.

How You Can Vote

8. *What shares can I vote?*

You are entitled to one vote for each share of our common stock that you owned at the close of business on April 4, 2008, the *record date* for the Annual Meeting. You may vote all shares owned by you on the *record date*, including (a) shares held directly in your name as the *shareholder of record*, and (b) shares held for you as the *beneficial owner* through a broker, trustee or other nominee. On the *record date*, 262,832,118 shares of our common stock were outstanding.

9. *What is the difference between holding shares as a shareholder of record and as a beneficial owner?*

Most of our shareholders hold their shares through a broker, trustee or other nominee rather than having the shares registered directly in their own name. There are some distinctions between shares held of record and those owned beneficially that are summarized below.

Shareholder of Record

If your shares are registered directly in your name with our transfer agent, you are the *shareholder of record* of the shares and these proxy materials are being sent directly to you by the company. As the *shareholder of record*, you have the right to grant a proxy to vote your shares to the company or another person, or to vote your shares in person at the Annual Meeting. We have enclosed a proxy card for you to use in voting your shares.

Beneficial Owner

If your shares are held through a broker, trustee or other nominee, it is likely that they are registered in the name of the nominee and you are the *beneficial owner* of shares held *in street name*. As the beneficial owner of shares held for your account, you have the right to direct the registered holder to vote your shares as you instruct, and you also are invited to attend the Annual Meeting. Your broker, trustee or other nominee has forwarded these proxy materials to you and enclosed a voting instruction card for you to use in directing how your shares are to be voted. However, since a *beneficial owner* is not the *shareholder of record*, you may not vote your shares in person at the meeting unless you obtain a *legal proxy* from the registered holder of the shares giving you the right to do so.

10. *How can I vote in person at the Annual Meeting?*

You may vote in person at the Annual Meeting those shares that you hold in your name as the shareholder of record. You may vote in person shares for which you are the beneficial owner only by obtaining a legal proxy giving you the right to vote the shares from the broker, trustee or

other nominee that is the registered holder of your shares.

Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend.

11. How can I vote without attending the Annual Meeting?

Whether you hold your shares as a shareholder of record or as a beneficial owner, you may direct how your shares are to be voted without attending the Annual Meeting. If you are a shareholder of record, you may vote by submitting a proxy. If you hold shares as a beneficial owner, you may vote by submitting voting instructions to your broker, trustee or other nominee.

For directions on how to vote, please refer to the following instructions and those included on your enclosed proxy or voting instruction card.

Voting by Internet - Shareholders of record may submit proxies through the Internet by following the internet voting instructions on their proxy cards. Most shareholders who hold shares as a beneficial owner also may vote through the Internet by accessing the website specified on their voting instruction card or in other information provided by their brokers, trustees or nominees. Please check this information for Internet voting availability.

Voting by Telephone - Shareholders of record may submit proxies by telephone by following the telephone voting instructions on their proxy card. Most shareholders who

Table of Contents

hold shares as the beneficial owner also may vote by telephone by calling the number specified on their voting instruction card or in other information provided by their brokers, trustees or nominees. Please check this information for telephone voting availability.

Voting by Mail - Shareholders of record and shareholders who hold shares as the beneficial owner may vote by mail by signing and dating the enclosed proxy or voting instruction card and returning it in the accompanying envelope.

12. What is the deadline to vote?

If you hold shares as the shareholder of record, your vote by proxy must be received before the polls close at the Annual Meeting.

If you hold shares in our Employee Savings Plans, your voting instructions must be received by 9:00 a.m. Eastern time on Monday, May 19, 2008 for the plan trustee to vote your shares.

If you hold shares as the beneficial owner, please follow the voting instructions provided by your broker, trustee or other nominee.

13. May I change my vote?

Yes. You may change your vote at any time prior to the vote at the Annual Meeting, except that any change to your voting instructions for shares held in our Employee Savings Plans must be received by 9:00 a.m. Eastern time on Monday, May 19, 2008.

If you are a shareholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to our Corporate Secretary at the address below in Question 16 prior to your shares being voted, or by attending the Annual Meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

For shares you hold as a beneficial owner, you may change your vote by timely submitting new voting instructions to your broker, trustee or other nominee, or, if you have obtained a legal proxy from the nominee giving you the right to vote your shares, by attending the Annual Meeting and voting in person.

14. Who will serve as inspector of elections?

The inspector of elections will be a representative of American Stock Transfer & Trust Company.

Attending the Annual Meeting

15. Who can attend the Annual Meeting?

You are entitled to attend the Annual Meeting only if you were a Sempra Energy shareholder at the close of business on April 4, 2008 or you hold a valid proxy to vote at the meeting. You should be prepared to present photo identification to be admitted to the meeting.

If you are a *shareholder of record* or hold shares through our Direct Stock Purchase Plan or Employee Savings Plans, an admission ticket is attached to the enclosed proxy or voting instruction card. If you plan to attend the meeting, please bring the admission ticket with you. If you do not bring your admission ticket, your name must be verified against our list of shareholders of record and plan participants.

If you are not a shareholder of record but hold shares *in street name* through a broker, trustee or other nominee, you must provide proof of beneficial ownership on the record date, such as your most recent account statement prior to April 4, 2008, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership.

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The meeting will begin promptly at 10:00 a.m., local time. Check-in will begin at 9:00 a.m., and you should allow ample time for check-in procedures.

Shareholder Proposals and Director Nominations

16. *What is the deadline to submit shareholder proposals to be included in the proxy materials for next year's Annual Meeting of Shareholders?*

Shareholder proposals that are intended to be included in company-sponsored proxy materials for next year's Annual Meeting must be received by our Corporate Secretary no later than December 18, 2008 and must be submitted to the following address:

Corporate Secretary

Sempra Energy

101 Ash Street

San Diego, CA 92101-3017

Fax: (619) 696-4508

Shareholder proponents must meet the eligibility requirements of the Securities and Exchange Commission's Shareholder Proposal Rule (Rule 14a-8), and their proposals must comply with the requirements of the rule to be included in our proxy materials.

Table of Contents

17. How may I nominate director candidates or present other business for consideration at an Annual Meeting?

Shareholders who wish to nominate director candidates or to present other business to be voted on at an Annual Meeting must give written notice of their intention to do so to our Corporate Secretary at the address set forth in Question 16. We must receive the notice at least 90 days but not more than 120 days before the date corresponding to the date of the last annual meeting. The notice also must include the information required by our bylaws, which may be obtained as provided in Question 25.

The time for us to receive nominations and proposals for the 2008 Annual Meeting has expired. The period for the receipt from shareholders of director nominations and other proposals for the 2009 Annual Meeting will begin on January 23, 2009 and end on February 22, 2009.

These notice requirements do not apply to shareholder proposals intended for inclusion in our proxy materials under the Securities and Exchange Commission's Shareholder Proposal Rule. The deadline for receiving those proposals is set forth in Question 16. The notice requirements also do not apply to questions that a shareholder may wish to ask at the Annual Meeting.

18. How may I recommend candidates to serve as directors?

Shareholders may recommend director candidates for consideration by the Corporate Governance Committee of our Board of Directors by writing to our Corporate Secretary at the address set forth in Question 16. A recommendation must be accompanied by a statement from the candidate that he or she would give favorable consideration to serving on the board and should include sufficient biographical and other information concerning the candidate and his or her qualifications to permit the committee to make an informed decision as to whether further consideration of the candidate would be warranted.

Proxy Materials and Solicitation of Proxies

19. Who pays the cost of soliciting votes for the Annual Meeting?

Sempra Energy is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials over the Internet or to vote over the Internet or by telephone, you are responsible for any charges you may incur.

Our directors, officers and employees also may solicit votes in person, by telephone or by electronic communication. They will not receive any additional compensation for these activities.

We also have hired Morrow & Co., Inc. to assist us in distributing proxy materials and soliciting votes. We will pay a base fee of \$13,000 plus customary costs and expenses for these services.

We also will reimburse brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to beneficial shareholders.

20. Is the proxy statement available on the Internet?

Yes. In addition to receiving paper copies of the proxy statement and our annual report in the mail, you can view these documents on the Internet by accessing our website at www.sempra.com and clicking on the Investor tab. Information on our website does not constitute part of this proxy statement. You can elect to receive future proxy statements and annual reports over the Internet instead of receiving paper copies by mail by following the instructions in Question 23.

21. How may I obtain a separate set of proxy materials?

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If you share an address with another shareholder, you may receive only one set of our proxy materials (including our Annual Report to Shareholders and proxy statement) unless you have provided contrary instructions. If you wish to receive a separate set of proxy materials now, please request the additional copies by contacting our proxy solicitor Morrow & Co. at:

(800) 607-0088 (U.S. and Canada)

(203) 658-9400 (International)

sempra.info@morrowco.com

If you are a shareholder of record and wish to receive a separate set of proxy materials in the future, please call our transfer agent, American Stock Transfer & Trust Company, at:

(877) 773-6772 (U.S. and Canada)

(718) 921-8356 (International)

If you hold shares beneficially in street name and you wish to receive a separate set of proxy materials in the future, please call Broadridge Financial Services at:

(800) 542-1061

All shareholders also may write to us at the address below to request a separate copy of these materials:

Sempra Energy

Attn: Shareholder Services

101 Ash Street

San Diego, CA 92101-3017

investor@sempra.com

Table of Contents

22. *How may I request a single set of proxy materials for my household?*

If you share an address with another shareholder and have received multiple copies of our proxy materials, you may write us at the address in Question 21 to request delivery of a single copy of these materials.

23. *How may I request an electronic copy of the proxy materials?*

If you are a shareholder of record and wish to request electronic delivery of proxy materials in the future, please visit www.amstock.com. Click on Shareholder Account Access and enroll. Please enter your account number and tax identification number to log in, then select Receive Company Mailings via E-Mail and provide your e-mail address.

24. *What should I do if I receive more than one set of proxy materials?*

You may receive more than one set of proxy materials, including multiple proxy or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy and voting instruction card that you receive.

Obtaining Additional Information

25. *How may I obtain financial information and other information about Sempra Energy?*

Our consolidated financial statements are included in our Annual Report to Shareholders that is being mailed to you together with this proxy statement.

Additional information regarding the company is included in our Annual Report on Form 10-K, which we file with the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Our Form 10-K and other information that we file with the Securities and Exchange Commission are available on our website at www.shareholder.com/sre/edgar2.cfm. We will also furnish a copy of our 2007 Form 10-K (excluding exhibits, except those that are specifically requested) without charge to any shareholder who so requests by writing to us at the address set forth in Question 21.

By writing to us, shareholders also may obtain, without charge, a copy of our bylaws, corporate governance guidelines, codes of conduct and charters of our board committees. You can also view these materials on the Internet by accessing our website at www.sempra.com and clicking on the Investor tab, then clicking on the Governance tab.

26. *What if I have questions for Sempra Energy's transfer agent?*

If you have questions concerning share certificates, dividend checks, transfer of ownership or other matters relating to your share account, please contact our transfer agent at the following address or phone number:

American Stock Transfer & Trust Company

Operations Center

Attn: Sempra Energy

6201 15th Avenue

Brooklyn, NY 11219

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(877) 773-6772 (U.S. and Canada)

(718) 921-8356 (International)

We have a dividend reinvestment and direct stock purchase program under which you may have all or a portion of your dividends automatically reinvested to purchase our shares. You also may elect to purchase additional shares through optional cash payments. For information about this program, please contact American Stock Transfer & Trust Company at the address or the phone number listed above.

27. Who can help answer any additional questions?

If you have any additional questions about the Annual Meeting or how to vote or revoke your proxy, you should contact our proxy solicitor:

Morrow & Co., Inc.

470 West Avenue

Stamford, CT 06902

Shareholders Call:

(800) 607-0088 (U.S. and Canada)

(203) 658-9400 (International)

Banks and Brokers Call Collect:

(203) 658-9400

If you need additional copies of this proxy statement or voting materials, please contact Morrow & Co. as described above or send an e-mail to sempra.info@morrowco.com.

Table of Contents

CORPORATE GOVERNANCE

Our business and affairs are managed and all corporate powers are exercised under the direction of our Board of Directors. The board establishes fundamental corporate policies and oversees the performance of the company and our chief executive officer and the other officers to whom the board has delegated day-to-day business operations.

The board has adopted Corporate Governance Guidelines that set forth expectations for directors, director independence standards, board committee structure and functions, and other policies for the governance of the company. It has also adopted a Code of Business Conduct and Ethics for Directors and Officers, and officers are also subject to Business Conduct Guidelines that apply to all employees.

Several standing committees assist the board in carrying out its responsibilities. Each operates under a written charter adopted by the board.

Our governance guidelines, committee charters and codes of conduct are posted on our website at www.sempra.com. Printed copies may be obtained upon request by writing to: Corporate Secretary, Sempra Energy, 101 Ash Street, San Diego, California 92101-3017.

Board of Directors

Functions

In addition to its oversight role, our Board of Directors performs a number of specific functions, including:

Selecting our chief executive officer and overseeing his or her performance and that of other senior management in the operation of the company.

Reviewing and monitoring strategic, financial and operating plans and budgets and their development and implementation by management.

Assessing and monitoring risks and risk-management strategies.

Reviewing and approving significant corporate actions.

Reviewing and monitoring processes designed to maintain the integrity of the company, including financial reporting, compliance with legal and ethical obligations, and relationships with shareholders, employees, customers, suppliers and others.

