

SOUTHERN CALIFORNIA GAS CO
Form DEF 14C
April 22, 2016

SCHEDULE 14C INFORMATION

**Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934 (Amendment No.)**

Check the appropriate box:

- Preliminary Information Statement **Confidential, for Use of the Commission Only**
(as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

Southern California Gas Company

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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Fee paid previously with preliminary materials.

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SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF ANNUAL SHAREHOLDERS MEETING

The Southern California Gas Company (SoCalGas or the company) Annual Shareholders Meeting will be held on May 25, 2016, at 11:30 a.m., local time, at 488 8th Avenue, San Diego, California. SoCalGas is a subsidiary of Sempra Energy.

The 2016 Annual Shareholders Meeting will be held for the following purposes:

- (1) To elect directors.
- (2) To obtain advisory approval of our executive compensation.
- (3) To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on April 8, 2016, are entitled to notice of and to vote at the Annual Shareholders Meeting and any adjournment or postponement thereof.

The Annual Shareholders Meeting is a business-only meeting. It will not include any presentations by management and the company does not encourage shareholder attendance.

Only shareholders are entitled to attend the Annual Shareholders Meeting and any adjournment or postponement thereof. Shareholders who own shares registered in their names will be admitted to the meeting upon verification of record share ownership. Shareholders who own shares through banks, brokers or other nominees must present proof of beneficial share ownership (such as the most recent account statement prior to April 8, 2016) to be admitted.

Additional information regarding the company is included in its Annual Report on Form 10-K and other documents filed with the Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549. These documents also are available on the Sempra Energy website at www.sempra.com under the Investors and Company SEC Filings tabs. The company will furnish a copy of its 2015 Form 10-K (excluding exhibits, except those that are specifically requested) without charge to any of its shareholders who so request by writing to the office of the Corporate Secretary. Requests should be sent to 488 8th Avenue, San Diego, California 92101-7123. Information on the website does not constitute part of this Information Statement.

Kari E. McCulloch

Corporate Secretary

Important Notice Regarding the Availability of Information Statement Materials for the

SoCalGas Annual Shareholders Meeting to be Held on May 25, 2016.

The Information Statement for the Annual Shareholders Meeting to be held on May 25, 2016 and the

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Annual Report are available on the Internet at

<http://www.astproxyportal.com/ast/25974>

INFORMATION STATEMENT

WE ARE NOT ASKING YOU FOR A PROXY AND

YOU ARE REQUESTED NOT TO SEND US A PROXY

Southern California Gas Company is providing this Information Statement to its shareholders in connection with its Annual Shareholders Meeting to be held on May 25, 2016. The Notice of Annual Shareholders Meeting and Information Statement and the Annual Report to shareholders are being mailed to shareholders beginning on or about April 22, 2016.

THE COMPANY

Southern California Gas Company, which we refer to as SoCalGas or the company, is an indirect investor-owned public utility subsidiary of Sempra Energy. SoCalGas' principal executive offices are located at The Gas Company Tower, 555 West Fifth Street, Los Angeles, California 90013-1046. Its telephone number is (213) 244-1200.

OUTSTANDING SHARES AND VOTING RIGHTS

SoCalGas' Board of Directors has fixed April 8, 2016, as the record date for determining the shareholders of SoCalGas entitled to notice of and to vote at the SoCalGas Annual Shareholders Meeting and any adjournment or postponement thereof. On that date, SoCalGas' outstanding shares consisted of 91,300,000 shares of common stock and 862,043 shares of preferred stock. All SoCalGas common stock and 50,970 shares of SoCalGas preferred stock are owned by Pacific Enterprises (PE), a wholly owned direct subsidiary of Sempra Energy.

In electing directors, each share is entitled to one vote for each of the five director positions and shareholders will be entitled to cumulate votes if any shareholder gives notice of an intention to do so at the meeting and prior to the voting. If that notice is given, all shareholders may cast all of their votes for any one director candidate whose name has been placed in nomination prior to the voting or distribute their votes among two or more such candidates in such proportions as they may determine. In voting on any other matters that may be considered at the Annual Shareholders Meeting and any adjournment or postponement thereof, each share is entitled to one vote.

The shares of SoCalGas owned by PE and indirectly owned by Sempra Energy represent over 99 percent of SoCalGas' outstanding shares and the number of votes entitled to be cast on the matters to be considered at the Annual Shareholders Meeting and any adjournment or postponement thereof. PE has advised SoCalGas that it intends to vote FOR each of the nominees for election to the Board of Directors and FOR advisory approval of our executive compensation.

GOVERNANCE OF THE COMPANY

The business and affairs of SoCalGas are managed and all corporate powers are exercised under the direction of its Board of Directors in accordance with the California General Corporation Law as implemented by SoCalGas' Articles of Incorporation and Bylaws.

Board of Directors

Board Meetings; Annual Shareholders Meeting

During 2015, the Board of Directors of SoCalGas held 14 meetings and acted 19 times by unanimous written consent. Each director, other than Mr. Lane, attended at least 75 percent of the meetings.

The Annual Shareholders Meeting is a business-only meeting without presentations by management. The company does not encourage attendance at the meeting by public shareholders. Last year, all of the directors attended the meeting.

Leadership Structure

The Chief Executive Officer of the company serves as the Chairman of the company's Board of Directors. SoCalGas does not have a lead independent director. As a subsidiary of Sempra Energy, SoCalGas is not subject to stock exchange listing standards requiring independent directors and various board committees and, accordingly, has not established independence standards for its directors. All of the directors of the company are also officers of the company or Sempra Energy and, as such, none qualifies as an independent director under the New York Stock Exchange Listing Standards. The SoCalGas board does not maintain any committees.

Nominees for election as directors are determined by the Board of Directors, and the board will not consider director candidates recommended by shareholders other than its direct and indirect parent companies. The board consists of Dennis Arriola, the Chairman, President and Chief Executive Officer of SoCalGas, J. Bret Lane, Chief Operating Officer of SoCalGas, and three senior officers of Sempra Energy with varying professional and business expertise. Although Sempra Energy and SoCalGas promote diversity in hiring employees and in the appointment of their senior officers, diversity is not otherwise considered in selecting the officers that serve as directors of the company.

Sempra Energy's Board of Directors is composed of a substantial majority of independent directors and maintains standing Audit, Compensation and Corporate Governance Committees composed solely of independent directors. The Sempra Energy board also has adopted a Code of Business Conduct and Ethics for Directors and Officers that is applicable to the directors and officers of SoCalGas, and officers of SoCalGas also are subject to Business Conduct Guidelines that apply to all employees of SoCalGas.

Risk Oversight

Assessing and monitoring risks and risk management are functions of the SoCalGas Board of Directors. The board reviews and oversees the company's strategic, financial and operating plans. SoCalGas management is responsible for identifying and moderating risk. SoCalGas has a Risk Management Policy Committee (RMPC), which is composed of members of management and is chaired by the company's Vice President of Enterprise Risk Management and Compliance. The RMPC's mission is to provide reasonable assurance that the company has a comprehensive approach to its risk assessment and allocates the appropriate resources to effectively manage the company's risks. SoCalGas also has an Energy Procurement Risk Management Committee (EPRMC) composed of members of management that is responsible for the oversight of risk management within the company's natural gas procurement department. The board fulfills its risk oversight function by, among other things, direct reports by management to the board and by scheduling periodic updates to the board by representatives of the RMPC and EPRMC.

Review of Related Person Transactions

Securities and Exchange Commission rules require that SoCalGas disclose 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 Board of Directors has adopted a written policy that requires the board to review and approve or ratify any such related person transaction that is required to be disclosed. There have been no transactions or proposed transactions requiring such review during 2015 or 2016 through the mailing date of this Information Statement.

Communications with the Board

Shareholders or interested parties who wish to communicate with the Board of Directors or an individual director may do so by writing directly to the board or the director at the address set forth above under the caption "The Company."

Compensation of Directors

All of our directors are employees of SoCalGas or Sempra Energy and are not otherwise compensated for their service on the Board of Directors.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Representatives of Deloitte & Touche LLP, the independent registered public accounting firm for SoCalGas, are expected to attend the Annual Shareholders Meeting. They will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions from shareholders. Deloitte & Touche LLP also serves as the independent registered public accounting firm for Sempra Energy and its other U.S. public subsidiary, San Diego Gas & Electric Company (SDG&E).

The following table shows the fees paid to Deloitte & Touche LLP for services provided to SoCalGas for 2015 and 2014 (in thousands of dollars).

	SoCalGas			
	2015	%	2014	%
	Fees	of Total	Fees	of Total
Audit Fees				
Consolidated Financial Statements and Internal Controls Audit	\$ 2,516		\$ 2,412	
Regulatory Filings and Related Services	59		86	
Total Audit Fees	2,575	87%	2,498	89%
Audit-Related Fees				
Employee Benefit Plan Audits	218		219	
Other Audit Related Services, Accounting Consultation	95			
Total Audit-Related Fees	313	11%	219	8%
Tax Fees				
Tax Planning and Compliance	54		84	
Total Tax Fees	54	2%	84	3%
All Other Fees	9	<1%		
Total Fees	\$ 2,951		\$ 2,801	

The Audit Committee of Sempra Energy's Board of Directors is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm for Sempra Energy and its subsidiaries, including SoCalGas. As a matter of good corporate governance, the SoCalGas board also reviewed the performance of Deloitte & Touche LLP and concurred with the determination by the Sempra Energy Audit Committee to retain them as its independent registered public accounting firm for 2016. Sempra Energy's board has determined that each member of its Audit Committee is an independent director and is financially literate, and that Mr. Taylor, the chair of the committee, and Mr. Brocksmith, are each an audit committee financial expert as defined by the rules of the Securities and Exchange Commission.