Planning for management succession.

Selecting director nominees, appointing board committee members and overseeing effective corporate governance.

Director Independence

The Board of Directors determines the independence of our directors by applying the independence principles and standards established by the New York Stock Exchange. These provide that a director is independent only if the board affirmatively determines that the director has no direct

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or indirect material relationship with the company. They also specify various relationships that preclude a determination of director independence. Material relationships may include commercial, industrial, consulting, legal, accounting, charitable, family and other business, professional and personal relationships.

Applying these standards, the board annually reviews the independence of the company's directors. In its most recent review, the board considered, among other things, the absence of any employment relationships between the company and its directors (other than Donald E. Felsing and Neal E. Schmale who are also executive officers of the company) and their families; the absence of any affiliation of the company's directors and their families with the company's independent registered public accounting firm, compensation consultants, legal counsel and other consultants and advisors; and the absence of any transactions with directors and members of their families that would require disclosure in this proxy statement under Securities and Exchange Commission rules regarding related party transactions.

The board reviewed the insubstantial amount of goods and services purchased from companies of which Messrs. Newman and Rutledge are executive officers and companies of which Messrs. Jones, Newman, Rutledge and Dr. Ouchi are directors. It also reviewed the small amount of the company's discretionary contributions to the YMCA of San Diego County of which Mr. Collato is the Chairman of the Board and Chief Executive Officer and to other charitable, educational and other non-profit organizations of which Messrs. Jones, Newman, Rutledge and Dr. Ouchi or members of their families serve as trustees, directors or in similar capacities. The board concluded that these relationships do not constitute material relationships and do not affect the director's independence.

Based upon this review, the board has affirmatively determined that each of the company's non-officer directors is independent. The independent directors are:

James G. Brocksmit Jr.
Wilford D. Godbold Jr.
Richard G. Newman
Carlos Ruiz Sacristan
William P. Rutledge

Richard A. Collato
William D. Jones
William G. Ouchi
William C. Rusnack
Lynn Schenk

Table of Contents

Director Share Ownership Guidelines

The board has established share ownership guidelines for directors and officers to strengthen further the link between company performance and compensation. For non-employee directors, the guideline is ownership of a number of our shares having a value of four times the directors \$50,000 annual base retainer and is expected to be attained within five years of becoming a director. For these purposes, share ownership includes phantom shares into which compensation has been deferred and the vested portion of certain in-the-money stock options as well as shares owned directly. All of our non-employee directors who have served as directors for five or more years meet or exceed the guideline. For information regarding executive officer share ownership guidelines, please see [Executive Compensation Compensation Discussion and Analysis Share Ownership Guidelines](#).

Board and Committee Meetings; Executive Sessions; Annual Meetings of Shareholders

At regularly scheduled board and committee meetings, directors review and discuss management reports regarding the company's performance, prospects and plans, as well as immediate issues facing the company. At least once a year, the board also reviews management's long term strategic and financial plans.

The Chairman of the Board establishes the agenda for each board meeting. Directors are encouraged to suggest agenda items, and any director also may raise at any meeting subjects that are not on the agenda.

Information and other materials important to understanding the business to be conducted at board and committee meetings are distributed in writing to the directors in advance of the meeting. Additional information may be presented at the meeting.

An executive session of non-management board members is held at each regularly scheduled board meeting, and any director may call for an executive session at any special meeting. Executive sessions are presided over by the Chair of the Compensation Committee. During 2007, the board held seven executive sessions.

During 2007, the board held eight meetings and committees of the board held 22 meetings. Directors, on an aggregate basis, attended over 99% of the combined number of these meetings. Each director attended at least 91% of the combined number of meetings of the board and each committee of which the director was a member.

The board encourages attendance at the Annual Meeting of Shareholders by all nominees for election as directors and all directors whose terms of office will continue after the meeting. Last year, all of the nominees and directors attended the meeting except Mr. Rusnack.

Evaluation of Board and Director Performance

The Corporate Governance Committee annually reviews and evaluates the performance of the Board of Directors. The committee assesses the board's contribution as a whole and identifies areas in which the board or senior management believes a better contribution may be made. The purpose of the review is to increase the effectiveness of the board, and the results are reviewed with the board and its committees.

Our board annually reviews the individual performance and qualifications of each director whose term of office will expire at the next Annual Meeting of Shareholders and who may wish to be considered for nomination to an additional term. The evaluations are reviewed by the Corporate Governance Committee, which makes recommendations to the board regarding nominees for election as directors.

Succession Planning and Management Development

Our Compensation Committee annually reports to the Board of Directors on succession planning, including policies and principles for executive officer selection.

Review of Related Party Transactions

Securities and Exchange Commission rules require disclosure of certain transactions involving more than \$120,000 in which the company is a participant and any of its directors, nominees as directors or executive officers, or any member of their immediate families, has or will have a direct or indirect material interest. The charter of our Corporate Governance Committee requires the committee to review any such related party

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transaction before the company enters into the transaction. There have been no transactions or proposed transactions requiring such review during 2007 or 2008.

Director Orientation and Education Programs

Every new director participates in an orientation program and receives materials and briefings to acquaint him or her with our business, industry, management and corporate governance policies and practices. Continuing education is provided for all directors through board materials and presentations, discussions with management, visits to corporate facilities and other sources.

Board Access to Senior Management, Independent Auditors and Counsel

Directors have complete access to our independent registered public accounting firm, and to senior management and other employees. They also have complete access to counsel, advisors and experts of their choice with respect to any issues relating to the board's discharge of its duties.

Table of Contents

Board Committees

Audit Committee

James G. Brocksmith Jr., *Chair*

Wilford D. Godbold Jr.

William D. Jones

Richard G. Newman

Carlos Ruiz Sacristan

William C. Rusnack

Lynn Schenk

Compensation Committee

William C. Rusnack, *Chair*

Richard A. Collato

William G. Ouchi

William P. Rutledge

Corporate Governance Committee

William G. Ouchi, *Chair*

James G. Brocksmith Jr.

Richard A. Collato

Richard G. Newman

William P. Rutledge

Environmental and Technology Committee

William P. Rutledge, *Chair*

Donald E. Felsing

Wilford D. Godbold Jr.

William D. Jones

Carlos Ruiz Sacristan

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Lynn Schenk

Executive Committee

Donald E. Felsing, *Chair*

James G. Brocksmith Jr.

William G. Ouchi

William C. Rusnack

William P. Rutledge

Audit Committee

Our Audit Committee is composed entirely of independent directors. It is directly responsible and has sole authority for selecting, appointing, compensating, retaining and overseeing the work of our independent registered public accounting firm, which reports directly to the committee. The committee pre-approves all services provided by the accounting firm and prepares the report reprinted under the caption *Audit Committee Report*. It also assists the Board of Directors in fulfilling oversight responsibilities regarding:

The integrity of our financial statements.

Our compliance with legal and regulatory requirements.

Our internal audit function.

The board has determined that each member of the Audit Committee is financially literate. It has also determined that Mr. Brocksmith, who chairs the committee, is an audit committee financial expert (as defined by the rules of the Securities and Exchange Commission) and his service on the audit committees of three other public companies does not impair his ability to serve effectively on our audit committee.

During 2007, the Audit Committee held eight meetings.

Compensation Committee

Our Compensation Committee is composed entirely of independent directors. It assists the Board of Directors in the evaluation and compensation of executives. It establishes our compensation principles and policies and oversees our executive compensation program. The committee has direct responsibility for:

Reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer.

Evaluating our Chief Executive Officer's performance in light of these goals and objectives and approving (subject to ratification by the board acting solely through the independent directors) his or her compensation based on the committee's performance evaluation.

Recommending to the board the compensation program for other executive officers, incentive compensation plans and equity-based plans. During 2007, the Compensation Committee held six meetings.

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Additional information regarding the Compensation Committee's principles, policies and practices is set forth under the caption "Executive Compensation - Compensation Discussion and Analysis."

Corporate Governance Committee

Our Corporate Governance Committee is composed entirely of independent directors. The committee's responsibilities include:

Identifying individuals qualified to become directors.

Recommending nominees for election as directors and candidates to fill board vacancies.

Recommending directors for appointment as members of board committees.

Developing and recommending corporate governance principles.

The committee reviews with the board the skills and characteristics required of directors in the context of current board membership, and develops and maintains a pool of qualified director candidates. It solicits the names of candidates from various sources, including board members and search firms, and considers candidates submitted by shareholders.

The committee reviews biographical data and other relevant information regarding potential board candidates, may request additional information from the candidates or other sources and, if the committee deems it appropriate, may interview candidates and consult references of candidates and others who may assist in candidate evaluation.

Table of Contents

It evaluates all candidates in the same manner whether identified by shareholders or through other sources.

In considering potential director candidates, the committee evaluates each candidate's integrity, independence, judgment, knowledge, experience and other relevant factors to develop an informed opinion of his or her qualifications, ability and commitment to meet the board's expectations for directors set forth in our Corporate Governance Guidelines.

The committee's deliberations reflect the board's requirement that substantially all director nominees (other than current or former company officers) should be independent and that all directors must be financially literate or must become financially literate within a reasonable time after appointment or election to the board. They also reflect the board's view regarding the appropriate number of directors and the composition of the board, including its belief that the membership of the board should reflect diversity.

During 2007, the Corporate Governance Committee held four meetings.

Executive Committee

Our Executive Committee meets on call by the Chairman of the Board during the intervals between meetings of the Board of Directors when scheduling or other requirements make it difficult to convene the full board. The committee did not meet during 2007.

Environmental and Technology Committee

Our Environmental and Technology Committee is responsible for:

Reviewing environmental laws, regulations and developments at the global, national and regional level, and evaluating ways to address them as part of the company's business strategy and operations.

Reviewing and evaluating technology developments and related issues that advance the company's overall business strategy.
During 2007, the Environmental and Technology Committee held four meetings.

Shareholder Communications with the Board

Shareholders who wish to communicate with the board, non-management directors as a group, a committee of the board or a specific director may do so by letters addressed to the care of our Corporate Secretary. These letters are reviewed by the Corporate Secretary and provided to the addressees consistent with a screening policy providing that routine items and items unrelated to the duties and responsibilities of the board not be relayed on to directors. Any communication that is not relayed is recorded in a log and made available to the directors.

The address for these communications is:

Corporate Secretary

Sempra Energy

101 Ash Street

San Diego, CA 92101-3017

Director Compensation

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Directors who are not employees of Sempra Energy receive an annual base retainer of \$50,000. The Chair of the Audit Committee receives an additional \$20,000 and the chairs of other board committees receive an additional \$10,000. Non-employee directors also receive meeting fees of \$1,000 for each board meeting they attend and each meeting they attend of the board committees (\$1,500 in the case of the Audit Committee) of which they are members.

Each quarter non-employee directors also are credited with a number of phantom shares of our common stock having a market value of \$12,500. Upon the director's retirement as a director, the then market value of the shares credited to the director's account (together with reinvested dividend equivalents) is paid to the director in cash. Directors may also elect to receive their other fees in shares of our common stock or to defer them into an interest-bearing account, phantom investment funds or phantom shares of our common stock.

Upon becoming a director, each non-employee director is granted a ten-year option to purchase 15,000 shares of our common stock. At each annual meeting (other than the annual meeting that coincides with or first follows the director's election to the board), each non-employee director who continues to serve as a director is granted an additional ten-year option for 5,000 shares. Each option is granted with an exercise price at the closing price of our common stock on the date the option is granted and becomes fully exercisable commencing with the first annual meeting following that date or upon the director's earlier death, disability, retirement or involuntary termination of board service other than for cause.

We summarize the 2007 compensation of our non-employee directors below.