Except where pre-approval is not required by the Securities and Exchange Commission rules, Sempra Energy's Audit Committee pre-approves all audit and permissible non-audit services provided by Deloitte & Touche LLP for Sempra Energy and its subsidiaries. The committee's pre-approval policies and procedures provide for the general pre-approval of specific types of services and give detailed guidance to management as to the services that are eligible for general pre-approval. 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.

AUDIT REPORT

The Board of Directors of SoCalGas has reviewed and discussed the audited financial statements of the company for the year ended December 31, 2015 with management and Deloitte & Touche LLP, the independent registered public accounting firm.

The board has discussed with Deloitte & Touche LLP the matters required to be discussed by the rules of the Public Company Accounting Oversight Board Auditing Standard No. 16, Communications with Audit Committees. The board also has received from Deloitte & Touche LLP a report providing the disclosures required by the applicable requirements of the Public Company Accounting Oversight Board regarding their communications with the board concerning Deloitte & Touche LLP's independence and has discussed their independence with them.

Based on these considerations, the Board of Directors directed that the audited financial statements of SoCalGas be included in its Annual Report on Form 10-K for the year ended December 31, 2015, for filing with the Securities and Exchange Commission.

BOARD OF DIRECTORS

Dennis V. Arriola, *Chair*

Steven D. Davis

J. Bret Lane

G. Joyce Rowland

Martha B. Wyrsh

SHARE OWNERSHIP

All of the outstanding SoCalGas common stock is owned by PE and all of the outstanding common stock of PE is owned by Sempra Energy. None of the directors or officers of SoCalGas owns any preferred shares of SoCalGas, and SoCalGas is unaware of any person, other than PE, who beneficially owns more than 5.0 percent of its preferred shares.

The following table sets forth the number of shares of Sempra Energy common stock beneficially owned on March 17, 2016, by each director of SoCalGas, by each current executive officer of SoCalGas named in the compensation tables of this Information Statement, and by all current directors and executive officers of SoCalGas as a group. The shares of common stock beneficially owned by our directors and executive officers as a group total less than 1.0 percent of Sempra Energy's outstanding shares. In calculating this percentage, shares under the heading "Phantom Shares" are not included because these shares cannot be voted. In addition, these shares either may only be settled for cash or cannot be settled for common stock within sixty (60) days.

Share Ownership	Current Beneficial Holdings	Shares Subject to Exercisable Options (A)	Total Without Phantom Shares	Phantom Shares (B)	Total Including Phantom Shares
Dennis V. Arriola	5,652		5,652		5,652
J. Christopher Baker	12,088		12,088	5,112	17,200
Steven D. Davis	15,811		15,811	102	15,913
Bruce A. Folkmann	854	3,700	4,554		4,554
J. Bret Lane	12,629	875	13,504	980	14,484
G. Joyce Rowland	17,889		17,889	4,732	22,621
Lee Schavrien	23,834		23,834	2,155	25,989
Martha B. Wyrsh (C)	2,000		2,000		2,000
Directors and Executive Officers as a Group (9 persons)	93,854	4,575	98,429	13,081	111,510

(A) Shares of Sempra Energy common stock which may be acquired through the exercise of stock options that currently are exercisable or will become exercisable within 60 days.

(B) Represents deferred compensation deemed invested in shares of Sempra Energy common stock. These phantom shares track the performance of Sempra Energy common stock but cannot be voted and may only be settled for cash. Also includes 3,102 vested common stock units deferred by Mr. Baker.

(C) Ms. Wyrsh shares the power to vote and dispose of 2,000 shares with her spouse.

There are two persons known to us to own beneficially more than 5.0 percent of Sempra Energy's outstanding shares: BlackRock, Inc., 55 East 52nd Street, New York, NY 10055 and The Vanguard Group, 100 Vanguard Blvd., Malvern, PA 19355. BlackRock, Inc. has reported that at December 31, 2015 it and related entities beneficially owned 17,879,899 shares for which they had sole voting power over 15,825,123 shares and sole dispositive power over 17,879,899 shares, representing approximately 7.2 percent of Sempra Energy's outstanding shares. The Vanguard Group has reported that at December 31, 2015 it and related entities beneficially owned 14,219,074 shares for which they had sole voting power over 454,000 shares, sole dispositive power over 13,752,134 shares, shared voting power over 23,800 shares, and shared dispositive power over 466,940 shares, representing approximately 5.7 percent of Sempra Energy's outstanding shares.

Section 16(a) Beneficial Ownership Reporting Compliance

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 our review of the reports filed and written representations from directors and executive officers that no other reports were required, we believe that all filing requirements were timely met during 2015.

ELECTION OF DIRECTORS

At the Annual Shareholders Meeting, five directors will be elected to hold office until the next annual shareholders meeting and until their successors have been elected and qualified. The five director candidates receiving the highest number of affirmative votes will be elected as directors of the company. Votes against the directors and votes withheld will have no legal effect.

The five current directors of SoCalGas have been nominated for re-election to the board. The name of each nominee, biographical information regarding each nominee and a description of each nominee's specific experience and attributes that make him or her a well-qualified and valuable board member are set forth below. Except for Mr. Arriola and Ms. Wyrsh, the directors have held the positions set forth below or various positions with the same or affiliated organizations for at least the last five years.

Dennis V. Arriola, 55, became Chairman of the Board of Directors of SoCalGas on November 2, 2015. On March 1, 2014, he became SoCalGas's Chief Executive Officer. He has been the President of SoCalGas since August 2012 and a director of SoCalGas since December 2012. Mr. Arriola served as Chief Operating Officer of SoCalGas from August 2012 to December 2013. Prior to rejoining the company, Mr. Arriola served as Executive Vice President and Chief Financial Officer from April 2010 to March 2012 and as Senior Vice President and Chief Financial Officer from 2008 to 2010, in each case at SunPower Corporation. He served as Senior Vice President and Chief Financial Officer of SoCalGas and SDG&E from 2006 to 2008.

Mr. Arriola has extensive energy industry experience, financial expertise and significant executive experience.

Steven D. Davis, 60, became a director of SoCalGas on November 2, 2015. He previously was a director from September 22, 2011 through December 31, 2013. On September 26, 2015, Mr. Davis became Sempra Energy's Executive Vice President - External Affairs and Corporate Strategy. Prior to assuming his current role with Sempra Energy, he was President of SDG&E from January 2014 through September 2015. From March 2012 to December 2013, Mr. Davis served as Senior Vice President of External Affairs for Sempra Energy. Prior to that, he held other senior level positions, including Vice President - Investor Relations of Sempra Energy from May 2010 to March 2012; Vice President Communications and Community Partnerships of Sempra Energy from 2006 to 2010; and Senior Vice President External Relations and Chief Financial Officer for SoCalGas and SDG&E from 2004 to 2006.

Mr. Davis brings more than 35 years of service to our company and its affiliates in a broad range of management roles. He has benefitted from years of hands-on experience with utility and energy infrastructure operations. That experience brings to our board a multifaceted perspective and in-depth industry understanding.

J. Bret Lane, 56, became a director of SoCalGas on March 1, 2014 and the Chief Operating Officer of SoCalGas on January 4, 2014. Prior to assuming these roles, Mr. Lane served as Senior Vice President - Gas Operations and System Integrity for both SoCalGas and SDG&E from August 2012 to January 2014, responsible for all aspects of gas delivery services, including regional operations, engineering, transmission, storage and pipeline safety. Mr. Lane has held several senior level positions with SoCalGas and SDG&E, including Vice President - Field Services from April 2010 to August 2012; Vice President - Gas Transmission and Distribution from 2008 to 2010; and Chief Environmental Officer from 2005 to 2008.

Mr. Lane has served our company in a broad range of management roles for over 30 years. His extensive experience and in-depth understanding of the natural gas industry, along with his comprehensive management experience, make him a valuable member of our board.

G. Joyce Rowland, 61, became a director of SoCalGas on September 3, 2015. She is Senior Vice President and Chief Human Resources and Chief Administrative Officer for Sempra Energy, where she oversees succession planning, leadership development, employee relations, staffing and affirmative-action/diversity programs and employee giving programs. Ms. Rowland also oversees compensation and benefits, payroll services, MyInfo and human resources information technology. Previously, Ms. Rowland served as Senior Vice President of Human Resources, Diversity and Inclusion for Sempra Energy. Prior to that, from 1995 to 1998, she was Vice President of Pacific Enterprises, the parent company of SoCalGas.

Ms. Rowland brings more than 36 years of service to our company and its affiliates in a broad range of senior management roles. Her extensive and comprehensive management experience makes her a valuable member of our board.

Martha B. Wyrsh, 58, became a director of SoCalGas in September 2013. She was appointed Executive Vice President and General Counsel of Sempra Energy in September 2013. Prior to joining Sempra Energy, from 2009 to 2012, Ms. Wyrsh served as President of Vestas American Wind Systems, the Portland, Oregon-based affiliate of Danish-owned Vestas Wind Systems A/S, and Chair of the Vestas North American Regional Council. From 2005 to 2008, Ms. Wyrsh served as President and Chief Executive Officer of Spectra Energy Transmission and its predecessor, Duke Energy Gas Transmission, a natural gas energy company based in Houston, Texas. Ms. Wyrsh currently serves on the Boards of Directors of Spectris plc and the Cristo Rey Network and is a former director of SPX Corporation.

Ms. Wyrsh's extensive experience in the energy industry, coupled with her knowledge gained from many years as a practicing attorney, makes her a valuable member of our board.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Our Board of Directors recognizes that performance-based executive compensation is an important element in driving long-term shareholder value. Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are asking shareholders to approve an advisory resolution on SoCalGas' executive compensation as reported in this Information Statement. This proposal, commonly known as a say-on-pay proposal, gives our shareholders the opportunity to express their views on the compensation of our executive officers named in the executive compensation tables in this Information Statement ("named executive officers").

To be approved, the proposal must receive votes FOR the proposal constituting a majority of the shares represented and voting at the Annual Shareholders Meeting at which a quorum is present, and the approving majority must also represent more than 25 percent of our outstanding voting stock. If you indicate ABSTAIN, it will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Shareholders Meeting, but will not be considered a vote cast with respect to this proposal.