Table of Contents

Director Compensation	Change in Pension Value and Nonqualified Deferred Compensation					All Other Compensation (E)	Total
	Fees Earned or Paid in Cash	Stock Awards (A)	Option Awards (B)(C)	Nonqualified Deferred Compensation Earnings (D)			
James G. Brocksmith Jr.	\$ 75,500	\$ 58,000	\$ 59,038		\$ 1,000	\$ 193,538	
Richard A. Collato	\$ 59,000	\$ 58,000	\$ 59,038	\$ 28,780	\$ 20,000	\$ 224,818	
Wilford D. Godbold Jr.	\$ 65,000	\$ 58,000	\$ 59,038	\$ 6,994	\$ 3,500	\$ 192,532	
William D. Jones	\$ 66,500	\$ 58,000	\$ 59,038	\$ 135	\$ 10,000	\$ 193,673	
Richard G. Newman	\$ 65,000	\$ 58,000	\$ 59,038		\$ 20,000	\$ 202,038	
William G. Ouchi	\$ 64,000	\$ 58,000	\$ 59,038	\$ 50,458	\$ 18,000	\$ 249,496	
Carlos Ruiz Sacristan (F)	\$ 28,833	\$ 33,833	\$ 113,838			\$ 176,504	
William C. Rusnack	\$ 72,000	\$ 58,000	\$ 59,038	\$ 920	\$ 20,000	\$ 209,958	
William P. Rutledge	\$ 69,000	\$ 58,000	\$ 59,038			\$ 186,038	

- (A) Phantom shares of our common stock that are valued at the fair market value of our shares at the quarterly crediting date without reduction for phantom share non-transferability. The total number of our phantom shares credited to each director (including shares credited in prior years and additional phantom shares credited as reinvested dividends) at December 31, 2007 was 7,197 shares for each director other than Messrs. Newman and Ruiz, for whom the number of phantom shares was 7,004 shares and 572 shares, respectively. Upon retirement as a director, the then market value of the shares credited to the director's account is paid to the director in cash.
- (B) Amount recognized as compensation expense for stock options granted in 2007 and 2006 disregarding forfeitures related to service-based vesting conditions. The grant date fair value of option awards (calculated in accordance with generally accepted accounting principles for financial reporting purposes as described in Note 10 of Notes to Consolidated Financial Statements included in our Annual Report to Shareholders, but disregarding service-based vesting conditions) is \$13.74 for the 2007 option awards (other than the award to Mr. Ruiz for which the grant date value is \$13.01) and \$10.59 for 2006 option awards. Grant date fair value of the 2007 option awards (other than the award to Mr. Ruiz) is based upon assumptions of 18.55% stock price volatility, 1.91% dividend yield, 4.50% risk-free rate of return, and a 5.5-year outstanding term. Grant date fair value of the 2007 option award to Mr. Ruiz is based upon assumptions of 18.31% stock price volatility, 2.06% dividend yield, 4.96% risk-free rate of return and a 5.5-year outstanding term. Grant date fair value of the 2006 option awards is based upon assumptions of 22.74% stock price volatility, 2.61% dividend yield, 5.04% risk-free rate of return and a 5.5-year outstanding term.
- (C) The number of our shares subject to non-employee director stock options that were outstanding at December 31, 2007 was 40,000 shares for Mr. Brocksmith, 45,000 shares for Mr. Collato, 45,000 shares for Mr. Godbold, 20,000 shares for Mr. Jones, 35,000 shares for Mr. Newman, 60,000 shares for Dr. Ouchi, 15,000 shares for Mr. Ruiz, 40,000 shares for Mr. Rusnack, and 40,000 shares for Mr. Rutledge.
- (D) Consists of (i) above-market interest (interest in excess of 120% of the federal long term rate) on deferred compensation and (ii) the aggregate change in the actuarial value of accumulated benefits under defined benefit pension plans. The respective amounts are \$6,949 and \$21,831 for Mr. Collato; \$6,994 and \$0 for Mr. Godbold; \$115 and \$20 for Mr. Jones; \$0 and \$50,458 for Dr. Ouchi and \$920 and \$0 for Mr. Rusnack. Only Messrs. Collato, Godbold, Jones and Dr. Ouchi are entitled to receive pension benefits and all but Dr. Ouchi have attained maximum years of service credit. The annual benefit is an amount equal to the sum of the annual director retainer and ten times the board meeting fee at the date the benefit is paid. It commences upon the later of the conclusion of board service or attaining age 65 and continues for a period not to exceed the director's years of service as a director of the predecessor companies and up to ten years of service as a director of the company. The actuarial equivalent of the total retirement benefit is paid to the retiring director in a single lump sum upon the conclusion of board service unless the director has elected to receive the annual benefit.

(E)

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Consists of our contributions to charitable, educational and other non-profit organizations to match those of directors on a dollar-for-dollar basis up to an annual maximum match of \$20,000 for each director.

(F) Mr. Ruiz became a director on June 5, 2007.

Directors who are also employees of the company (Donald E. Felsing, Chairman and Chief Executive Officer, and Neal Schmale, President and Chief Operating Officer) are not additionally compensated for their services as directors. Their compensation is summarized in the Summary Compensation Table appearing under the caption Executive Compensation.

Table of Contents

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is composed of the six directors named below, all of whom have been determined by the board to be independent directors. The board also has determined that all members of the committee are financially literate and the chair of the committee is an audit committee financial expert as defined by the rules of the Securities and Exchange Commission. The committee's charter, adopted by the board, is posted on the company's website at

www.sempira.com/aboutUs/gov_charterAudit.htm.

The committee's responsibilities include appointing the company's independent registered public accounting firm, pre-approving both audit and non-audit services to be provided by the firm, and assisting the board in providing oversight to the company's financial reporting process. In fulfilling its oversight responsibilities, the committee meets with the company's independent registered public accounting firm, internal auditors and management to review accounting, auditing, internal controls and financial reporting matters.

It is not the committee's responsibility to plan or conduct audits or to determine that the company's financial statements and disclosures are complete, accurate and in accordance with accounting principles generally accepted in the United States and applicable laws, rules and regulations. Management is responsible for the company's financial statements, including the estimates and judgments on which they are based, as well as the company's financial reporting process, accounting policies, internal audit function, internal accounting controls, and disclosure controls and procedures. The company's independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an audit of the company's annual financial statements, expressing an opinion as to the conformity of the annual financial statements with accounting principles generally accepted in the United States, expressing an opinion as to the effectiveness of the company's internal controls over financial reporting, and reviewing the company's quarterly financial statements.

The committee has discussed with Deloitte & Touche the matters required to be discussed by Statement of Auditing Standards No. 61 (Communications with Audit Committees), as amended and adopted by the Public Company Accounting Oversight Board, which requires the independent registered public accounting firm to provide the committee with information regarding the scope and results of its audit of the company's financial statements, including information with respect to the firm's responsibilities under auditing standards generally accepted in the United States, significant accounting policies, management judgments and estimates, any significant audit adjustments, any disagreements with management and any difficulties encountered in performing the audit.

The committee also has received from Deloitte & Touche a letter providing the disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board, with respect to any relationships between Deloitte & Touche and the company that in the professional judgment of Deloitte & Touche may reasonably be thought to bear on its independence. Deloitte & Touche also has discussed its independence with the committee and confirmed in the letter that, in its professional judgment, it is independent of the company within the meaning of the federal securities laws. The committee also considered whether Deloitte & Touche's provision of non-audit services to the company and its affiliates is compatible with its independence.

The committee also has reviewed and discussed with the company's senior management the audited financial statements included in the company's Annual Report on Form 10-K for the year ended December 31, 2007 and management's reports on the financial statements and internal controls. Management has confirmed to the committee that the financial statements have been prepared with integrity and objectivity and that management has maintained an effective system of internal controls. Deloitte & Touche has expressed its professional opinions that the financial statements conform with accounting principles generally accepted in the United States and that management has maintained an effective system of internal controls. In addition, the company's Chief Executive Officer and Chief Financial Officer have reviewed with the committee the certifications that each will file with the Securities and Exchange Commission pursuant to the requirements of the Sarbanes-Oxley Act of 2002 and the policies and procedures management has adopted to support the certifications.

Based on these considerations, the Audit Committee has recommended to the Board of Directors that the company's audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2007.

Audit Committee

James G. Brocksmith Jr., *Chair*

Wilford D. Godbold Jr.

William D. Jones

Richard G. Newman

Carlos Ruiz Sacristan

William C. Rusnack

February 21, 2008

Table of Contents**SHARE OWNERSHIP**

The following table shows the number of shares of our common stock beneficially owned at March 31, 2008 by each of our directors, by each of our executive officers named in the executive compensation tables in this proxy statement, and by all of our directors and executive officers as a group. These shares, upon giving effect to the exercise of exercisable options, total approximately 1.7% of our outstanding shares.

	Shares			Total
	Current	Subject to		
	Beneficial	Exercisable	Phantom	
	Holdings (A)	Options (B)	Shares (C)	
James G. Brocksmith Jr.	235	40,000	11,141	51,376
Javade Chaudhri	109,217	36,100	1,862	147,179
Richard A. Collato	6,765	45,000	7,439	59,204
Donald E. Felsing	501,177	1,025,200	89,704	1,616,081
Wilford D. Godbold Jr.	3,006	45,000	12,491	60,497
Edwin A. Guiles	187,469	496,400	31,898	715,767
William D. Jones	3,524	20,000	8,107	31,631
Richard G. Newman	8,704	35,000	7,246	50,950
William G. Ouchi	15,735	60,000	7,910	83,645
Carlos Ruiz Sacristan		15,000	782	15,782
William C. Rusnack	4,466	40,000	7,815	52,281
William P. Rutledge	2,732	40,000	7,990	50,722
Lynn Schenk	2,000	15,000		17,000
Neal E. Schmale	342,285	474,650	28,293	845,228
Mark A. Snell	152,953	94,375	3,041	250,369
Directors and Executive Officers as a group (19 persons)	1,510,824	2,884,819	240,696	4,636,339

- (A) Includes unvested shares of restricted stock that may be voted but are not transferable until they are vested and transfer restrictions terminate. These shares total 85,381 shares for Mr. Chaudhri; 331,501 shares for Mr. Felsing; 143,460 shares for Mr. Guiles; 232,827 shares for Mr. Schmale; 114,915 shares for Mr. Snell; and 1,035,358 shares for all directors and executive officers as a group.
- (B) Shares which may be acquired through the exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (C) Represents deferred compensation deemed invested in shares of our common stock. These phantom shares cannot be voted or transferred but track the performance of our shares.

Sempra Energy has approximately 280,000 shareholders.

The only persons known to us to own beneficially more than 5% of our outstanding shares are UBS AG, Bahnhofstrasse 45, Zurich, Switzerland and Barclays Global Investors, N.A., 45 Fremont Street, San Francisco, California 94105.

UBS has reported that at December 31, 2007, it and related entities beneficially owned 15,035,437 shares for which they had shared dispositive power, including 13,648,124 shares for which they had sole voting power. Barclays Global Investors has reported that at December 31, 2007, it and related entities beneficially owned 13,763,259 shares for which they had sole dispositive power, including 11,893,501 shares for which they

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had sole voting power. The shares reported as beneficially owned by UBS and Barclays Global Investors represent 5.7% and 5.2%, respectively, of our shares outstanding at March 31, 2008.

Our employee savings and stock ownership plans held 17,578,560 shares of our common stock (approximately 6.7% of the outstanding shares) for the benefit of employees at March 31, 2008.

Our directors and executive officers are required to file reports with the Securities and Exchange Commission regarding their ownership of our shares. Based solely on a review of copies of the reports that have been furnished to us and written representations from directors and officers that no other reports were required, we believe that all filing requirements were timely met during 2007, except for a one day late filing on behalf of Jessie Knight, an Executive Vice President of the company, reporting his sale to the company of a portion of his vesting restricted shares to pay related withholding taxes.

For information regarding share ownership guidelines applicable to our directors and officers, please see [Corporate Governance](#) [Director Share Ownership Guidelines](#) and [Executive Compensation](#) [Compensation Discussion and Analysis](#) [Share Ownership Guidelines](#).

Table of Contents

PROPOSALS TO BE VOTED ON

Proposal 1: Election of Directors

Our Board of Directors currently consists of twelve directors. The term of office of eight directors expires at the 2008 Annual Meeting and the term of office of the remaining four directors expires in 2009.

An amendment to our Articles of Incorporation phasing in annual elections of all directors became effective in 2006. Directors elected after the effective date of the amendment hold office until the next annual meeting. The four directors elected prior to the effective date of the amendment continue to hold office until the expiration in 2009 of the three-year terms for which they were elected. As the terms of these four incumbent directors expire, their successors as well as any directors elected to fill vacancies in the board are elected for terms expiring at the next annual meeting.

At the 2008 Annual Meeting, eight directors will be elected for a one-year term. The board has determined that each of its non-officer nominees for election as a director and each non-officer director whose term of office will continue after the meeting is an independent director. Information concerning the board's independence standards is contained under the caption Corporate Governance Board of Directors Director Independence.

The Corporate Governance Committee has recommended and the Board of Directors has nominated the following eight individuals, all of whom currently are directors, for election as directors:

Richard A. Collato

Wilford D. Godbold Jr.

Richard G. Newman

Carlos Ruiz Sacristan

William C. Rusnack

William P. Rutledge

Lynn Schenk

Neal E. Schmale

The proxies and voting instructions solicited by the board will be voted for these eight nominees unless other instructions are specified. If any nominee should become unavailable to serve, the proxies may be voted for a substitute nominee designated by the board or the board may reduce the authorized number of directors.

We have not received notice of any additional candidates to be nominated for election as directors at the 2008 Annual Meeting and the deadline for notice of additional candidates has passed. Consequently, the election of directors will be an uncontested election and the board's recently adopted bylaw providing for majority voting in uncontested elections will apply. Under majority voting, a nominee must receive more votes FOR than AGAINST election to be elected as a director. In addition, the FOR votes must represent more than 25% of our outstanding shares. If a nominee who currently is serving as a director does not receive sufficient FOR votes to be re-elected, the director will cease to be a director not later than 90 days following the certification of the election results, and the resulting vacancy in the board may be filled by the remaining directors.

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Information regarding each director nominee and the directors serving unexpired terms that will continue after the Annual Meeting is set forth below. The year shown as election as a director is the year that the director was first elected as a director of Sempra Energy or a predecessor corporation. Unless otherwise indicated, each director has held his or her principal occupation or other positions with the same or predecessor organizations for at least the last five years.

Table of Contents

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH
OF ITS EIGHT NOMINEES FOR ELECTION TO THE BOARD**

Nominees for election for terms expiring in 2009:

Richard A. Collato, 64, has been a director since 1993. He is President and Chief Executive Officer of the YMCA of San Diego County. He is currently a trustee of the YMCA Retirement Fund and the William & Sharon Bauce Family Foundation, and a director of Project Design Consultants and WD-40 Company.