Compensation Discussion and Analysis

As described more fully in the Compensation Discussion and Analysis section of this Information Statement, SoCalGas' executive compensation program is designed to attract, motivate, and retain key employees, including our named executive officers, and promote strong, sustainable, long-term performance. We urge our shareholders to read Executive Compensation Compensation Discussion and Analysis, which describes in detail how our executive compensation policies and procedures operate and, more specifically, describes our 2015 executive compensation program and decisions. Our Board of Directors believes that our executive compensation program fulfills these objectives and is reasonable, competitive and aligned with our performance and the performance of our executives.

Resolution

We are asking our shareholders to indicate their support for the compensation of our named executive officers as described in this Information Statement by voting in favor of the following resolution:

RESOLVED, as an advisory matter, the shareholders of Southern California Gas Company approve the compensation paid to the company's named executive officers as disclosed in this Information Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

This say-on-pay vote is advisory only and will not be binding on the company.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

What information is provided in this section of the Information Statement?

In this Compensation Discussion and Analysis, we:

- Outline our compensation philosophy and discuss how the SoCalGas Board of Directors determines executive pay.
- Describe each element of executive pay, including base salaries, short-term and long-term incentives and executive benefits.
- Describe how we manage risk in our incentive compensation plans.

Who are the Named Executive Officers?

This Compensation Discussion and Analysis focuses on the compensation of our named executive officers:

- Dennis V. Arriola: Chairman, President and Chief Executive Officer
- Bruce A. Folkmann: Vice President, Chief Financial Officer, Treasurer and Controller¹
- J. Christopher Baker: Chief Information Officer
- J. Bret Lane: Chief Operating Officer
- Lee Schavrien: Chief Administrative Officer
- Robert M. Schlax: Vice President, Chief Financial Officer, Treasurer and Controller² (retired effective August 1, 2015)

Messrs. Folkmann, Baker and Schavrien are officers of both SoCalGas and SDG&E. Prior to his retirement, Mr. Schlax was an officer of both SoCalGas and SDG&E. The amounts shown in this Information Statement for these officers reflect their total compensation, the cost of which is allocated between SoCalGas and SDG&E.

What is our Compensation Philosophy?

Our Board of Directors sets the company's executive pay philosophy.

Our compensation philosophy emphasizes:

- Aligning pay with short-term and long-term company performance.
- Performance-based incentives aligned with value creation for shareholders.
- Balance between short-term and long-term incentives.
- More pay tied to performance at higher levels of responsibility.

Elements of our executive pay program that exemplify our pay-for-performance philosophy include:

- Approximately 70 percent of our CEO's total target pay is performance-based.
- Performance measures in our short-term and long-term incentive plans are directly linked to SoCalGas, Sempra Energy California utilities, and Sempra Energy's financial performance and to Sempra Energy's relative total shareholder return and earnings per share growth.
- One hundred percent of short-term incentive compensation is performance-based.
- One hundred percent of the CEO's long-term incentive compensation is performance-based and 75 percent of other named executive officers' long-term incentive compensation is performance-based.

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Long-term incentive compensation is primarily delivered through performance-based restricted stock units. The performance measures for the annual performance-based restricted stock unit awards are based on Sempra Energy's relative total shareholder return and earnings per share growth.

¹ Mr. Folkmann became Vice President, Chief Financial Officer, Treasurer and Controller on March 28, 2015.

² Mr. Schlax resigned as the Chief Financial Officer, Treasurer and Controller of the company effective March 28, 2015 and retired as Vice President effective August 1, 2015.

We believe this compensation philosophy enables us to attract, motivate and retain key executive talent and promote strong, sustainable long-term performance.

Our compensation program goals include:

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

In 2015, SoCalGas employees participated in an annual incentive plan. The primary performance measures under the annual incentive plan were SoCalGas earnings, operational measures and Sempra Energy earnings. Sempra Energy's relative total return to shareholders and earnings per share growth are the performance measures in the annual equity awards under Sempra Energy's long-term incentive plan.

What compensation governance measures are in place?

Our compensation practices, which are highlighted below, reflect our pay-for-performance philosophy and our commitment to sound corporate governance.

What We Do:

We use multiple performance measures in our short-term and long-term incentive plans. These performance measures link pay to performance and shareholder interests. We use earnings, Sempra Energy's relative total shareholder return and Sempra Energy's earnings per share growth as the primary incentive plan financial performance measures. Our short-term incentive plan also includes performance measures related to employee and public safety, customer satisfaction, supplier diversity and strategic operational goals.

We review external market data when making compensation decisions.

Our clawback policy provides for the forfeiture, recovery or reimbursement of incentive plan awards as required by law or New York Stock Exchange rules. In addition, compensation may be recouped if the company determines that the results on which compensation was paid were not actually achieved, or in certain instances of an employee's fraudulent or intentional misconduct.

All officers are subject to stock ownership requirements ranging from three times base pay for SoCalGas' CEO to one times base pay for vice presidents.

Executive perquisites constitute a small proportion of our executive total rewards program.

The Sempra Energy 2013 Long-Term Incentive Plan, in which SoCalGas employees participate, includes a double trigger provision for vesting of equity in connection with a change in control of Sempra Energy. Restricted stock unit awards issued to date under the 2013 Long-Term Incentive Plan provide for continuation following a change in control through the new company's assumption of the awards or the issuance of replacement awards. Replacement awards must meet certain criteria, which are described in Section 16 of the 2013 Long-Term Incentive Plan. If awards are not assumed or replaced or if an employee is eligible for retirement (age 55 or older with five or more years of service) as of the date of the change in control, awards would vest upon a change in control.

What We Don't Do:

Long-term incentive plan grants are made from a Sempra Energy shareholder-approved plan that prohibits stock option repricing and cash buyouts without shareholder approval.

Our anti-hedging policy prohibits employees from trading in puts, calls, options or other similar securities related to Sempra Energy common stock.

Officers are prohibited from pledging Sempra Energy company stock.

We do not provide for excise tax gross-ups upon a change in control in our named executive officers' agreements and no named executive officers received tax gross-ups.

Change in control cash severance benefits are not provided upon a change in control only (single trigger). Change in control cash severance benefits are payable only upon a change in control with termination of employment (double trigger).

None of the named executive officers has an employment contract.

Sempra Energy s long-term incentive plan prohibits share recycling for stock option and stock appreciation right (SAR) exercises. The plan was amended in December 2015 to prohibit adding back to the plan s share authorization any shares surrendered to cover tax withholding or the option/SAR exercise price in connection with the exercise of stock options or SARs issued after the date of the plan amendment.

SoCalGas CEO does not participate in decisions regarding his own compensation. Our other executive officers also do not determine or approve their own pay.

LABOR MARKET BENCHMARKING

How is external market data used in determining pay?

External pay data is used to help align executive compensation levels, in total and by component, with the labor market. The SoCalGas Board of Directors views the labor market for our most senior positions as a nationwide, broad cross-section of companies in various industries.

During this benchmarking process, we:

- Review external market data from the Aon Hewitt Total Compensation Management (TCM) Database covering non-financial Fortune 500 companies with revenues between \$5 billion and \$20 billion.

- Review summary statistics of the companies included in the TCM Database (but not company-specific information) with the goal of generally managing total target pay opportunities to the median of this summary data. Actual pay levels will rise above or fall below these standards as a result of actual company and individual performance.

- Analyze data for utility-specific positions periodically.

How is internal equity used in determining pay?

Internal equity is used 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.

COMPENSATION COMPONENTS

The primary components of our executive compensation program are:

- Base salaries

- Performance-based annual bonuses

- Performance-based long-term equity incentive awards granted by Sempra Energy

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

All of our named executive officers participate in the same compensation programs. However, market compensation levels used to establish compensation for the named executive officers may vary substantially based upon the roles and responsibilities of individual officers.

Managing Risk in Compensation Plans

SoCalGas manages the risk inherent in incentive compensation plans by balancing short-term and long-term incentives and linking a higher proportion of total compensation to long-term incentives. Risk is also managed through the incentive plan design and selection of the performance measures.

Our risk management program is further strengthened by our clawback policy, which applies to both short-term and long-term incentive plans, our anti-hedging policy and our executive stock ownership requirements.

An independent consultant, Exequity, conducted a risk assessment of our incentive compensation programs. Their findings concluded that our incentive plans do not create risks that are likely to have a material adverse impact on the company. Specific examples of safeguards and risk-mitigating features found in our executive incentive compensation programs are listed below.

Our long-term incentive awards:

Use a payout scale that begins at zero for threshold performance. In contrast, many of our peers pay 25 percent or 50 percent for threshold performance.

Avoid cliffs in the payout scale, avoiding the creation of pressure points that may encourage unintended results.

An example of a cliff is a scale that pays 50 percent for threshold performance and zero for performance below threshold.

Use a market-based performance measure, Sempra Energy's relative total shareholder return, as the performance measure for 80 percent of the grant date value of our restricted stock unit grants and a performance measure based on Sempra Energy's long-term earnings per share growth for the remaining 20 percent.

Measure Sempra Energy's total shareholder return against the Standard & Poor's (S&P) 500 Index and S&P 500 Utilities Index rather than against a peer group selected by the company. Using these indices ensures objectivity in the composition of our peer groups.

Our annual bonus plans:

Use a payout scale that begins at zero for threshold performance. In contrast, many of our peers pay 25 percent or 50 percent for threshold performance. Our payout scale is linear, ranging from zero at threshold to 200 percent at maximum.

Use financial performance measures that are based on the earnings reported in our financial statements with certain pre-defined adjustments. These adjustments are limited and made only after thoughtful consideration by the SoCalGas Board of Directors.

Incorporate several different performance measures, including both financial and operational measures.

Provide the SoCalGas Board of Directors with upward and downward discretion over incentive plan payouts.

Pay Mix

What is Pay Mix?

Pay mix is the relative value of each of the primary compensation components as a percentage of total compensation. Figure 1 shows each component of our CEO's total 2015 pay at target company performance.

Figure 1.

Why is pay mix important?

Our pay mix helps to align the interests of executives with the interests of shareholders. It does this by providing a much greater portion of pay through performance-based annual and long-term incentives rather than through base salary. This means that most pay is variable and will go up or down in value based on company performance. Over 70 percent of our CEO's target total pay is delivered through performance-based incentives.

Actual pay mix may vary substantially from target pay mix. This may occur as a result of corporate and individual performance, which greatly affects annual bonuses, as well as future Sempra Energy common stock performance, which significantly impacts the value of stock-based awards.

Figure 2 shows the percent of total pay at company target performance that comes from each major pay component for each of our named executive officers.

Figure 2.

Note: Based on salary and incentive compensation targets as of December 31, 2015.

1. Base Salaries

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

Salaries for our named executive officers are targeted at the median of those for the non-financial Fortune 500 companies with revenues between \$5 billion and \$20 billion. Using national general industry comparisons helps us attract and retain top-quality executive talent from a broad range of backgrounds. The SoCalGas Board of Directors annually reviews base salaries for executive officers. The board considers the following factors in its review:

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

Base Salary Adjustments for 2015

Based on a review of the factors listed above, Mr. Arriola received a base salary increase of 4.1 percent, Mr. Lane received a base salary increase of 3.0 percent, Mr. Baker and Mr. Schlax received base salary increases of 2.0 percent and Mr. Schavrien received an increase of 2.5 percent. Mr. Folkmann did not receive a salary increase upon becoming Vice President, Chief Financial Officer, Treasurer and Controller of SoCalGas and SDG&E. Mr. Folkmann received an annual increase of 5.0 percent in his prior role.

2. Performance-Based Annual Bonuses

Performance Guidelines and Bonus Payments

Each year the SoCalGas Board of Directors establishes performance guidelines for bonus payments under the SoCalGas Executive Incentive Compensation Plan and Shared Services Executive Incentive Compensation Plan. 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 from zero for performance at the threshold level to 200 percent of target for performance at maximum.

Potential bonus opportunities at threshold, target and maximum company performance are expressed as a percentage of each named executive officer's base salary. Table 1 illustrates how these percentages vary with the individual officer's position and attainment of goals.

In 2015, bonus opportunities for our named executive officers were as follows:

Bonus Potential as of December 31, 2015 as a Percent of Base Salary	Threshold	Target	Maximum
Dennis V. Arriola	0%	70%	140%
J. Bret Lane	0%	60%	120%
Bruce A. Folkmann	0%	45%	90%
J. Christopher Baker	0%	50%	100%
Lee Schavrien	0%	50%	100%
Robert M. Schlax ¹	0%	45%	90%

Table 1.

¹ Mr. Schlax's actual bonus was prorated to reflect his retirement effective August 1, 2015.

Performance at target is intended to result in bonuses at the mid-point of those for executives with comparable levels of responsibility at non-financial Fortune 500 peer group companies. Target bonus potentials and percentages are consistent with the leverage typically found in bonus plans at such companies.

What were the 2015 annual bonus performance goals for the named executive officers?

In 2015, Messrs. Arriola and Lane participated in the SoCalGas Executive Incentive Compensation Plan. The performance measures for this plan were SoCalGas and Sempra Energy California utilities' financial measures, operational measures and Sempra Energy earnings. The relative weights of these measures as a percentage of the overall target were 35 percent, 40 percent, and 25 percent, respectively.

Messrs. Folkmann, Baker, Schavrien and Schlax participated in the SoCalGas and SDG&E Shared Services Executive Incentive Compensation Plan (the Shared Services Plan) because they provide services to both utilities. The performance measures for the Shared Services Plan were based 50 percent on the SoCalGas performance measures described above and 50 percent on SDG&E performance measures.

Table 2 shows the financial criteria for 2015 bonuses:

2015 Earnings Goals for Bonus Purposes <i>(dollars in millions)</i>	Threshold	Target	Maximum
Southern California Gas Company Earnings	\$ 360	\$ 377	\$ 395
San Diego Gas & Electric Company Earnings ¹	\$ 510	\$ 525	\$ 555
Sempra Energy California utilities Earnings	\$ 870	\$ 902	\$ 950
Sempra Energy Earnings	\$ 1,125	\$ 1,200	\$ 1,285

Table 2.

¹ SDG&E earnings is a performance measure in the Shared Services Plan, and applies only to Messrs. Folkmann, Baker, Schavrien and Schlax.

How were the 2015 financial goals determined?

The SoCalGas earnings target of \$377 million was based on SoCalGas' financial plan. Targets for the operational measures were based on safety, customer satisfaction and supplier diversity goals, as well as milestones related to key projects.

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SoCalGas earnings and Sempra Energy earnings for incentive plan purposes may be higher or lower than earnings reported in the companies financial statements due to certain pre-established adjustments.

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Consistent with the approach taken in prior years, at the beginning of the year, it was determined that the calculation of SoCalGas earnings and Sempra Energy earnings for bonus purposes would be adjusted as follows:

Exclude the positive or negative impact of any major changes in accounting rules that were unknown or unanticipated at the beginning of the year.

Exclude certain items that do not have a material adverse impact on Sempra Energy's stock price as determined by the Sempra Energy Compensation Committee. Such items include but are not limited to:

the pro forma earnings impact of any acquisition or divestiture (other than those related to individual renewable assets) to the extent the earnings impact of such acquisition or divestiture or related transaction and integration cost is not included in the Sempra Energy Incentive Compensation Plan (ICP) earnings target.

Liquefied Natural Gas (LNG)-related project development costs paid to third parties to the extent the earnings impact of such items are not included in the Sempra Energy earnings target (does not apply to SoCalGas earnings).

Gains or losses related to RBS Sempra Commodities (does not apply to SoCalGas earnings).

Include 10 percent of any gains or losses related to asset sales or write-downs of assets in connection with a sale to the extent the earnings impact of such item is not included in the Sempra Energy ICP earnings target.

Include up to 10 percent of:

the impact of wildfire litigation (does not apply to SoCalGas earnings).

the impact of any impairment of the San Onofre Nuclear Generating Station (SONGS) or any related earnings effect from purchased replacement power (does not apply to SoCalGas earnings).

What was the overall performance score for the 2015 performance-based annual bonus plan?

Overall performance for the SoCalGas Executive Incentive Compensation Plan in which Messrs. Arriola and Lane participated was at 175 percent of target performance. Details of the plan metrics and results are provided below:

2015 Performance Measures	ICP Goals			Actual ICP	
	Weight	Minimum	Target	Maximum	Performance
Financial: (Dollars in Millions)					
SoCalGas Earnings	25%	\$ 360	\$ 377	\$ 395	\$ 419
Sempra Energy California Utilities Earnings	10%	\$ 870	\$ 902	\$ 950	\$ 997
Sempra Energy Earnings	25%	\$ 1,125	\$ 1,200	\$ 1,285	\$ 1,289
Subtotal: Financial	60%				
Operating and Strategic:					
Safety (OSHA Recordable Injury Rate)	10%	3.72		2.72	3.81
Pipeline Safety Program Miles of Phase 1 Pipe Remediated	2%	50 miles	60 miles	70 miles	69.1 miles
Pipeline Safety Program Number of Valves Retrofitted	2%	40 valves	50 valves	60 valves	61 valves
Pipeline Safety Program Miles of Phase 1 Pipe Completing Detailed Engineering	2%	40 miles	50 miles	60 miles	60.6 miles
Distribution System Integrity Main and Service Replacement	4%	150 miles	175 miles	200 miles	190 miles
Customer Insight Study	4%	91.6%	93.3%	94.9%	95.6%
Customer Experience Survey	6%	76.5%	77.5%	78.5%	77.9%
Advanced Meter Module Installations	6%	4,100,000	4,200,000	4,300,000	4,572,006
Supplier Diversity	1%	32%	35%	38%	45%
SCORE Increase	1%	5%	7%	10%	43%
2015 GRC Application: Achieve material progress toward a final decision that supports the 2016-2018 financial plan	2%		SoCalGas Board of Directors	Discretion	200%
Subtotal: Operating and Strategic Goals	40%				
TOTAL	100%				

Actual Performance as a Percent of Target

175%

Table 3.

Overall performance for the SoCalGas and SDG&E Shared Services Executive Incentive Compensation Plan in which Messrs. Folkmann, Baker, Schavrien and Schlax participated was at 177 percent of target performance.

Shared Services Executive Incentive Compensation Plan	Actual	
	Weight	Performance as a Percent of Target
SoCalGas Executive Incentive Compensation Plan	50%	175%
SDG&E Executive Incentive Compensation Plan	50%	179%
SoCalGas and SDG&E Shared Services Executive Incentive Compensation Plan	100%	177%

Table 4.

2015 Performance-Based Annual Bonus Payments

As shown above, the overall annual bonus plan performance result was 175 percent of target for the SoCalGas annual incentive plan and 177 percent of target for the Shared Services plan. Based on this performance and its consideration of the contributions of each named executive officer, the SoCalGas Board of Directors approved the payment of the annual bonuses shown in Table 5.

In light of the disruption that the Aliso Canyon natural gas leak has caused to the community surrounding the facility, the SoCalGas Board of Directors exercised negative discretion to reduce Mr. Arriola's award from 122 percent of his base salary to 119 percent of his base salary. The SoCalGas Board of Directors may, at its discretion, take further actions after the incident investigation has been completed.