Wilford D. Godbold Jr., 69, has been a director since 1990. He is the retired President and Chief Executive Officer of ZERO Corporation, an international manufacturer primarily of enclosures and thermal management equipment for the electronics market. He is a director emeritus of The Wellness Community, a past President of the Board of Trustees of Marlborough School and a past Chairman of the Board of Directors of the California Chamber of Commerce and The Employers Group.

Richard G. Newman, 73, has been a director since 2002. He is the Chairman of AECOM Technology Corporation. Mr. Newman is a director of Southwest Water Company and of 14 mutual funds under Capital Research and Management Company. He serves on the boards of directors of the YMCA of Metropolitan Los Angeles and Boy Scouts of America/Western Council and on the Board of Visitors for Pepperdine University's George L. Graziado School of Business & Management.

Carlos Ruiz Sacristan, 58, became a director in 2007. He is a partner of Proyectos Estrategicos Integrales, a Mexican developing and financing company that provides comprehensive financial advisory and investment banking services to the private and public sectors, mainly in energy, infrastructure, transportation and communications. He is also a director of Southern Copper Corporation (an integrated copper producer in Peru and Mexico), ASARCO LLC (an integrated copper producer in the United States), Banco Ve Por Mas (a Mexican banking corporation) and Constructora y Perforadora La Latina (a Mexican geothermal exploration and drilling company).

William C. Rusnack, 63, has been a director since 2001. He was the President and Chief Executive Officer and a director of Premcor, Inc from 1998 to 2002. Prior to 1998, he was an executive of Atlantic Richfield Company. He is also a director of Flowserve and Peabody Energy. He is a member of the Dean's Advisory Council of the Graduate School of Business at the University of Chicago and the National Council of the Olin School of Business at the Washington University in St. Louis.

William P. Rutledge, 66, has been a director since 2001. He is the Chief Executive Officer of AquaNano Technologies, LLC. He was Chairman of Communications and Power Industries from 1999 to 2004. Prior to 1998, he was President and Chief Executive Officer of Allegheny Teledyne. He is also a director of AECOM Technology Corporation, Communications and Power Industries, and First Federal Bank of California. He is a Trustee of Lafayette College, St. John's Hospital and Health Center Foundation, John Wayne Career Institute and the Los Angeles World Affairs Council.

Lynn Schenk, 63, became a director in 2008. She is an attorney in private practice. She served as Chief of Staff to the Governor of California from 1999 to 2003. She served as a member of the U.S. House of Representatives representing California's 49th District from 1993 to 1995 and as the California Secretary of Business, Transportation and Housing from 1980 to 1983. She is also a director of Biogen Idec Inc., a trustee of The Scripps Research Institute, a director of the California High Speed Rail Authority and the San Diego Consortium for Regenerative Medicine, and a member of the University of San Diego School of Law, Board of Visitors.

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Neal E. Schmale, 61, has been a director since 2004. He is the President and Chief Operating Officer of the company. He is also a director of Murphy Oil Corporation and WD-40 Company.

Table of Contents

Directors whose terms expire in 2009:

James G. Brocksmith Jr., 67, has been a director since 2001. He is an independent financial consultant and the former Deputy Chairman and Chief Operating Officer for the U.S. operations of KPMG Peat Marwick LLP. He is a director of AAR Corp., Alberto-Culver Co. and Nationwide Financial Services.

Donald E. Felsing, 60, has been a director since 2004. He is the Chairman of the Board and Chief Executive Officer of the company. He is also a director of Northrop Grumman Corporation.

William D. Jones, 52, has been a director since 1994. He is the President and Chief Executive Officer and a director of CityLink Investment Corporation and City Scene Management Company. From 1989 to 1993, he served as General Manager/

Senior Asset Manager and Investment Manager with certain real estate subsidiaries of The Prudential. Prior to joining The Prudential, he served as a San Diego City Council member from 1982 to 1987. Mr. Jones is a director of the Federal Reserve Bank of San Francisco, Southwest Water Company and certain funds under management by Capital Research and Management Company. He is also a trustee of the Francis Parker School and the San Diego Padres baseball club. He is a former director of The Price Real Estate Investment Trust and former Chairman of the Board of the Los Angeles Branch of the Federal Reserve Bank of San Francisco.

William G. Ouchi, Ph.D., 63, has been a director since 1998. He is the Sanford and Betty Sigoloff Distinguished Professor in Corporate Renewal in the Anderson Graduate School of Management at UCLA. Dr. Ouchi is a director of AECOM Technology

Corporation and First Federal Bank of California. He is a director of The Alliance for College Ready Public Schools, the California Heart Center Foundation, the Japanese American National Museum and the Conrad N. Hilton Foundation.

Table of Contents**Proposal 2: Ratification of Independent Registered Public Accounting Firm**

The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP as the independent registered public accounting firm to audit our financial statements and the effectiveness of our internal controls over financial reporting for 2008. Representatives of Deloitte & Touche are expected to attend the Annual Meeting and will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions from shareholders.

The following table shows the fees that we paid Deloitte & Touche for 2007 and 2006.

	2007		2006	
	Fees	% of Total	Fees	% of Total
Audit Fees				
Sempra Energy Consolidated Financial Statements and Internal Control Audit	\$ 6,120,000		\$ 6,255,000	
Subsidiary, Statutory and Other Assets	2,790,000		3,191,000	
SEC Filing and Related Services	59,000		72,000	
Total Audit Fees	8,969,000	83%	9,518,000	85%
Audit-Related Fees				
Employee Benefit Plan Audits	400,000		468,000	
Accounting Consultation	1,130,000		562,000	
Other Audit-Related Services				
Total Audit-Related Fees	1,530,000	14%	1,030,000	9%
Tax Fees				
Tax Planning and Compliance	260,000		444,000	
Other Tax Services	90,000		184,000	
Total Tax Fees	350,000	3%	628,000	6%
All Other Fees				
Total Fees	\$ 10,849,000		\$ 11,176,000	

The Audit Committee is directly responsible and has sole authority for selecting, appointing, compensating, retaining and overseeing the work of our independent registered public accounting firm and pre-approves all audit and permissible non-audit services provided by Deloitte & Touche. The committee's pre-approval policies and procedures provide for the general pre-approval of specific types of services, give detailed guidance to management as to the specific services that are eligible for general pre-approval and provide specific cost limits for each service on an annual basis. They require specific pre-approval of all other permitted services. For both types of pre-approval, the committee considers whether the services to be provided are consistent with maintaining the

firm's independence. The policies and procedures also delegate authority to the chair of the committee to address any requests for pre-approval of services between committee meetings, with any pre-approval decisions to be reported to the committee at its next scheduled meeting.

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We are asking our shareholders to ratify the appointment of Deloitte & Touche as our independent registered public accounting firm for 2008. Ratification would be advisory only, but the Audit Committee would reconsider the appointment if it were not ratified. Ratification requires the favorable vote of a majority of the votes cast, and the approving majority also must represent more than 25% of our outstanding shares.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR
PROPOSAL 2**

17

Table of Contents

Proposal 3: Approval of 2008 Long Term Incentive Plan

We are asking our shareholders to approve our 2008 Long Term Incentive Plan. It has been approved, subject to shareholder approval, by our Board of Directors upon the recommendation of its Compensation Committee. The board and the committee recommend that you vote for approval of the plan.

The purpose of the plan is to provide compensation awards to employees and non-employee directors that align their interests with those of the company and its shareholders. A further purpose is to permit us to attract and retain employees and non-employee directors and to provide them with an opportunity to acquire an equity interest in the company.

The plan would replace our 1998 Long Term Incentive Plan and our Employee Stock Incentive Plan, which permit the grant of similar stock and stock-based incentive awards to our employees, and our Non-Employee Directors Stock Plan, which provides for automatic grants of stock options to non-employee directors. The plan also permits the grant of stock payment awards and cash-based incentive awards to employees and non-employee directors.

We summarize the principal features of the plan below and the full text of the plan is reprinted as Appendix A. This summary does not contain all of the information that may be important to you and you should read the full text of the plan for more detailed information.

Incentive Awards and Award Limits

Under the 2008 Long Term Incentive Plan, we may award a wide variety of incentive awards relating to shares of our common stock to employees of the company and its subsidiaries and to non-employee directors of the company. These awards consist of stock options and stock appreciation rights, restricted stock and restricted stock units, dividend equivalent awards, and stock payment awards. The committee may also grant cash-based awards.

The maximum number of our shares available for issuance under the plan is:

6,500,000 shares, *plus*

the number of shares subject to outstanding awards granted under the plans that the 2008 plan will replace that cease for any reason to be subject to the awards (other than the vested and non-forfeitable shares that are issued pursuant to the awards and are not withheld or surrendered in satisfaction of the exercise price of the award or to pay related taxes).

The plan also limits annual awards to individual participants. The maximum number of our shares that may be subject to awards granted to a participant in any year as stock options and stock appreciation rights is 500,000 shares; the maximum number of our shares that may be subject to awards granted to a participant in any year as restricted stock, restricted stock units, dividend equivalent awards and stock payment awards is 500,000 shares; and the maximum amount that may be awarded to a participant in any year as cash-based awards is \$10 million.

Any shares subject to awards granted under the plan that are not issued as non-forfeitable shares will again become available for awards under the plan. Shares may fail to be issued as non-forfeitable shares for reasons that include the expiration or cancellation of the related award, the forfeiture of all or a portion of the shares subject to the award, and the settlement of the award in cash or for fewer shares than those subject to the award. Shares withheld or surrendered in payment of the exercise price of an award or to pay related taxes will also become available for awards under the plan.

To prevent the dilution or enlargement of the benefits intended to be made available under the plan, we may adjust the number and kind of shares that may be granted as awards and the number and kind of shares and the exercise and grant prices of outstanding awards appropriately to reflect changes in our capitalization or other significant events affecting our shares and the value of our shares. These events include stock dividends and stock splits, spin-offs and property distributions, share combinations and exchanges, and mergers and consolidations.

Eligibility and Plan Administration

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Our employees and non-employee directors and employees of our subsidiaries are eligible to receive awards under the 2008 Long Term Incentive Plan. Employees of other entities designated by the Compensation Committee that are affiliated with the company are also eligible to receive awards. We estimate that there are now approximately 300 individuals, including the non-employee directors of the company, whose positions and responsibilities would result in their consideration for the grant of awards. No eligible individual is entitled to participate in the plan as a matter of right, and participation in the plan does not constitute assurance of continued employment or service.

The Compensation Committee administers the plan with respect to awards to employees and the Board of Directors administers the plan with respect to awards to non-employee directors. The plan administrator selects from the individuals eligible to participate those who will receive awards and determines the terms and conditions of each award including those related to vesting, forfeiture, payment and exercisability and the effect of a termination of service.

Table of Contents

The plan administrator construes and interprets the plan and related award agreements and prescribes administrative rules and procedures and makes all other determinations necessary or advisable with respect to the plan. The Compensation Committee, subject to certain limitations, may delegate some or all of its administrative authority to others including officers of the company, and may authorize officers of the company to designate employees to receive awards and to determine the size of the awards.

Types of Incentive Awards

Stock Options and Stock Appreciation Rights

Stock options granted to plan participants entitle them to purchase our shares at the prices and during the term specified in the related stock option agreement. They may permit the payment of the exercise price of the option and related taxes through the delivery of our shares owned by the participant, the withholding of shares that would otherwise be issued upon the exercise of the option or through cashless exercise procedures that permit a concurrent sale of option shares by the participant with proceeds sufficient to pay the exercise price and related taxes remitted to the company.

Stock appreciation rights granted to plan participants entitle them to receive all or a portion of the appreciation in the fair market value of our shares that are subject to the award over the grant price specified in the related award agreement. At the discretion of the plan administrator, payments upon the exercise or settlement of a stock appreciation right may be made in cash, shares of our common stock or a combination of cash and shares.

The exercise price of stock options and the grant price for stock appreciation rights may not be less than 100% of the fair market value of our shares on the date the award is granted and the term of the award may not exceed ten years. The plan prohibits repricing of outstanding awards or replacing them with new awards having a lower exercise or grant price.

Restricted Stock and Restricted Stock Units

Restricted stock and restricted stock units granted to plan participants entitle them to receive shares or the value of shares of our common stock.

Restricted stock consists of shares of our common stock issued to plan participants at such price, if any, determined by the plan administrator that are subject to service, performance or other vesting conditions and restrictions on transferability specified in the related restricted stock agreement. Unless otherwise provided in the related award agreement, a holder of restricted stock has all of the rights of a shareholder with respect to the shares including the right to vote and to receive cash dividends, but will not be permitted to sell or otherwise dispose of the shares until vesting and other applicable restrictions have lapsed.

Upon the satisfaction of the related vesting and other conditions, the shares become non-forfeitable and freely transferable.

Restricted stock units represent rights to receive shares of our common stock subject to service, performance or other vesting conditions specified in the related restricted stock unit agreement. Upon satisfaction of the related vesting and other conditions, the shares subject to the award are issued to the participant or, at the discretion of the plan administrator, the value of the shares is paid in cash or in a combination of cash and shares.

Dividend Equivalent Awards

Dividend equivalent awards granted to plan participants entitle them to receive all or a portion of the dividends they would have received had they held the number of our shares subject to another outstanding award until the exercise, vesting, distribution or expiration of the other award. Dividend equivalent awards also may be granted as free-standing awards that do not relate to other awards and entitle the participant to receive the dividends that would have been paid on the number of our shares specified in the award. Dividend equivalent awards may provide for payment on a current basis as dividends are paid on our shares or for the deemed reinvestment of the dividends (together with successive dividends) to purchase additional shares and the payment of the award in cash or in shares.