Bonuses Paid To Named Executive Officers for 2015 Performance	Base Salary at	Bonus	
	Year-End 2015	Percentage ¹	Bonus ¹
Dennis V. Arriola	\$ 541,400	119%	\$ 645,300
J. Bret Lane	\$ 412,000	105%	\$ 431,800
Bruce A. Folkmann ²	\$ 273,000	82%	\$ 223,400
J. Christopher Baker	\$ 361,100	88%	\$ 319,400
Lee Schavrien	\$ 367,700	88%	\$ 325,300
Robert M. Schlax ³	\$ 165,708	80%	\$ 132,000

Table 5.

¹ For display purposes, the bonus percentage is rounded to the nearest whole percentage, and bonus amounts are rounded up to the nearest \$100.

² Mr. Folkmann's bonus was prorated between the Shared Services plan and the plan for Sempra U.S. Gas and Power, which has an overall performance score of 198 percent of target.

³ Mr. Schlax's bonus was prorated to reflect his retirement effective August 1, 2015.

3. Long-Term Equity-Based Incentives

Long-term equity-based incentives are a large component of each named executive officer's total target compensation package. (See Figure 2 for these percentages.) Long-term equity-based incentives are granted to our executives by the Compensation Committee of the Sempra Energy Board of Directors based on the recommendations of the SoCalGas Board of Directors regarding such awards.

What type of equity is granted?

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In accordance with our pay-for-performance philosophy, the 2015 long-term incentive plan awards primarily were in the form of performance-based restricted stock units (100 percent of target grant value for Mr. Arriola; and 75 percent of target

grant value for our other named executive officers). In order to encourage retention, the award design also included service-based restricted stock units (25 percent of target grant value for our named executive officers other than Mr. Arriola). The 2015 performance-based and service-based restricted stock units are subject to vesting at the end of three years.

Why is this type of equity used?

This equity award structure was approved after considering many variables. These included alignment with shareholder interests, retention, plan expense, share usage and market trends.

What are general practices with respect to equity grants?

In making the annual grants:

A dollar value (based on a percentage of base salary) is specified for each officer's award.

The number of shares underlying the awards granted each year is based on the specified dollar value, as opposed to a fixed number of shares for each named executive officer. This approach allows maintenance of the pay mix described previously.

On the annual January grant date, we calculated the precise number of shares to be granted to each executive officer for each type of award by dividing the total target grant value of each named executive officer's award by the Sempra Energy closing stock price on that date. These values are presented in Table 6 below.

The award values reported in the Summary Compensation Table and Grants of Plan-Based Awards Table for the portion of the awards based on earnings per share growth and for the service-based restricted stock units are based on the Sempra Energy closing stock price on the grant date. The values reported for the portion of the awards based on Sempra Energy relative total shareholder return are based on a Monte Carlo valuation model, which is used to determine the accounting cost under accounting guidance for stock compensation.

Special equity awards also may be granted, including upon the hiring or promotion of named executive officers, to award outstanding performance, or to promote retention, with the approval of the Compensation Committee of the Sempra Energy Board of Directors based on the recommendation of the SoCalGas Board of Directors regarding such awards.

What were the target values of the 2015 equity grants?

The target values of the annual awards have generally been between the median and the 75th percentile of market data. However, the actual amounts realized by equity award recipients will depend on future Sempra Energy stock price and earnings growth performance. The amounts ultimately received will not necessarily track with the target grant values.

Table 6 illustrates the target grant values of 2015 annual long-term incentive awards as a percentage of base salary.

Target Grant Values for 2015	Performance-		Total
	Based RSUs	Service- Based RSUs	
Dennis V. Arriola	180%	0%	180%
J. Bret Lane	120%	40%	160%
Bruce A. Folkmann	56%	19%	75%
J. Christopher Baker	90%	30%	120%
Lee Schavrien ¹	131%	30%	161%
Robert M. Schlax	67%	23%	90%

Table 6.

¹ Mr. Schavrien's annual long-term incentive plan target grant value is 120 percent of his base salary. The target grant value of his 2015 award was subject to a one-time increase to 161 percent of his base salary to recognize exemplary performance.

Why does the company grant performance-based restricted stock units?

We seek a direct link to performance in comparison to indices and peers. To achieve this result, we use performance-based restricted stock units based on Sempra Energy’s relative total shareholder return for 80 percent of the grant date value of our restricted stock unit grants and a performance measure based on Sempra Energy’s long-term earnings per share growth for the remaining 20 percent. This measure further strengthened the link between pay and long-term performance.

Performance-based restricted stock units can also deliver the same economic value with significantly fewer shares than stock options, and so result in lower dilution.

What were the performance goals for the 2015 restricted stock units?

The 2015 long-term incentive plan awards included two performance measures – Sempra Energy’s relative total shareholder return and earnings per share growth. Eighty percent of the total target award value for performance-based restricted stock units is linked to relative total shareholder return and 20 percent is linked to earnings per share growth.

1. Total Shareholder Return

Each performance-based restricted stock unit represents the right to receive between zero and two shares of Sempra Energy common stock based on Sempra Energy’s three-year cumulative total shareholder return compared with the S&P 500 Index and the S&P 500 Utilities Index.

If Sempra Energy’s performance is at or above the total shareholder return of the market capitalization-weighted S&P 500 Index, participants will receive a minimum of one share for each restricted stock unit. If Sempra Energy’s performance exceeds the 50th percentile compared to the S&P 500 Utilities Index, participants have the opportunity to earn up to two shares for each restricted stock unit and participants may earn a partial share for performance between the 30th and 50th percentiles. The payout scale begins at zero for threshold performance.

Performance Measure	Sempra Energy Common Stock Shares Received for Each Restricted Stock Unit ¹
Cumulative Total Shareholder Return Performance vs. S&P 500 Index	1.0 Share Earned if Cumulative TSR meets/exceeds S&P 500 Index ² (no upside or downside potential)
Cumulative Total Shareholder Return Percentile Rank vs. S&P 500 Utilities Index	
90 th Percentile or Above	2.0
70 th Percentile	1.5
50 th Percentile	1.0
40 th Percentile	0.5
30 th Percentile or Below	0.0

Table 7.

¹ Participants also receive additional shares for dividend equivalents, which are reinvested to purchase additional units that become subject to the same vesting conditions as the restricted stock units to which the dividends relate.

² If Sempra Energy’s total shareholder return is at or above the total shareholder return of the S&P 500 Index, participants will receive a minimum of one share for each restricted stock unit.

Note: If performance falls between the tiers shown in Table 7, the payout is calculated using linear interpolation.

In 2015, the design for the performance-based restricted stock units based on Sempra Energy’s relative total shareholder return was enhanced by the inclusion of a modifier based on Sempra Energy’s absolute total shareholder return. While relative total shareholder return continues to be the

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primary performance measure, the addition of a modifier strengthens the focus on achieving both strong relative and absolute total shareholder return performance. This further strengthens alignment with shareholder interests. For instance, the modifier reduces award payouts for high relative performance if absolute total

shareholder return is low. In an instance in which both relative and absolute total shareholder return are high, the modifier may increase award payouts but cannot cause the total award payout to exceed 200 percent (2.0 shares earned for each restricted stock unit).

The modifier was developed based on two financial benchmarks, Sempra Energy's historical total shareholder return and historical estimated cost of equity. The modifier adds 20 percent to the award's payout (as initially calculated based on relative total shareholder return) for absolute total shareholder return performance in the top quartile of the distribution of the historical benchmark data. It reduces the award's payout by 20 percent for performance in the bottom quartile of the distribution of the historical benchmark data. For the 2015 award, the modifier is triggered if Sempra Energy's total shareholder return is at or above 37 percent or if Sempra Energy's total shareholder return is at or below -23 percent. If performance falls within the second or third quartiles, the modifier is not triggered and the payout is based solely on the relative total shareholder return performance result. The modifier cannot cause the total award payout to exceed 200 percent.

2. Earnings Per Share Growth

The 2015 long-term incentive plan awards also included a performance-based restricted stock unit award linked to Sempra Energy's earnings per share growth.³ The award measures the three-year compound annual growth rate of Sempra Energy's earnings per share beginning on January 1, 2015 and ending on December 31, 2017. The payout scale below was developed based on Sempra Energy's long-term earnings per share growth projection as well as the December 31, 2014 analyst consensus long-term earnings per share growth estimates for the S&P 500 Utilities Index peer companies. The 3.2 percent threshold payout of zero represents the 25th percentile of the analyst consensus estimates. The target payout of 4.7 percent is based on the median consensus estimate. An earnings per share compound annual growth rate of 6.6 percent represents the 75th percentile of the analyst consensus estimates. The earnings per share compound annual growth rate of 8 percent or more, which is required to earn a maximum payout, is based on the top end of Sempra Energy's estimated three-year earnings per share growth range of 6 to 8 percent.

Sempra Energy Earnings Per Share Compound Annual Growth Rate	Sempra Energy Common Stock Shares Received for Each Restricted Stock Unit ¹
8.0 Percent or higher	2.0
6.6 Percent	1.5
4.7 Percent	1.0
3.2 Percent	0.0

Table 8.

¹ Participants also receive additional shares for dividend equivalents, which are reinvested to purchase additional units that become subject to the same vesting conditions as the restricted stock units to which the dividends relate.

Note: If performance falls between the tiers shown in Table 8, the payout is calculated using linear interpolation. The payout scale begins at zero for threshold performance.

For purposes of the long-term incentive award, the calculation of earnings per share may, at the discretion of the Compensation Committee of the Sempra Energy Board of Directors, include the same potential adjustments described on page 14 under "How were the 2015 financial goals determined?", as well as adjustments related to, among other things, other unusual or non-operating items.

³ The award is designed to meet the conditions necessary to preserve the deductibility of the award under Section 162(m) of the Internal Revenue Code while providing flexibility to the Compensation Committee of the Sempra Energy Board of Directors in determining the payout under the award. In order for there to be any payout, Sempra Energy must achieve positive cumulative net income for the performance period. The Compensation Committee may then apply negative discretion as described herein.

What were the results for the 2012 to 2015 performance-based restricted stock unit award cycle which vested on January 4, 2016?

Sempra Energy's relative total shareholder return from 2012 to 2015 was at the 96th percentile of the S&P 500 Utilities Index. Based on Sempra Energy's performance ranking against the S&P 500 Utilities Index over the four-year performance period, the performance-based restricted stock units for the 2012 to 2015 long-term incentive plan cycle vested at 150 percent of the target performance level (1.50 shares of common stock for each restricted stock unit) after the Compensation Committee of the Sempra Energy Board of Directors certified performance results.

Benefit Plans

Our named executive officers also participate in other benefit programs including: (1) health, life insurance and disability plans; (2) retirement plans; (3) 401(k) savings and deferred compensation plans; and (4) other benefit programs.

1. Health, Life Insurance and Disability Plans

Our named 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.

Do executives receive any benefits in addition to the basic group plans?

In addition to the basic group plans, Messrs. Baker and Schavrien participate in the following:

A life insurance plan providing additional life insurance death benefits (two times base salary and bonus for active employees and 1.5 times base salary and bonus for retired employees). This plan was closed to new participants in 2012.

A long-term disability plan providing additional protection upon disability (60 percent of base salary and average bonus) and restoring benefits otherwise capped under the company's basic long-term disability plan.

Messrs. Arriola and Lane receive an annual executive benefit program allowance described below under *Other Benefit Programs* which may be used to cover out of pocket costs for health and welfare benefits as well as certain other costs.

2. Retirement Plans

Our named executive officers participate in the Sempra Energy Cash Balance Plan and, with the exception of Messrs. Folkmann and Schlax, a Supplemental Executive Retirement Plan.

What is the Cash Balance Plan?

The Cash Balance Plan is a tax-qualified pension plan available to most employees of Sempra Energy and its subsidiaries.

Why does the company offer a supplemental retirement plan?

Our Board of Directors and the Compensation Committee of the Sempra Energy Board of Directors believe that retirement, savings and deferred compensation plans, in general, and the Supplemental Executive Retirement Plan 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.

How are benefits calculated?

The Sempra Energy Supplemental Executive Retirement Plan, or SERP, provides executive officers with retirement benefits based on the executive's:

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final average pay⁴
actual years of service
age at retirement

⁴ *Final average pay is the average of the two consecutive years of highest base salary prior to retirement plus the average of the three highest annual bonuses during the ten years prior to retirement.*

SERP benefits are reduced by benefits payable under the broad-based Cash Balance Plan. Both the Cash Balance Plan and the SERP use only base salary and annual incentive bonuses in calculating benefits. The value of long-term incentive awards is not included.

3. *401(k) Savings and Deferred Compensation Plans*

Our named executive officers, together with most other company employees, participate in a broad-based, tax-qualified 401(k) Savings Plan. Officers and other key management employees may also participate in a deferred compensation plan.

What is the 401(k) Savings Plan?

Employees may contribute a portion of their pay to a tax-qualified 401(k) savings plan. Contributions to the plan are invested on a tax-deferred basis.

The company matches one-half of the first 6 percent of the employee's contributions. In addition, employees receive a stretch match equal to one-fifth of the next five percent of the employee's contributions. The Internal Revenue Code limits the amount of compensation eligible for deferral under tax-qualified plans.

What is the deferred compensation plan?

Our executive officers and other key management employees also may defer up to 85 percent of their base salary and bonus under a nonqualified deferred compensation plan, the Employee and Director Savings Plan. Executive officers also may defer all or a portion of certain performance-based restricted stock units upon vesting:

Participants can direct these deferrals into:

- Funds that mirror the investments available under the 401(k) savings plan, including a Sempra Energy phantom stock account, and

- A fund providing interest at the greater of 110 percent of the Moody's Corporate Bond Yield or Moody's plus one percent.

- Deferrals of performance-based restricted stock unit awards must be directed into the Sempra Energy phantom stock account.

The Internal Revenue Code places annual limits on the amounts that employees and employers can defer into a 401(k) savings plan. Because of these limits, the company makes matching contributions for deferred compensation plan participants through the deferred compensation plan. Deferred compensation plan matching contributions mirror the basic matching contributions made for other employees under the 401(k) savings plan, but do not include the stretch match.

All employee contributions, matching company contributions and investment earnings in both the 401(k) savings plan and deferred compensation plan vest immediately.

4. *Other Benefit Programs*

We provide certain other typical benefits to our executive officers. We review the level and types of these benefits each year. We believe that these benefits are reasonable and important in attracting and retaining executive talent.

These benefits include financial planning services and excess personal liability insurance. Mr. Arriola and Mr. Lane receive an annual executive benefit program allowance of \$30,000 and \$20,000, respectively, which may be used to cover out of pocket costs for health and welfare benefits as well as the cost of financial planning and excess personal liability benefits. Any unused allowance is paid out at year-end.

None of these benefits includes a tax gross-up provision.

SEVERANCE AND CHANGE IN CONTROL ARRANGEMENTS

Our executive officers have severance pay agreements that include change in control features. The agreements do not contain excise tax gross-up provisions. Equity awards granted after May 2013 include a double trigger change in control provision. None of our officers has an employment agreement.

Why does the company provide severance agreements?

We believe that severance agreements, which are a prevalent market practice, 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 adverse effects of potential job loss, severance agreements reinforce management continuity, objectivity and focus on shareholder value. This is particularly critical in actual or potential change in control situations.

What benefits do severance agreements provide?

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 for reasons other than cause, or
when the executive resigns for good reason.

What does resignation for good reason mean?

A resignation 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 of Sempra Energy, changes in employment location.

These provisions provide safeguards against arbitrary actions that effectively force an executive to resign. In order to receive some of the benefits in the agreement, the executive must comply with contractual confidentiality, non-solicitation and non-disparagement obligations.

Do the agreements for the named executive officers provide for a tax gross-up to offset any taxes incurred by the executive as a result of the severance payment?

The agreements do not contain a tax gross-up provision.

What happens to outstanding equity awards upon a change in control?

Awards granted after May 2013 were granted under the Sempra Energy 2013 Long-Term Incentive Plan, which contains a double trigger change in control provision. Awards do not automatically vest upon a change in control. Rather, vesting is accelerated only upon a termination of employment that meets certain conditions following a change in control of Sempra Energy, except as described below. See Compensation Tables Severance and Change in Control Benefits below.

Restricted stock unit awards issued to date under the Sempra Energy 2013 Long-Term Incentive Plan provide for continuation following a change in control through the new company's assumption of the awards or the issuance of replacement awards. Replacement awards must meet certain criteria, which are described in Section 16 of the 2013 Long-Term Incentive Plan. If awards are not assumed or replaced or are held by an employee who is eligible for retirement (age 55 or older with five or more years of service) as of the date of the change in control, such awards would vest upon a change in control. See Compensation Tables Severance and Change in Control Benefits below.

Some outstanding awards were granted under Sempra Energy's 2008 Long-Term Incentive Plan. Under the 2008 plan, upon a change in control of Sempra Energy, all previously granted stock options vest and become immediately exercisable and all performance and time restrictions lift for outstanding restricted stock and restricted stock unit awards. For outstanding performance-based restricted stock unit awards granted from January 2012 through May 2013 under the 2008 plan, the number of shares earned is determined based on performance through the date of the

change in control.

SHARE OWNERSHIP REQUIREMENTS

Share ownership requirements for officers further strengthen the link between company executive and shareholder interests.

The requirements set minimum levels of Sempra Energy share ownership that our officers are required to achieve and maintain. For officers, the requirements are:

Executive Level	Share Ownership Requirements
Chairman, President and Chief Executive Officer	3x base salary
Chief Operating Officer	2x base salary
Chief Administrative Officer, Chief Information Officer and Vice Presidents	1x base salary

Table 9.

For purposes of the requirements, we include shares owned directly or through benefit plans. We also count deferred compensation that executives invest in phantom shares of Sempra Energy's common stock, the vested portion of certain in-the-money stock options and unvested service-based restricted stock units.

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

The company maintains an anti-hedging policy, which prohibits employees and directors from trading in puts, calls, options or other future rights to purchase or sell shares of Sempra Energy common stock. Officers and directors are also prohibited from pledging shares of Sempra Energy common stock.

IMPACT OF REGULATORY REQUIREMENTS

Many 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 effective and in full compliance with these requirements.

CONCLUSION

We have structured our executive compensation programs to provide competitive pay opportunities (levels found in the marketplace), and to reward outstanding individual and company performance. Our salaries are competitive and our performance-based compensation is strongly aligned with the interests of Sempra Energy's 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.

COMPENSATION REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of SoCalGas has reviewed and discussed with management of the company the Compensation Discussion and Analysis included in this Information Statement and, based upon that review and discussion, authorized that it be so included.

BOARD OF DIRECTORS

Dennis V. Arriola

Steven D. Davis

J. Bret Lane

G. Joyce Rowland

Martha B. Wyrsh

COMPENSATION TABLES

Summary Compensation Table

In the table below, we summarize our named executive officers' compensation for the last three years.