Stock Payment Awards

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Stock payment awards granted to plan participants entitle them to receive a distribution of our shares at the date the award is granted or the distribution of shares or the payment of the fair market value of shares at a subsequent date or upon the occurrence of a subsequent event specified in the award agreement. The plan permits stock payment awards primarily to enable us to use our shares to pay all or any portion of the compensation that we would otherwise pay to a participant in cash.

Cash-Based Awards

Cash-based awards granted to plan participants entitle them to receive cash payments in an amount or range of amounts that may be subject to the satisfaction of performance measures specified in the award agreement. The plan permits cash-based awards primarily to allow us to provide multi-year cash awards intended to be qualified performance-based compensation that is deductible to the company as compensation expense; however, we may also grant cash-based awards that will not so qualify. For additional information, please see the discussion under Performance Measures for Qualified Performance-Based Compensation and Federal Income Tax Consequences of Plan Awards below.

Table of Contents

Performance Measures for Qualified Performance-Based Compensation

The Internal Revenue Code imposes a \$1 million limitation on the annual amount that we are permitted to deduct as compensation expense for salary and other compensation paid to each of certain executive officers that does not constitute qualified performance-based compensation. Compensation relating to stock options and stock appreciation rights granted under the 2008 Long Term Incentive Plan should qualify as performance-based compensation exempt from the deduction limitation.

However, compensation relating to other awards under the plan will count against the limitation unless the vesting or payment of the awards is subject to the satisfaction of objectively determinable performance goals established by the Compensation Committee and the material terms under which the compensation is paid and the related performance goals have been periodically disclosed to and approved by our shareholders.

Accordingly, the committee is permitted to make the vesting or payment of any award granted under the plan subject to the satisfaction of performance goals intended to qualify the related compensation as qualified performance-based compensation. The performance goals that may be selected for any award intended to provide qualified performance-based compensation will be based on one or more of the following:

- Net revenue;
- Net earnings (before or after taxes);
- Operating earnings or income;
- Absolute and/or relative return on assets, capital, invested capital, equity, sales or revenue;
- Earnings per share;
- Cash flow (including operating cash flow, free cash flow, cash flow return on equity and cash flow return on investment);
- Net operating profits;
- Earnings before or after any one or more of taxes, interest, depreciation and/or amortization;
- Earnings growth;
- Gross, operating or net margins;
- Revenue growth;
- Book value per share;
- Stock price or shareholder return;
- Economic value added;
- Customer satisfaction;
- Market share;
- Working capital;
- Productivity ratios;
- Operating goals (including safety, reliability, maintenance expenses, capital expenses, customer satisfaction, operating efficiency and employee satisfaction); and

Performance relative to one or more peer companies or one or more operating units, divisions, acquired businesses, minority investments, partnerships or joint ventures of peer companies.

Performance goals may be based upon the performance of the company or any subsidiary, or any business unit of the company or any subsidiary, or any combination thereof. Achievement of the performance goals also may be based upon performance relative to a group of comparable companies or any index that the committee determines to be appropriate.

The committee may also provide that any performance goal may include or exclude objectively determinable adjustments for certain events occurring during a performance period including one or more of asset write-downs; litigation or claim judgments or settlements; the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; reorganization and restructuring programs; extraordinary nonrecurring items; acquisitions or divestitures; and foreign exchange gains or losses.

Awards that are intended to constitute qualified performance-based compensation may not be adjusted upwards. However, the committee may retain the discretion to adjust these awards downward either on a formula or discretionary basis or both.

Shareholder approval of the 2008 Long Term Incentive Plan will also serve as approval of the performance goals and adjustments summarized above.

Federal Income Tax Consequences of Plan Awards

We briefly summarize the principal United States federal income tax consequences generally applicable under current law to awards under the 2008 Long Term Incentive Plan below. However, as discussed under Performance Measures for Qualified Performance-Based Compensation above, our tax deductions for compensation paid to certain executive officers that does not constitute qualified performance-based compensation may be limited, and additional limits on deductibility and certain excise taxes may apply in the event of an acceleration of awards in connection with a change of ownership or control of the company. Awards that constitute deferred compensation subject to Section 409A of the Internal Revenue Code are intended to comply with the requirements of that section and a failure to so comply would result in a plan participant's early recognition of taxable income and subject certain award amounts to an additional income tax and interest.

Table of Contents

Stock Options and Stock Appreciation Rights

A plan participant generally will not recognize taxable income and we generally will not be entitled to a tax deduction upon the grant of a stock option or stock appreciation right.

The tax consequences of exercising a stock option and the subsequent disposition of the shares received upon exercise will depend upon whether the option qualifies as an incentive stock option as defined in the Internal Revenue Code. The plan permits the grant of options that are intended to qualify as incentive stock options as well as options that are not intended to so qualify; however, incentive stock options may be granted only to employees of the company and its subsidiary corporations, and the total number of shares as to which incentive stock options may be issued may not exceed 6,500,000 shares.

Upon exercising an option that does not qualify as an incentive stock option, a plan participant generally will recognize taxable income at ordinary income tax rates, and we generally will be entitled to a corresponding tax deduction for compensation expense, in the amount by which the fair market value of the shares purchased exceeds the purchase price for the shares. Upon a subsequent sale or other disposition of the option shares, the participant will recognize a short term or long term capital gain or loss in the amount of the difference between the sales price of the shares and the participant's tax basis in the shares.

Upon exercising an incentive stock option, a plan participant will not recognize taxable income, and we will not be entitled to a tax deduction for compensation expense. However, upon exercise, the amount by which the fair market value of the shares purchased exceeds the purchase price will be an item of adjustment for alternative minimum tax purposes. The participant will recognize taxable income upon a sale or other taxable disposition of the option shares. For federal income tax purposes, dispositions are divided into two categories: qualifying and disqualifying. A qualifying disposition generally occurs if the sale or other disposition is made more than two years after the date the option was granted and more than one year after the date the shares are transferred upon exercise. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition generally will result.

Upon a qualifying disposition of incentive stock option shares, the participant should recognize long term capital gain in an amount equal to the excess of the amount realized upon the sale or other disposition of the shares over their purchase price. If there is a disqualifying disposition of the shares, then the excess of the fair market value of the shares on the exercise date (or, if less, the price at which the shares are sold) over their purchase price

should be taxable as ordinary income to the participant. Any additional gain or loss recognized upon the disposition will be recognized as a capital gain or loss by the participant.

We will not be entitled to any tax deduction if the participant makes a qualifying disposition of incentive stock option shares. If the participant makes a disqualifying disposition of the shares, we should be entitled to a tax deduction for compensation expense in the amount of the ordinary income recognized by the participant.

Upon exercising or settling a stock appreciation right, a plan participant will recognize taxable income at ordinary income tax rates, and we should be entitled to a corresponding tax deduction for compensation expense, in the amount paid or value of the shares issued upon exercise or settlement. Payments in shares will be valued at the fair market value of the shares at the time of the payment, and upon the subsequent disposition of the shares the participant will recognize a short term or long term capital gain or loss in the amount of the difference between the sales price of the shares and the participant's tax basis in the shares.

Restricted Stock and Restricted Stock Units

A plan participant generally will not recognize taxable income and we generally will not be entitled to a tax deduction upon the grant of restricted stock or restricted stock units. Upon the termination of restrictions on restricted stock or the payment of restricted stock units, the participant will recognize taxable income at ordinary income tax rates and we should be entitled to a corresponding tax deduction for compensation expense in the amount paid to the participant or the amount by which the then fair market value of the shares received by the participant exceeds the amount paid for them. Payments in shares will be valued at the fair market value of the shares at the time of the payment, and upon the subsequent disposition of any shares received the participant will recognize a short term or long term capital gain or loss in the amount of the difference between the sales price of the shares and the participant's tax basis in the shares.

Dividend Equivalents, Stock Payment Awards and Cash-Based Awards

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A plan participant will not recognize taxable income and we will not be entitled to a tax deduction upon the grant of dividend equivalents, stock payment awards or cash-based awards until cash or shares are paid or distributed to the participant. At that time, any cash payments or the fair market value of shares that the participant receives will be taxable to the participant at ordinary income tax rates and we should be entitled to a corresponding tax deduction for compensation expense. Payments in shares will be valued at the fair market value of the shares at the time of the

Table of Contents

payment, and upon the subsequent disposition of the shares the participant will recognize a short term or long term capital gain or loss in the amount of the difference between the sales price of the shares and the participant's tax basis in the shares.

Change in Control

Subject to certain limitations and unless otherwise provided in the related award agreement, upon the occurrence of a change in control of the company, all stock options and stock appreciation rights granted under the 2008 Long Term Incentive Plan would automatically become fully vested and exercisable; all restrictions and conditions on shares subject to awards of restricted stock would lapse; and all other awards under the plan would be deemed to have been earned-out in the manner set forth in the applicable award agreement. In addition, in the event of certain types of changes in control, the plan provides for the conversion of stock options granted under the plan into options of the acquiring or surviving entity (with appropriate adjustments as to the number and kind of shares and exercise prices), subject to the right of the plan administrator to cancel all outstanding options in exchange for a cash payment equal to the excess of the fair market value of the shares subject to the option over the option exercise price.

A change in control is defined in the plan to include the acquisition by any person or group of securities

representing 20% or more of voting power of our outstanding securities; the election of a new majority of our board composed of individuals who are not approved or recommended for election by two-thirds of the current directors or successors to the current directors who were so approved or recommended for election; certain mergers, consolidations or sales of assets that result in our shareholders owning less than 60% of the voting power of the company or of the surviving or purchasing entity or its parent; and approval by our shareholders of the liquidation or dissolution of the company.

Replacement of Existing Equity Compensation Plans

Upon becoming effective, the 2008 Long Term Incentive Plan will replace our 1998 Long Term Incentive Plan which would otherwise expire in June 2008 and our Employee Stock Incentive Plan which has no fixed expiration date. These plans permit stock and stock-based awards similar to those permitted by the 2008 plan. The 2008 plan also will replace our Non-Employee Directors Stock Plan which also would otherwise expire in June 2008 and provides for automatic annual grants of stock options to non-employee directors.

The following table sets forth information required by the rules of the Securities and Exchange Commission as of December 31, 2007 regarding the plans that will be replaced by the 2008 Long Term Incentive Plan.

Equity Compensation Plans December 31, 2007	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Additional Shares Remaining Available for Future Issuance (B)
Equity Compensation Plans Approved by Shareholders	6,585,966	\$ 32.87	12,315,167(C)
Equity Compensation Plans Not Approved by Shareholders	202,248	\$ 24.38	8,200,705
Total	6,788,214	\$ 32.61	20,515,872(C)

(A)

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Consists entirely of options to purchase shares of our common stock, all of which were granted at an exercise price of 100% of the grant date fair market value of the shares subject to the option.

- (B) The number of shares available for future issuance is increased by the number of shares withheld to satisfy related tax withholding obligations relating to stock option and other plan awards and by the number of shares subject to awards that lapse, expire or are otherwise terminated or are settled other than by the issuance of shares.
- (C) The number of shares available for future issuance is also increased on each January 1 by as many as 1.5% of the total number of shares of our common stock then outstanding.

At March 31, 2008, we had 10,714,377 shares subject to outstanding awards under the plans that will be replaced by the 2008 Long Term Incentive Plan. These consist of stock options that may be cancelled upon termination of employment or service or may expire unexercised and grants of restricted stock and restricted stock units that may be forfeited upon termination of employment or if related performance goals are not met. In addition, a portion of these prior awards may be settled other than by the issuance of shares or by the issuance of fewer shares

Table of Contents

than those subject to the award and shares may be withheld or surrendered to pay the exercise price of stock options or related taxes on the exercise of options or the vesting of restricted stock and restricted stock units. Any shares subject to these prior awards and any additional awards that we may make under these plans prior to their replacement by the 2008 Long Term Incentive Plan that cease for any reason to be subject to awards (other than vested and non-forfeitable shares that are issued pursuant to the awards and are not withheld or surrendered in satisfaction of the exercise price or related taxes) will become available for awards under the 2008 plan.

We do not expect to grant any additional awards under the plans that will be replaced by the 2008 Long Term Incentive Plan except for automatic grants of stock options to purchase an aggregate of 40,000 shares to be granted to our non-employee directors at the conclusion of our 2008 Annual Meeting of Shareholders under the Non-Employee Directors Stock Plan. After the 2008 plan becomes effective, no additional grants of awards will be made under the plans that it replaces; however, outstanding awards under the replaced plans will continue to remain outstanding and be governed by the terms of the applicable plan and award agreements.

Effective Date; Amendment and Termination

The 2008 Long Term Incentive Plan will become effective the day following its approval by shareholders and expire

ten years from the date of shareholder approval. No awards will be granted under the plan until it has been approved by shareholders and becomes effective.

Our Board of Directors or the Compensation Committee may alter, amend, modify, suspend or terminate the plan or any award agreement without shareholder approval unless doing so would increase the number of shares available for awards under the plan, would reprice or permit the repricing of stock options or stock appreciation rights or would require shareholder approval to comply with any applicable law or stock exchange rule. However, except for amendments that are intended to cause awards to comply with applicable laws, regulations or rulings, no amendment, modification or termination of the plan may adversely affect in any material respect any award previously granted to a plan participant without the participant's consent.