Summary Compensation Table	Year	Salary	Stock Awards (C) <i>Restricted stock and restricted stock units</i>	Non-Equity Incentive Plan Compensation <i>Performance-based annual cash bonus</i>	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (D) <i>Pension accruals and above-market interest on non-qualified deferred compensation</i>	All Other Compensation (E)	Total
							Total
Dennis V. Arriola Chairman, President and Chief Executive Officer	2015	\$ 541,400	\$ 1,088,527	\$ 645,300	\$ 576,747	\$ 95,198	\$ 2,947,172
	2014	\$ 514,575	\$ 874,696	\$ 417,600	\$ 1,470,476	\$ 96,043	\$ 3,373,390
	2013	\$ 475,800	\$ 856,796	\$ 441,500	\$ 583,763	\$ 56,774	\$ 2,414,633
J. Bref Lane Chief Operating Officer	2015	\$ 412,000	\$ 718,817	\$ 431,800	\$ 3,296,274	\$ 49,282	\$ 4,908,173
	2014	\$ 400,000	\$ 640,544	\$ 297,400	\$ 232,294	\$ 31,839	\$ 1,602,077
Bruce A. Folkmann (A) Vice President, Chief Financial Officer, Treasurer and Controller	2015	\$ 273,000	\$ 222,875	\$ 223,400	\$ 17,926	\$ 26,493	\$ 763,694
J. Christopher Baker Chief Information Officer	2015	\$ 361,100	\$ 471,569	\$ 319,400	\$ 141,893	\$ 36,840	\$ 1,330,802
	2014	\$ 354,000	\$ 427,326	\$ 265,700	\$ 1,073,852	\$ 36,958	\$ 2,157,836
Lee Schavrien Chief Administrative Officer	2015	\$ 367,700	\$ 650,001	\$ 325,300	\$ 130,047	\$ 37,271	\$ 1,510,319
	2014	\$ 358,700	\$ 431,732	\$ 269,200	\$ 1,148,214	\$ 36,524	\$ 2,244,370
	2013	\$ 349,900	\$ 420,566	\$ 245,900	\$ 668	\$ 40,032	\$ 1,057,066
Robert M. Schlax (B) Vice President, Chief Financial Officer, Treasurer and Controller (Retired)	2015	\$ 165,708	\$ 281,401	\$ 132,000	\$ 63,110	\$ 19,100	\$ 661,319
	2014	\$ 279,700	\$ 252,873	\$ 188,900	\$ 41,812	\$ 25,070	\$ 788,355
	2013	\$ 274,200	\$ 247,510	\$ 178,700	\$ 41,680	\$ 33,074	\$ 775,164

- (A) Mr. Folkmann was appointed Vice President, Chief Financial Officer, Treasurer and Controller of SoCalGas and SDG&E effective on March 28, 2015.
- (B) Mr. Schlax resigned as Chief Financial Officer, Treasurer and Controller on March 28, 2015 and retired as Vice President of SoCalGas and SDG&E effective August 1, 2015.
- (C) Grant date fair value of stock awards granted during the year. These amounts reflect our grant date estimate of the aggregate compensation expense that we will recognize over the service period of the award. They are calculated in accordance with generally accepted accounting principles for financial reporting purposes based on the assumptions described in Note 8 of the Notes to Consolidated Financial Statements included in our Annual Report to Shareholders but disregarding estimates of forfeitures related to service-based vesting conditions. Stock awards consist of performance-based and service-based restricted stock and restricted stock units. For the 2015 performance-based restricted stock units with a performance measure based on relative total shareholder return, a Monte Carlo valuation model was used to reflect the probable outcome of performance conditions and calculate grant date fair value. For the 2015 performance-based restricted stock units with a performance measure based on earnings per share growth, the maximum values, assuming the highest level of performance conditions were achieved, would be \$390,073 for Mr. Arriola; \$199,520 for Mr. Lane; \$62,770 for Mr. Folkmann; \$130,024 for Mr. Baker; \$194,588 for

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Mr. Schavrien; and \$78,463 for Mr. Schlax.

The value actually realized by executives from stock awards will depend upon the extent to which performance and service-based vesting conditions are satisfied and the market value of the shares subject to the award.

For additional information regarding equity awards, please see the discussions under [Grants of Plan-Based Awards](#) and [Outstanding Equity Awards at Year-End](#).

- (D) Represents (i) the aggregate change in the actuarial present value of accumulated benefits under pension plans at year-end over the prior year-end and (ii) above-market interest (interest in excess of 120 percent of the federal long-term rate) on compensation deferred on a basis that is not tax-qualified. The 2015 amounts are:

2015 Change in Pension Value and Above Market Interest	Change in		
	Accumulated Benefits ¹	Above- Market Interest	Total
Dennis V. Arriola	\$ 575,780	\$ 967	\$ 576,747
J. Bret Lane	\$ 3,288,182	\$ 8,092	\$ 3,296,274
Bruce A. Folkmann	\$ 17,745	\$ 181	\$ 17,926
J. Christopher Baker	\$ 113,582	\$ 28,311	\$ 141,893
Lee Schavrien	\$ 129,415	\$ 632	\$ 130,047
Robert M. Schlax (Retired)	\$ 63,110	\$	\$ 63,110

¹ The changes in the actuarial value of pension benefits are due to the accrual of additional age, service, pay, and changes in actuarial assumptions such as mortality and interest rates.

For additional information regarding pension benefits and deferred compensation, please see the discussions under Pension Benefits and Nonqualified Deferred Compensation.

- (E) All Other Compensation amounts for 2015 are:

2015 All Other Compensation	Company 401(k) and Related Plan Contributions	Insurance		Total
		Premiums	Other	
Dennis V. Arriola	\$ 33,421	\$ 6,777	\$ 55,000	\$ 95,198
J. Bret Lane	\$ 24,894	\$ 4,388	\$ 20,000	\$ 49,282
Bruce A. Folkmann	\$ 17,287	\$ 1,506	\$ 7,700	\$ 26,493
J. Christopher Baker	\$ 22,017	\$ 6,723	\$ 8,100	\$ 36,840
Lee Schavrien	\$ 22,361	\$ 7,910	\$ 7,000	\$ 37,271
Robert M. Schlax (Retired)	\$ 13,686	\$ 1,331	\$ 4,083	\$ 19,100

Amounts shown in the Other column consist of our contributions to charitable, educational and other non-profit organizations to match the personal contributions of executive officers on a dollar-for-dollar basis; financial and estate planning services; and a \$30,000 executive benefit program allowance for Mr. Arriola and a \$20,000 executive benefit program allowance for Mr. Lane. They do not include parking at company offices and the occasional personal use by executive officers of company property and services (including club memberships and entertainment events which would not otherwise be used for the business purposes for which they were obtained) for which we incur no more than nominal incremental cost or for which we are reimbursed by the executive for the incremental cost of personal use.

Grants of Plan-Based Awards

Executive officers participate in incentive compensation plans that are designed to encourage high levels of performance on both a short-term and long-term basis. Shorter-term incentives, typically annual performance-based cash bonuses, are provided under the executive incentive plan. Longer-term incentives, typically Sempra Energy performance-based and service-based restricted stock unit awards, are provided under Sempra Energy's 2013 Long-Term Incentive Plan.

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In the table below, we summarize 2015 grants of plan-based awards to each of the named executive officers.

2015 Grants of Plan-Based Awards	Grant		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (Performance-Based Annual Bonus) (B)			Estimated Future Payouts Under Equity Incentive Plan Awards (Number of Shares) (C)			All Other Stock Awards (D) Number of Shares	Grant Date Fair Value of Stock Awards (E)
	Date (A)	Authorization Date (A)	Threshold	Target	Maximum	Threshold	Target	Maximum		
Dennis V. Arriola										
Performance-based Restricted Stock Units based on TSR	1/02/15	12/8/14					6,960	13,920		\$ 893,490
Performance-based Restricted Stock Units based on EPS Growth	1/02/15	12/8/14					1,740	3,480		\$ 195,037
Annual Bonus			\$	\$ 379,000	\$ 758,000					
J. Bret Lane										
Performance-based Restricted Stock Units based on TSR	1/02/15	12/8/14					3,530	7,060		\$ 453,164
Performance-based Restricted Stock Units based on EPS Growth	1/02/15	12/8/14					890	1,780		\$ 99,760
Restricted Stock Units	1/02/15	12/8/14							1,480	\$ 165,893
Annual Bonus			\$	\$ 247,200	\$ 494,400					
Bruce A. Folkmann										
Performance-based Restricted Stock Units based on TSR	1/02/15	12/8/14					1,090	2,180		\$ 139,929
Performance-based Restricted Stock Units based on EPS Growth	1/02/15	12/8/14					280	560		\$ 31,385
Restricted Stock Units	1/02/15	12/8/14							460	\$ 51,561
Annual Bonus			\$	\$ 122,900	\$ 245,800					
J. Christopher Baker										
Performance-based Restricted Stock Units based on TSR	1/02/15	12/8/14					2,320	4,640		\$ 297,830
Performance-based Restricted Stock Units based on EPS Growth	1/02/15	12/8/14					580	1,160		\$ 65,012
Restricted Stock Units	1/02/15	12/8/14							970	\$ 108,727
Annual Bonus			\$	\$ 180,600	\$ 361,200					
Lee Schavrien										
Performance-based Restricted Stock Units based on TSR	1/02/15	12/8/14					3,441	6,882		\$ 441,738
Performance-based Restricted Stock Units based on EPS Growth	1/02/15	12/8/14					868	1,736		\$ 97,294
Restricted Stock Units	1/02/15	12/8/14							990	\$ 110,969
Annual Bonus			\$	\$ 183,900	\$ 367,800					
Robert M. Schlax (Retired)										
Performance-based Restricted Stock Units based on TSR	1/02/15	12/8/14					1,380	2,760		\$ 177,158
Performance-based Restricted Stock Units based on EPS Growth	1/02/15	12/8/14					350	700		\$ 39,231
Restricted Stock Units	1/02/15	12/8/14							580	\$ 65,012
Annual Bonus			\$	\$ 74,600	\$ 149,200					

- (A) Grant and authorization dates are applicable to equity incentive awards, which consist of performance-based restricted stock units and service-based restricted units. Awards are authorized as part of annual compensation planning that is typically completed in December with salary adjustments becoming effective on January 1 and awards granted on the first trading day of January. The Compensation Committee of the Sempra Energy Board of Directors specifies a dollar value and other terms for the awards to be granted to each executive officer. On the January 2, 2015 grant date, the precise number of shares to be granted to each executive officer was calculated by using the closing price for shares of Sempra Energy common stock on that date. Special equity awards also may be granted at other times, including upon the hiring or promotion of executive officers, for outstanding performance, or to promote retention.
- (B) Non-equity incentive plan awards consist of annual performance-based bonuses payable under our executive incentive plan. Amounts reported in the table represent target and maximum bonuses for 2015 to be paid under performance guidelines established at the beginning of the year by our Board of Directors. The performance guidelines were satisfied at levels resulting in above-target bonus payouts. These amounts are reported in the Summary Compensation Table as non-equity incentive plan compensation.
- (C) Equity incentive plan awards consist of Sempra Energy performance-based restricted stock units granted under Sempra Energy's 2013 Long-Term Incentive Plan. During the performance period for the performance-based restricted stock units, dividends paid, or that would have been paid, on the shares subject to the award are reinvested or deemed reinvested to purchase additional shares, at their fair market value, which become subject to the same forfeiture and performance vesting conditions as the shares to which the dividends relate. Due to the inability to forecast stock prices at which future dividends would be reinvested, the amounts shown in the table do not include such dividends.