Shareholder Approval

The 2008 Long Term Incentive Plan has been approved, subject to shareholder approval, by our Board of Directors upon the recommendation of its Compensation Committee. Shareholder approval of the plan requires that the number of shares voted for approval exceed the number of shares voted against or abstain. In addition, the total shares voted for, against or abstain must represent more than 50% of our outstanding shares. Consequently, voting abstain will have the same effect as voting against approval of the plan.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR
PROPOSAL 3**

Table of Contents

Proposal 4: Approval of Amended and Restated Articles of Incorporation

We are asking our shareholders to approve Amended and Restated Articles of Incorporation to eliminate provisions of our articles that currently require a supermajority shareholder vote for various actions. The amended and restated articles have been approved, subject to shareholder approval, by our Board of Directors upon the recommendation of its Corporate Governance Committee. The board and the committee recommend that you vote for their approval.

Our Articles of Incorporation currently require approval by the holders of two-thirds of our outstanding shares for shareholders to adopt bylaws, to fix the exact number of our directors within the range authorized in our bylaws, and to approve amendments to various provisions of our articles. At prior annual meetings, shareholders have approved proposals recommending that the board eliminate these shareholder supermajority voting requirements. The amended and restated articles will implement that recommendation.

The Amended and Restated Articles of Incorporation will eliminate shareholder supermajority voting provisions from our articles. Shareholder approvals for matters previously requiring a supermajority shareholder vote will become the minimum required by the California General Corporation Law to which we are subject. For shareholders to adopt bylaws and approve amendments to our articles, the statutory minimum generally is approval by the holders of a majority of our outstanding shares. For shareholders to fix the exact number of directors within the range specified by our bylaws, the statutory minimum is approval by a majority of the shares represented and voting at a duly held meeting of shareholders with the approving majority also constituting a majority of the quorum required for the meeting.

The California General Corporation Law also generally provides that our board is permitted without shareholder

approval to adopt bylaws (other than a bylaw changing the range of the authorized number of directors which requires approval by the holders of a majority of our outstanding shares) and to fix the exact number of directors within the range authorized by the bylaws. It also generally requires that amendments to our articles be approved by both the board and a majority of our outstanding shares.

Our Board of Directors and its Corporate Governance Committee regularly review our corporate governance practices to determine if they are in the best interests of shareholders. The board and the committee have historically viewed shareholder supermajority voting as desirable to assure that fundamental changes in our governance structure requiring shareholder approval will be made only when a broad consensus of shareholders determines that a change is prudent. They continue to believe that this is an important concern; however, they have also considered the strong level of shareholder support for the elimination of supermajority shareholder voting and the view of majority voting proponents that the minimum shareholder approvals required by corporate law are adequate to protect shareholder interests. Accordingly, upon the recommendation of the committee, the board has approved and recommends that shareholders approve the amended and restated articles.

Shareholder approval of the amended and restated articles requires the favorable vote of the holders of not less than two-thirds of our outstanding shares. Consequently, abstaining or otherwise failing to vote on this proposal will have the same effect as a vote against the proposal. If so approved by shareholders, the amended and restated articles will become effective upon the filing of an appropriate Certificate of Amendment with the California Secretary of State.

The Amended and Restated Articles of Incorporation, marked to reflect changes from our current articles, are reprinted as Appendix B to this proxy statement.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR
PROPOSAL 4**

Table of Contents

Proposal 5: Shareholder Proposal Entitled Shareholder Say On Pay

The following proposal has been submitted by a shareholder and is included in this proxy statement in accordance with the Securities and Exchange Commission's shareholder proposal rule. It is presented as submitted by the shareholder proponent, whose name and address will be provided promptly to any shareholder who orally or in writing requests that information from our Corporate Secretary.

The shareholder proposal will be voted upon at the Annual Meeting only if it is properly presented by the shareholder proponent or the proponent's qualified representative. To be approved by shareholders, the proposal must receive the favorable vote of a majority of the votes cast on the proposal, and the approving majority must also represent more than 25% of our outstanding shares.

FOR THE REASONS STATED BELOW, THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE SHAREHOLDER PROPOSAL

The Shareholder Proposal

5 -Shareholder Say on Executive Pay

RESOLVED, that shareholders of our company request our board of directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, proposed by management, to ratify the compensation of the named executive officers (NEOs) set forth in the proxy statement's Summary Compensation Table (SCT) and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

Investors are increasingly concerned about mushrooming executive pay which often appears to be insufficiently aligned with the creation of shareholder value. As a result, in 2007 shareholders filed more than 60 say on pay resolutions with companies, averaging a 42% vote. In fact, seven resolutions exceeded a majority vote. Aflac (AFL) decided to present such a resolution to a shareholder vote in 2009. A bill to provide for annual advisory votes on executive pay passed in the U.S. House of Representatives by a 2-to-1 margin.

This proposal is particularly relevant to our company because Mr. Felsing, our CEO participated in three pension plans that totaled \$16 million. Additionally Mr. Felsing's severance provisions provide for \$32 million upon employment termination, and also \$47 million in the event of a change in control regardless of whether he keeps his job or not following a change of control according to The Corporate Library

<http://www.thecorporatelibrary.com>.

There was also a *Los Angeles Times* article titled, "Sempra CEO's pay in fine print; The firm's disclosures on compensation lack clarity despite new rules to boost transparency," March 16, 2007.

Chris Rossi, Boonville, Calif., who submitted a number of shareholder proposals during a 10-year span, said the advantage of adopting this proposal should also be considered in the context of our company's overall corporate governance. For instance in 2007 the following governance status was reported (and certain concerns are noted):

The Corporate Library rated our company:
High Concern in Executive Compensation.

D in corporate governance.

High Governance Risk Assessment

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We had no Independent Chairman - Independent oversight concern.

We had to marshal a 67% shareholder vote to make certain key governance improvements - Entrenchment concern.

We had no shareholder right to:

- 1) Cumulative voting.
- 2) To act by written consent.

Additionally:

Our board had 2-insiders - Independence concern.

Our directors still had a retirement plan -Independence concern.

Mr. Godbold had 17-years director tenure and was on our Audit Committee - Independence concern.

Our Board set our 2007 shareholder meeting at the same time as the Edison International (EIX) shareholder meeting, another major Southern California utility.

The above status shows there is room for improvement and reinforces the reason to take one step forward now and vote yes:

Shareholder Say on Executive Pay

Yes on 5

The Board of Directors Position

The Board of Directors and its Compensation Committee appreciate the underlying goal of this proposal to provide shareholders with a mechanism to convey their views regarding executive compensation and related processes and disclosures. But they also believe that the advisory vote contemplated by the proposal would be a confusing vehicle for shareholders to express their views and that shareholders already have a number of more effective ways to communicate their views to the board, the committee and the company's management. Accordingly, the board and the committee believe that the advisory vote contemplated by the proposal is unnecessary and could create confusion rather than clarity around compensation issues.

Table of Contents

As summarized in the Compensation Discussion and Analysis appearing under the caption "Executive Compensation" in this proxy statement, the board and its compensation committee have a sound and disciplined compensation review process. We seek to assure that our compensation and benefit programs are cost-effective and competitive, administered in accordance with good corporate governance practices and aligned with the best interests of shareholders.

We also have a responsibility to explain clearly our compensation process. Securities and Exchange Commission rules adopted in 2006 underscore that responsibility and significantly expanded proxy statement disclosures regarding executive compensation. We believe the greater transparency that these disclosures provide are a proper means of providing more specific information regarding executive compensation practices. We want our shareholders to understand our compensation process and to have confidence that it is designed and applied in a manner consistent with shareholder interests.

But the proposal would not provide a mechanism for shareholders to express their specific views on compensation processes and policies. Instead it is limited to a simple "yes" or "no" advisory vote on named executive officer compensation and related disclosures. A negative vote would not provide clear guidance on the specific components of our executive compensation program or on the specific compensation decisions that were made.

Yet even with the most extensive disclosures, shareholders are unlikely to be in a position to cast an informed vote on executive compensation. By their very nature, compensation decisions require a knowledge of executive performance, expertise regarding competitive conditions and compensation practices, and a familiarity with sensitive personnel and other confidential information unavailable to shareholders.

Accordingly, the board and the committee do not believe it would be appropriate to place shareholders in a position to vote on executive compensation.

Moreover, shareholders already have multiple mechanisms by which they can provide input regarding executive compensation and our compensation process. Direct communications are an effective means of expressing specific observations on compensation matters and shareholders may express their views through writing to the board, to the committee, to individual directors or committee members, or to company management.

Shareholders may also express their views in person or proxy at annual meetings of shareholders that are attended not only by management but also by directors. They also have the opportunity to vote on the approval of equity compensation plans and may express their views in electing directors who, in uncontested elections, must receive a majority of the votes cast to be elected.

The board and the committee believe these existing mechanisms provide more appropriate and effective opportunities for communication both from and to

shareholders than an advisory vote mechanism. They permit shareholders to express their individual and collective views in a comprehensive and thoughtful manner that permits an appropriate company response.

Accordingly, in light of our existing commitment to corporate governance, executive compensation transparency and direct communication with shareholders, the board and the committee believe that the adoption of the shareholder proposal would not be in the interests of shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST PROPOSAL 5

Table of Contents

EXECUTIVE COMPENSATION
COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The Compensation Committee of our Board of Directors sets the company's overall executive pay philosophy. It emphasizes:

- Pay-for-performance.
- Performance-based incentives that closely align the interests of executives and shareholders.
- Balance between short term and long term compensation that rewards long term strategic results and encourages stock ownership.
- Shared risk through equity and other performance-based incentives.
- More pay at risk at higher levels of responsibility.

Our executive compensation programs align pay with short and long term company performance. They also support the attraction, motivation and retention of key executive talent. Program goals include:

- Attracting and retaining executives of outstanding ability and proven experience who demonstrate the highest standards of integrity and ethics.
- Aligning compensation with the performance of the company and the interests of shareholders.
- Motivating executives to achieve superior performance.
- Strongly linking executive compensation to both annual and long term corporate, business unit and individual performance.

Company performance is the key indicator of whether our pay programs are effective. We use net income as the primary measure of company performance in our annual incentive plans. Stock price appreciation and total return to shareholders are the key measures for long term performance.

Performance as measured by net income growth, stock price appreciation and total shareholder return has been strong since the creation of the company in 1998. Table 1 and Figure 1 focus on our five-year performance.

Total Shareholder Return *	Sempra Energy	S&P 500 Utilities	S&P 500
2003	32%	26%	29%
2004	26%	24%	11%
2005	26%	17%	5%
2006	28%	21%	16%
2007	13%	19%	5%
Five-Year Total Return	200%	165%	83%

Table 1.

* Total shareholder return is the percentage change in the market value of an investment at the end of the relevant investment period (assuming reinvestment of dividends) from its market value at the beginning of the period.

Figure 1.

* Represents \$325 million in net income related to one-time asset sales.

As Table 1 shows, a shareholder who invested in our shares at the beginning of 2003 and reinvested dividends would have doubled the value of his or her investment in five years. This level of return places the company in the top quartile of S&P 500 companies for this period. As shown

in Figure 1, net income results have also been consistently outstanding. Compensation for our executive officers reflects the company's superior performance through performance-based incentive awards.

Compensation Committee Roles and Responsibilities

Overview

The Compensation Committee's primary role is to determine all aspects of compensation for our executive officers.

The committee holds four regularly scheduled meetings each year, with additional meetings scheduled when required. The committee's chair approves the agenda prior to each meeting. Four directors currently sit on the committee. Each director is:

An independent director under independence standards established by the New York Stock Exchange.

An outside director under Section 162(m) of the Internal Revenue Code.

A non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934.

The committee:

Sets its meeting dates and agenda items annually.

Considers standing agenda items and other timely and pertinent topics at each meeting.

Holds an executive session at each meeting without management.

Recommends changes to its charter for approval by the board as needed.

The most recent charter review was in June 2007, at which time the committee made no changes. The charter is on our website at www.sempira.com/aboutUsgov_charterCompensation.htm.

Table of Contents

Responsibilities of the Compensation Committee

The Compensation Committee's major responsibilities include:

Analyzing executive compensation market data, including base salaries, annual bonuses, long term incentives and pay mix as well as executive compensation principles, strategies, trends, regulatory requirements and current programs.

Making recommendations to the board on annual incentive plans, equity-based plans, severance plans, deferred compensation arrangements, retirement benefits and other programs and benefits that primarily cover executive officers.

Reviewing and approving corporate goals and objectives relevant to the compensation of the company's Chief Executive Officer and other executive officers.

Leading the evaluation of CEO performance in light of these goals and objectives and, based on individual and company performance, competitive compensation information and other considerations, recommending CEO compensation for approval by the board.

Tracking and understanding the total compensation of each executive officer and reviewing, at least once a year, tally sheets that summarize the major elements of compensation.

Reviewing and recommending to the board new or amended broad-based, qualified benefit plans and programs.

Reporting annually on succession planning to the board.

Key 2007 Deliberations

In addition to performing the responsibilities described above, in 2007 the Compensation Committee:

Reviewed and approved the Compensation Discussion and Analysis included in the 2007 proxy statement.

Analyzed long term incentive plan overall dilution and current burn rates.

Reviewed the implications of Internal Revenue Code Section 409A on compensation plans and took steps to ensure compliance.

Established parameters for a new long term incentive plan to be voted upon by shareholders in 2008.

Tally Sheets

The Compensation Committee uses tally sheets, along with information prepared annually for the proxy statement, to provide:

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Information for analyzing and understanding the design, operation and effectiveness of our executive compensation programs.

The total dollar value of executives' accumulated compensation and benefits, including holdings of our common stock and realized and unrealized gains under equity-based compensation awards.

Estimated pension benefits, life insurance benefits, and deferred compensation balances.

Tally sheets provide the committee with an understanding of the company's total executive compensation and benefits program. However, the committee does not use them to establish specific pay levels, which are instead based on external market data, and other considerations described elsewhere in this discussion.

The Compensation Committee's Advisors

The Compensation Committee retains advisors to assist it on matters affecting executive compensation. It has the sole authority to select, compensate and terminate its external advisors.

Hewitt Associates, an internationally recognized compensation and benefits consulting firm, has served as the committee's primary compensation consultant since 2001. A Hewitt representative attends all committee meetings. He met in executive session with the committee members several times during 2007.

Hewitt Associates supports the committee by:

Providing competitive data on compensation and relative performance of peer group companies.

Recommending pay programs and salary increase budgets.

Making presentations on regulatory and legislative matters affecting executive compensation.

Providing opinions on the reasonableness of compensation.

Consulting on other related matters as needed.

The committee must pre-approve any work done by Hewitt for the company.

Our Chief Executive Officer attends the non-executive session of each committee meeting, as does our Senior Vice President of Human Resources. Our Human Resources Department assists the committee by preparing tally sheets and other compensation information and analysis for consideration by the committee. Both the committee and the Hewitt consultants receive all presentation materials well in advance of committee meetings.

Our Accounting, Finance and Law Departments also support the committee with respect to compensation-related matters, including issues related to broad-based benefit plans and regulatory reporting and compliance.

Table of Contents

Management's Role

Neither our Chief Executive Officer nor any other executive officer determines or approves any element or component of his or her own base salary, annual bonus, long term incentives, or other aspects of compensation. Our CEO does not meet separately with the committee's compensation consultants.

The Compensation Committee does seek our CEO's views on the performance of our other executive officers and he makes pay recommendations for these officers. In addition, the committee frequently requests input from the CEO on what programs and goals he believes might be most appropriate given the strategic direction of the company.

Benchmarking

The Compensation Committee uses benchmarking as one basis for determining 1) the compensation for various positions, and 2) the percentage of each component of total compensation. Benchmarking also helps the committee align pay levels, in total and by component, with the market.

During this benchmarking compensation process, the committee:

Reviews the labor market for our most senior executives using a broad cross-section of companies in various industries with data provided by Hewitt Associates that encompasses the 164 non-financial companies in the Fortune 500 that participate in Hewitt's Total Compensation Database.

Reviews summary statistics and statistics adjusted for company size with the goal of managing total pay opportunities to the median of this data, although actual total pay levels are intended to and will rise above or fall below that standard as a result of company and individual performance.

Reviews pay and performance data in proxy statements and other public filings of a selected group of energy and utility companies (see Table 2) to provide an additional basis for assessing executive compensation and corporate performance.

Uses internal equity to determine the compensation for positions that are unique or difficult to benchmark against market data. Internal equity is also considered in establishing compensation for positions considered to be equivalent in responsibilities and importance. This review gives us a better understanding of the effectiveness of our emphasis on "pay for performance" in relation to the performance of our peer group.

Companies Included in 2007 Review	
AES Corporation	Centerpoint Energy
CMS Energy	Consolidated Edison
Dominion Resources	DTE Energy
Duke Energy	Edison International
Exelon	FPL Group

Nicor	NiSource
PG&E	Public Service Enterprises Group
Southern Company	Williams Companies
TXU Energy	

Table 2.

Compensation Components

The primary components of our compensation program are:

- Base salaries
- Performance-based annual bonuses
- Long term equity-based incentive awards

Additional benefits include health and welfare programs, retirement and savings plans, personal benefits and severance pay.

All of our executive officers participate in the same compensation programs. However, market compensation levels vary substantially based upon the roles and responsibilities of individual officers. Thus, the pay of our Chief Executive Officer appropriately is substantially higher than that of our other executive officers.

Pay Mix

How much weight we put on each of the primary components of our compensation program determines our Pay Mix.

Table 3 shows the percent of total pay at company target performance that comes from each major pay component. Our pay mix aligns with the interest of shareholders by providing a much greater portion of pay through performance-based annual and long term incentives rather than base salary. This means that most pay is at risk and will go up or down with company performance.

Pay Components of Total Compensation	Base Salary	Annual Bonus at Target	Long Term Incentive Awards
	Donald E. Felsing	17.5%	17.5%
Neal E. Schmale	20.8%	16.7%	62.5%
Edwin A. Guiles	22.2%	15.6%	62.2%
Mark A. Snell	22.2%	15.6%	62.2%
Javade Chaudhri	26.7%	16.0%	57.3%

Table 3.

Actual pay mix may vary substantially from that shown in the table. This may occur as a result of corporate performance which greatly affects annual bonuses and the value of long term incentives.

Table of Contents

1. Base Salaries

Our executive compensation programs emphasize performance-based annual bonuses and equity-based long term incentive awards. However, base salaries remain a necessary and standard part of compensation for attracting and retaining outstanding employees at all levels.

In setting our executive officers' base salaries, we use median salary information for comparable positions in Fortune 500 companies. Using national, general industry comparisons helps us attract and retain top-quality executive talent from a broad range of relevant backgrounds.

The Compensation Committee annually reviews base salaries for executive officers, and considers the following:

Approximate mid-range of Fortune 500 salary data	Company performance
Individual contribution and performance	Retention needs
Labor market conditions	Experience
Reporting relationships	Complexity and importance of roles and responsibilities
	Succession planning
	Internal equity

Base Salary Adjustments for 2007

In November 2006, Hewitt Associates presented its most current executive pay benchmarking data. Based on the Compensation Committee's consideration of market data, and other factors described above, base salary adjustments were made on January 1, 2007.

The committee determined that our CEO's salary was below median market rates for chief executive officers and did not reflect his outstanding performance. Consequently, his base salary was increased from \$950,000 to \$1,000,000, an adjustment of 5.26%. Increases for the other executive officers named in the Summary Compensation Table ranged from 3.8% to 10%.

2. Performance-Based Annual Bonuses

Incentive Compensation Pool

Executive officers may receive annual performance-based bonuses under our shareholder-approved Executive Incentive Plan. Under the terms of the plan, a compensation pool based on operating earnings is established for each year. The plan is designed to preserve the deductibility of the bonuses under Section 162(m) of the Internal Revenue Code while providing flexibility to the Compensation Committee in administering the plan.

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Please see [Executive Compensation](#) [Compensation Tables](#) [Grants of Plan-Based Awards](#) for additional details regarding the plan.

Performance Guidelines and Bonus Payments

Each year the Compensation Committee establishes performance guidelines for bonus payments. These guidelines anticipate that the committee will apply downward negative discretion to reduce bonuses from maximum amounts permitted by the plan to the lower amounts contemplated by the guidelines.

Consistent with our pay-for-performance philosophy, the guidelines do not provide for any bonus payment unless the company attains a threshold (minimum) performance level for the year. Bonus opportunities increase for performance above the threshold level. Performance at target is intended to result in bonuses at the mid-point of those for executives with comparable levels of responsibility at Fortune 500 companies.

Potential bonuses at threshold, target and maximum company performance are expressed as a percentage of each executive officer's base salary. Table 4 illustrates how these percentages vary with the individual officer's position and attainment of goals.

In 2007, bonus opportunities were as follows:

Bonus Potential as a Percent of Base Salary	Threshold	Target	Maximum
Donald E. Felsing	0%	100%	200%
Neal E. Schmale	0%	80%	160%
Edwin A. Guiles	0%	70%	140%
Mark A. Snell	0%	70%	140%
Javade Chaudhri	0%	60%	120%

Table 4.

These target bonus potentials and percentages are consistent with the leverage typically found in bonus plans within general industry. Bonus payouts at our maximums approximate the 75th percentile of bonus payouts among peer companies.

Extraordinary corporate or individual performance may result in the payment of bonuses above the guidelines but not to exceed plan maximums.

Selection of Performance Measures

The Compensation Committee has evaluated many potential indicators of corporate success in deciding which performance measures to use for annual bonuses. These measures include return on equity, return on invested capital, cash flow measures, and return on asset measures.

The committee has selected net income for the measurement of annual corporate performance. It believes this measure provides an accurate and comprehensive picture of annual company performance that plan participants, shareholders, analysts and other parties clearly understand. Table 5 shows the net income criteria for 2007 bonuses:

2007 Net Income for Bonus Purposes	Threshold	Target	Maximum
	<i>(dollars in millions)</i>		
	\$ 936	\$ 1,040	\$ 1,144

Table 5.

Table of Contents

The committee set 2007 bonus guidelines, with the target of \$1.04 billion, based on anticipated business unit earnings with one exception. It used a three-year average of earnings for Sempra Commodities because of that business volatility.

The committee also determined that any one-time extraordinary gains or losses related to the California energy crisis would be excluded. In setting the target at the beginning of the year, the committee did not anticipate any gains or losses for the potential sale or write-down of assets. It concluded that only 10% of the value of any such actual gains or losses would be included in the calculation of net income for bonus purposes. This is because the committee believes that the impact of asset sales or write-downs should largely be measured through stock price. Most of the impact would, then, be reflected in the long term incentive plan.

The guidelines also exclude the positive or negative impact of major changes in accounting rules that were unknown or unanticipated at the beginning of the plan year.

2007 Performance-Based Annual Bonuses

Earnings for 2007 bonus purposes were \$1.152 billion, exceeding the amount required for maximum bonuses under the committee's guidelines. Based on this performance and its consideration of the contributions of each executive officer, the Compensation Committee approved the payment of the annual bonuses shown in Table 6:

Bonuses Paid in 2008 for 2007 Performance	Base Salary at Year-End 2007	Bonus Percentage at Maximum	Bonus
Donald E. Felsing	\$ 1,007,150	200%	\$ 2,014,300
Neal E. Schmale	\$ 786,444	160%	\$ 1,258,400
Edwin A. Guiles	\$ 626,612	140%	\$ 877,300
Mark A. Snell	\$ 530,912	140%	\$ 743,300
Javade Chaudhri	\$ 487,931	120%	\$ 585,600

Table 6.

3. Long Term Equity-Based Incentives

Long term equity-based incentives are the largest single component of each executive officer's compensation package. (See Table 3 for these percentages.) We grant these incentive awards under our shareholder-approved 1998 Long Term Incentive Plan.

In 2007, as in the past three years, the grant date fair value of annual awards was 80% in performance-based restricted stock and 20% in non-qualified stock options.

The Compensation Committee approved this mix of stock options and performance-based restricted stock after considering many variables. These included alignment with shareholder interests, plan expense, share usage and market trends.

Through the combination of stock options and performance-based restricted stock, the committee believes that both absolute stock price growth and stock price growth relative to the company's industry peers are rewarded. This creates a strong link between executive pay and shareholder returns over a multi-year performance period.

The estimated grant date fair values of our annual awards have generally been between the median and the 75th percentile of market data.

Table 7 illustrates the estimated grant date fair value of 2007 awards as a percentage of base salary:

Estimated Grant Date Values for 2007 as a % of Base Salary	
Donald E. Felsing	370%
Neal E. Schmale	300%
Edwin A. Guiles	280%
Mark A. Snell	280%
Javade Chaudhri	215%

Table 7.

Why Performance-Based Restricted Stock?

Stock options are an important component of shareholder-aligned executive compensation; however, the Compensation Committee sought a more direct link to performance in comparison to indexes and peers. To achieve this result, the committee uses performance-based restricted stock as the major component of our equity grants. An additional advantage of performance-based restricted stock is that, in comparison to stock options, fewer shares are required to deliver the same economic value. This results in lower dilution.

Our executive officers earn the performance-based restricted stock, including reinvested dividends, four years from grant upon meeting company performance requirements. Any performance-based restricted stock not earned is forfeited to the company and canceled. The performance requirements are met if, at the end of the four-year performance period, the company has achieved a cumulative total return to shareholders that places it among the top 50% of the companies in the S&P 500 Utilities Index or the S&P 500 Index.

If neither of these criteria is satisfied, participants may earn a portion of the shares based on performance relative to the S&P 500 Utilities Index.

Why Stock Options?

While playing a lesser role in our current pay program, stock options remain an appropriate and highly motivating vehicle for delivering long term incentives. Our stock options become exercisable in equal annual installments over a four-year period.

Options provide a direct link with shareholder interests, as they have no compensation value unless our stock price increases above the grant date price.

Table of Contents

Results for Performance Period Ending December 31, 2007

Our relative total shareholder return from 2004 through 2007 met the 67th percentile of the S&P 500 Utilities Index. As a result, 100% of the performance-based restricted stock for the 2004-2007 Long Term Incentive Plan cycle was released to plan participants after the committee certified performance results.

Equity Award Practices

All grants of stock options are made at 100% of fair market value - the closing price of our common stock on the date of grant - and grants are not repriced.

We do not backdate grants of awards nor do we coordinate the grant of awards with the release of material information to result in favorable pricing.

The Compensation Committee authorizes the grant of equity-based incentive awards on the first trading day of the upcoming new year. The practice of granting awards on this specific date has been in place for many years.

In making the grants, the committee specifies a dollar value (based on a percentage of base salary) and other terms for each executive officer's award. The dollar value is divided between restricted stock and stock options. Thus, the number of shares granted each year is based on a dollar value, as opposed to a fixed number of shares. This allows maintenance of the pay mix described previously.

On the January grant date, we calculate the precise number of shares to be granted to each executive officer for each type of award by applying Black-Scholes and Monte Carlo valuation models previously authorized by the committee and using the closing price for shares of our common stock on that date. The closing price on the grant date also establishes the exercise price for stock options.

Restricted stock and stock options also may be granted upon the hiring or promotion of executive officers with the approval of the committee.

Benefit Plans

Our executive officers also participate in other benefit programs including: 1) Health, Life Insurance and Disability Plans; 2) Retirement Plans; 3) Savings and Deferred Compensation Plans; and 4) Other Benefit Programs.

1. Health, Life Insurance and Disability Plans

Our executive officers participate in life, disability, medical and dental insurance group plans that are available to virtually all employees. These are common benefits essential to attracting a high-quality workforce.

In addition to the basic group plans, our executive officers participate in the following:

A Medical Insurance Plan, that provides up to \$20,000 (the annual aggregate maximum) in additional coverage for medically necessary care for the officer or covered dependents.

A Life Insurance Plan providing additional life insurance death benefits (two times base salary and bonus for active employees and one times base salary and bonus for retired employees).

A Long Term Disability Plan providing additional protection upon disability (60% of base salary and average bonus) and restoring benefits otherwise capped under the company's basic Long Term Disability Plan.

When executive officers retire, they continue to participate in the health insurance plans generally provided to virtually all employees.

2. Retirement Plans

Our executive officers participate in our Cash-Balance and Excess Cash Balance Pension Plans and a Supplemental Executive Retirement Plan.

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The Cash Balance Plan is a tax-qualified pension plan available to most company employees. Our executive officers also participate with numerous other employees in an Excess Cash Balance Plan. This plan restores the benefits that would have been payable under the Cash Balance Plan but for Internal Revenue Code limitations on tax-qualified plans. Our Supplemental Executive Retirement Plan provides executive officers with retirement benefits based on the executive's final average pay*, years of service, and age at retirement. SERP benefits are reduced by benefits payable under the broad-based Cash Balance Plan and Excess Cash Balance Plan.

Each plan uses only base salary and annual incentive bonuses in calculating benefits. The value of long term incentive awards is not included.

We believe that retirement, savings and deferred compensation plans, in general, and the SERP in particular, are important elements of an overall compensation package. This package is designed to recruit and retain executive talent, especially mid-career executives, and to retain longer term executive participants. Supplemental retirement plans, together with savings and deferred compensation plans, are prevalent benefits within Fortune 500 companies.

3. Savings and Deferred Compensation Plans

Our executive officers, together with most other company employees, also participate in a broad-based, tax-qualified 401(k) Savings Plan.

**Final average pay is the average of the two highest years of base salary and average of the three highest annual bonuses prior to retirement.*

Table of Contents

Employees may contribute a portion of their pay to the plan for investment on a tax-deferred basis. The company matches one-half of the first 6% of the employee's contributions. We then make an additional company contribution of up to 1% of base pay if we meet or exceed annual earnings targets. The Internal Revenue Code limits the amount of compensation eligible for deferral under tax-qualified plans. We restore these benefits through a deferred compensation plan. All employee contributions, matching company contributions, and investment earnings vest immediately.

Our executive officers also may defer up to 100% of their base salary and bonus under a Deferred Compensation Plan. These deferrals may be directed into funds that mirror the investments available under our 401(k) Savings Plan, including a Sempra Energy phantom stock account, or into a fund providing interest at the greater of 110% of the Moody's Corporate Bond Yield or Moody's plus 1%.

4. Other Benefit Programs

We provide certain other typical benefits to our executive officers. The Compensation Committee reviews the level and types of these benefits each year. The committee believes that these benefits are reasonable and important in attracting and retaining executive talent.

These benefits include financial planning services and excess personal liability insurance. In lieu of reimbursement for mileage and other automobile expenses, we have traditionally provided car allowances. However, car allowances were eliminated mid-year 2007 with a compensating increase in base salary. Our Chief Executive Officer has an executive security specialist for personal and business driving in the context of an overall security plan.

Severance Pay and Change in Control Arrangements

All of our executive officers have severance pay agreements that include change in control features.

Severance arrangements are a prevalent market practice. The Compensation Committee believes that they are effective in attracting executives who are leaving an existing employer, mitigating legal issues upon a separation of employment and retaining talent during uncertain times. By mitigating the effects of potential job loss, our severance agreements reinforce management continuity, objectivity and focus on shareholder value, particularly in actual or potential change in control situations.

The severance agreements provide for cash payments and the continuation of certain other benefits for a limited period when the company terminates an executive's employment other than for cause, death or disability or when the executive terminates for good reason. A

termination for good reason may occur if there is an adverse change in scope of duties or in compensation and benefit opportunities or, following a change-in-control, changes in employment location.

These provisions provide safeguards against arbitrary actions that are a constructive termination of employment without cause. These are actions that, in effect, force the executive to resign. In order to receive some of the benefits in the agreements, the executive must comply with contractual confidentiality, non-competition and non-disparagement obligations.

Under our shareholder-approved long term incentive plan, upon a change in control of the company, all stock options vest and become immediately exercisable, and all performance and time restrictions lift for outstanding restricted stock grants. To the extent that our executive officers would incur excise taxes upon the acceleration of these equity awards, their severance agreements provide that they will be made whole for these taxes. These are taxes above and beyond regular income taxes.

Acceleration of equity awards is the predominant industry practice for existing equity plans. This approach creates a clean slate for the emerging organization and allows for alignment with metrics that are forward looking and appropriate to a newly created company and management team.

Evaluating and Compensating the CEO

The Compensation Committee annually reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer. These goals and objectives are based primarily upon objective criteria, including business performance; accomplishment of strategic and financial objectives; development of management; and other matters relevant to the short term and long term success of the company and the creation of shareholder value.

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All independent directors provide input for the CEO's performance evaluation. The committee leads the process and reports the consolidated results back to the independent directors. The chair of the committee discusses the board's evaluation with the CEO. Based upon this evaluation and subject to ratification by the board acting solely through the independent directors, the committee determines the CEO's compensation level. This includes base salary and awards under annual and long term incentive plans.

In determining the long term component of our CEO's compensation, the committee considers the company's performance and relative shareholder return, the value of incentive awards to chief executive officers at comparable companies, and the awards granted in past years.

Table of Contents

Our CEO, Donald E. Felsing, met or exceeded his 2007 objectives, which included:

Meeting or exceeding the 2007 earnings target approved by the board.

Advancing the strategic direction of the business.

Developing talent for top level succession.

Enhancing corporate reputation.

The board determined that Mr. Felsing's overall performance during 2007 was outstanding.

Impact of Regulatory Requirements

Tax Deductibility of Pay

Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the annual amount of compensation (other than compensation that qualifies as qualified performance-based compensation) that publicly held companies may deduct for federal income tax purposes for each of certain executive officers.

The Compensation Committee believes that tax deductibility is one important factor in evaluating a compensation program. Consequently, we generally design and administer our performance-based incentive plans to maintain tax deductibility. This includes obtaining shareholder approval of the plans. However, providing salary levels and other compensation that is not fully tax deductible may be required by competitive or other circumstances and in the best interests of our shareholders. Accordingly, the committee may continue to exercise discretion to provide compensation that may not be fully tax deductible by the company.

Other Tax, Accounting and Regulatory Considerations

Many other Internal Revenue Code provisions, Securities and Exchange Commission regulations and accounting rules affect the delivery of executive pay. They are taken into consideration to create and maintain plans that are efficient and in full compliance with these requirements.

Share Ownership Guidelines

Our Board of Directors has established share ownership guidelines for officers to further strengthen the link between company performance and compensation.

The guidelines set minimum levels of share ownership that our officers are encouraged to achieve and maintain. For officers, the guidelines are:

Executive Level	Share Ownership Guidelines
Chief Executive Officer	4x base salary
President	3x base salary
Executive Vice Presidents	3x base salary
Senior Vice Presidents	2x base salary
Other Vice Presidents	1x base salary

Table 8.

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For purposes of the guidelines, we include shares owned directly or through benefit plans. We also count deferred compensation that executives invest in phantom shares of our common stock and the vested portion of certain in-the-money stock options.

We expect officers to meet these guidelines within five years of hire or any officer level promotion. All officers are in compliance with the guidelines.

The company also prohibits employees and directors from trading in puts, calls, options or other future rights to purchase or sell shares of the company.

Conclusion

We have structured our executive compensation programs to provide competitive pay - pay levels found in the marketplace, and to reward outstanding individual and corporate performance.

For 2007, our executive officers' total direct compensation (base salaries, bonuses paid and the grant-date value of long term incentives) generally fell within the third quartile (between the 50th percentile and the 75th percentile) of the Fortune 500 market data. As a new chief executive officer, Mr. Felsing's pay was below the median of his peers. Given continued strong performance, we fully expect that this relationship to market will change.

Our salaries are competitive and our performance-based compensation is strongly aligned with the interests of our shareholders.

We will continue to monitor our pay programs for alignment with performance, shareholder interests and competitive labor markets. We will continue to offer the programs necessary to attract, retain, and motivate top executive talent.

Table of Contents

COMPENSATION COMMITTEE REPORT

The Compensation Committee of Sempra Energy's Board of Directors has reviewed and discussed with management of the company the Compensation Discussion and

Analysis included in this proxy statement and, based upon that review and discussion, recommended to the board that it be so included.

Compensation Committee

William C. Rusnack, *Chair*

Richard A. Collato

William G. Ouchi

William P. Rutledge

February 12, 2008

Table of Contents**COMPENSATION TABLES****Summary Compensation Table**

We summarize below the compensation of our five most highly compensated executive officers for the last two years.

Summary Compensation Table	Year	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Deferred Compensation	All Other Compensation	Total
			(A)(B) <i>Amount expensed for restricted stock</i>	(A)(C) <i>Amount expensed for stock options</i>	<i>Performance-based annual cash bonus</i>	(D) <i>Earnings (D) Pension accruals and above-market interest on non-qualified deferred compensation</i>	(E)	
Donald E. Felsing Chairman and Chief Executive Officer	2007	\$ 1,001,652	\$ 4,701,629	\$ 1,487,186	\$ 2,014,300	\$ 4,641,243	\$ 306,170	\$ 14,152,180
	2006	\$ 943,320	\$ 5,890,427	\$ 1,137,034	\$ 1,900,000	\$ 1,900,859	\$ 405,540	\$ 12,177,180
Neal E. Schmale President and Chief Operating Officer	2007	\$ 781,376	\$ 4,783,519	\$ 671,589	\$ 1,258,400	\$ 2,765,418	\$ 119,096	\$ 10,379,398
	2006	\$ 745,039	\$ 5,169,640	\$ 681,902	\$ 1,200,000	\$ 1,634,609	\$ 342,631	\$ 9,773,821
Edwin A. Guiles Executive Vice President Corporate Development	2007	\$ 621,534	\$ 2,453,679	\$ 517,845	\$ 877,300	\$ 611,507	\$ 131,617	\$ 5,213,482
	2006	\$ 594,669	\$ 2,953,751	\$ 564,115	\$ 833,700	\$ 1,414	\$ 235,354	\$ 5,183,003
Mark A. Snell Executive Vice President and Chief Financial Officer	2007	\$ 524,879	\$ 1,138,630	\$ 215,821	\$ 743,300	\$ 553,749	\$ 86,486	\$ 3,262,865
	2006	\$ 473,815	\$ 964,669	\$ 176,028	\$ 665,000	\$ 388,748	\$ 123,040	\$ 2,791,300
Javade Chaudhri Executive Vice President and General Counsel	2007	\$ 482,954	\$ 1,024,840	\$ 171,269	\$ 585,600	\$ 613,646	\$ 123,657	\$ 3,001,966
	2006	\$ 460,259	\$ 783,204	\$ 148,879	\$ 703,100	\$ 413,540	\$ 172,819	\$ 2,681,801

(A) Amounts recognized as compensation expense for the year in respect of outstanding awards, including those granted in prior years, calculated in accordance with generally accepted accounting principles for financial reporting purposes as described in Note 10 of Notes to Consolidated Financial Statements included in our Annual Report to Shareholders but disregarding estimates of forfeitures related to service-based vesting conditions. A Monte Carlo pricing model is used to calculate the fair value of performance-based restricted stock and a modified Black-Scholes pricing model is used to calculate the fair value of service-based stock options. For awards granted after 2005, fair value is recognized as compensation expense over the vesting period of the awards – the shorter of four years from the grant date or the period to the executive's retirement eligibility date, with awards made to retirement eligible executives (Messrs. Felsing, Schmale and Guiles with respect to 2006 and 2007 awards) fully expensed in the year in which they are granted. Fair value for awards granted before 2006 is calculated as of January 1, 2006 and compensation expense is recognized over the vesting period. Fair value for the sole service-based restricted stock award (a 2004 award to Mr. Schmale) is recognized over the vesting period.

Table of Contents

The following tables show 2007 and 2006 compensation expense for restricted stock and stock options granted in those years and prior years.

Restricted Stock Expense	Year of Grant	Total
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