If the performance criteria are not satisfied or the executive's employment is terminated during the performance period other than by death or certain other events that may be specified in the award agreement or the executive's severance pay agreement, the award is forfeited subject to earlier vesting upon a change in control of Sempra Energy or various events specified in the executive's award agreement or severance pay agreement. For a discussion of the change in control vesting provisions applicable to these awards, see [Severance and Change in Control Arrangements](#).

Shares subject to the performance-based restricted stock units granted in 2015 will vest or be forfeited at the beginning of 2018 based upon Sempra Energy's relative total return to shareholders and earnings per share growth.

For the performance-based restricted stock units with a relative total shareholder return performance measure, the target number of shares will vest if Sempra Energy has achieved a cumulative three-year total return to shareholders among the top 50 percent of the companies in the S&P 500 Utilities Index or if Sempra Energy's cumulative total shareholder return meets or exceeds the cumulative total shareholder return of the S&P 500 Index, with additional shares vesting ratably for performance above the 50th percentile of the S&P 500 Utilities Index to the maximum number (200 percent of the target number) for performance at or above the 90th percentile of that index. If Sempra Energy's performance does not place Sempra Energy among the top 50 percent of the companies in the S&P 500 Utilities Index and Sempra Energy's cumulative total shareholder return is below the cumulative total shareholder return of the S&P 500 Index, shares will vest for performance above the 30th percentile of the S&P 500 Utilities Index declining from the target number of shares at the 50th percentile to zero at the 30th percentile. The number of vesting shares may be adjusted upward or downward by 20 percent based on Sempra Energy's absolute total shareholder return for the period compared to benchmarks based on historical performance. The modifier cannot cause the total award payout to exceed 200 percent of target.

For the performance-based restricted stock units with an earnings per share growth performance measure, the target number of shares will vest, subject to the Compensation Committee's discretion, if Sempra Energy has achieved a compound annual growth rate of 4.7 percent with additional shares vesting ratably for performance above 4.7 percent to the maximum number (200 percent of the target number) for performance at or above 8.0 percent. If Sempra Energy's compound annual earnings per share growth is less than 4.7 percent, shares will vest for performance above 3.2 percent declining from the target number of shares at 4.7 percent to zero at 3.2 percent. Such awards will not vest if Sempra Energy does not achieve positive net income for the performance period.

Each executive officer holding performance-based restricted stock units may elect for Sempra Energy to withhold a sufficient number of vesting units to pay the minimum amount of withholding taxes that becomes payable upon satisfaction of the performance conditions.

- (D) Represents service-based restricted stock units that vest at the end of three years, subject to continued employment through the vesting date. During the service period, dividends paid or that would have been paid on the shares subject to the award are reinvested or deemed reinvested to purchase additional shares, at their fair market value, which become subject to the same forfeiture and vesting conditions as the shares to which the dividends relate. Due to the inability to forecast stock prices at which future dividends would be reinvested, the amounts shown in the table do not include such dividends.

Each executive officer holding restricted stock units may elect for Sempra Energy to withhold a sufficient number of vesting units to pay the minimum amount of withholding taxes that becomes payable upon satisfaction of the service conditions.

If an executive's employment is terminated during the service period other than by death or certain other events that may be specified in the award agreement or the executive's severance pay agreement, the award is forfeited subject to earlier vesting upon a change in control of Sempra Energy or various events specified in the executive's award agreement or severance pay agreement. For a discussion of the change in control vesting provisions applicable to these awards, see Severance and Change in Control Arrangements.

- (E) These amounts reflect our grant date estimate of the aggregate compensation expense that we will recognize over the service period of the award. They are calculated in accordance with accounting principles generally accepted in the United States of America for financial reporting purposes based on the assumptions described in Note 8 of the Notes to Consolidated Financial Statements included in our Annual Report to Shareholders but disregarding estimates of forfeitures related to service-based vesting conditions. The value actually realized by executives from stock awards will depend upon the extent to which performance- and service-based vesting conditions are satisfied and the market value of the shares subject to the award.

Outstanding Equity Awards at Year-End

In the table below, we summarize grants of Sempra Energy equity awards that were outstanding at December 31, 2015 for our named executive officers. The grants consist solely of stock options, restricted stock and restricted stock units under Sempra Energy's Long-Term Incentive Plans.

Outstanding Equity Awards at Year-End	Option Awards (Service-Based Stock Options) (A)				Performance-Based Restricted Stock Units (B)		Service-Based Restricted Stock Units (C)	
	Number of Shares Underlying				Market Value		Market Value	
	Unexercised Options		Exercise Price	Expiration Date	Number of Unearned/ Unvested Shares (D)	of Unearned/ Unvested Shares	Number of Unearned/ Unvested Shares (D)	of Unearned/ Unvested Shares
	Grant Date	Exercisable						
Dennis V. Arriola	01/02/15				\$			
	01/02/15			3,578		336,396		
	01/02/14							
	01/02/14			4,178		392,769		
	01/02/13			13,127		1,234,032	3,226 \$ 303,270	
	08/06/12			8,845(F)		831,530	1,664(F) 156,428	
				29,728	\$ 2,794,727	4,890	\$ 459,698	
J. Bret Lane	01/02/15				\$		1,522 \$ 143,065	
	01/02/15			1,830		172,065		
	01/02/14							
	01/02/14			2,300		216,221	1,910 179,523	
	01/02/13			6,053		569,044	1,488 139,892	
	02/21/13						955 89,756	
	01/03/12			6,364(F)		598,308	1,340(F) 125,960	
	01/04/10	875	\$ 55.90	01/03/20				
	875	\$ 55.90(E)		16,547	\$ 1,555,638	7,215 \$ 678,196		
Bruce A. Folkmann	01/02/15				\$		473 \$ 44,466	
	01/02/15			576		54,133		
	01/02/14						591 55,543	
	01/02/14			717		67,445		
	01/02/13			2,792		262,466	684 64,330	
	07/16/12			1,231		115,743	236 22,228	
	01/03/12			2,847(F)		267,664	558(F) 52,483	
	01/04/10	900	\$ 55.90	01/03/20				
	01/02/09	1,100	\$ 43.75	01/01/19				
	01/02/08	800	\$ 61.41	01/01/18				
	01/03/07	900	\$ 56.77	01/02/17				
	3,700	\$ 53.69(E)		8,163	\$ 767,451	2,542 \$ 239,050		
J. Christopher Baker	01/02/15				\$		997 \$ 93,766	
	01/02/15			1,193		112,132		
	01/02/14						1,277 120,013	
	01/02/14			1,540		144,809		
	01/02/13			6,381		599,922	1,575 148,061	
	01/03/12			10,551(F)		991,932	2,121(F) 199,436	
					19,665	\$ 1,848,795	5,970 \$ 561,276	

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Lee Schavrien	01/02/15				\$		1,018	\$	95,699
	01/02/15			1,785		167,811			
	01/02/14						1,287		121,005
	01/02/14			1,561		146,792			
	01/02/13			6,440		605,437	1,586		149,082
	01/03/12			10,551(F)		991,932	2,121(F)		199,436
				20,337	\$	1,911,972	6,012	\$	565,222
Robert M. Schlax (Retired)	01/02/15				\$				
	01/02/15			720		67,666			
	01/02/14								
	01/02/14			907		85,298			
	01/02/13			3,789		356,204			
	01/03/12			6,364(F)		598,308			
	01/04/10	975	\$ 55.90	01/03/20					
	975	\$ 55.90(E)		11,780	\$	1,107,476			

- (A) Stock options to purchase shares of Sempra Energy common stock become exercisable as to one-quarter of the shares originally subject to the option grant on each of the first four anniversaries of the grant date, with immediate exercisability upon a change in control of Sempra Energy or various events specified in the executive's severance pay agreement. They remain exercisable until they expire ten years from the date of grant subject to earlier expiration following termination of employment. If an executive's employment is terminated after the executive has attained age 55 and completed five years of continuous service, the executive's stock options expire three years (five years if the executive has attained age 62) after the termination of employment. If an executive's employment is terminated by death or disability prior to attaining age 55, the executive's stock options expire twelve months after the termination of employment and are exercisable only as to the number of shares for which they were exercisable at the date of employment termination. If an executive's employment is otherwise terminated, the executive's stock options expire 90 days after the termination of employment and are exercisable only as to the number of shares for which they were exercisable at the date of employment termination. For a discussion of the change in control vesting provisions applicable to these awards, see Severance and Change in Control Arrangements.
- (B) Performance-based restricted stock units will vest or will be forfeited in whole or in part at the end of a four-year performance period (three years for the 2015 award) based upon Sempra Energy's relative total return to shareholders compared to market and peer group indices and Sempra Energy's earnings per share growth. Awards may be subject to earlier vesting upon a change in control of Sempra Energy or various events specified in the award agreement or the executive's severance pay agreement. If an executive's employment is terminated after the executive has attained age 55 and completed five years of service, and the termination occurs after one year of the applicable performance period has been completed, the executive's award is not forfeited as a result of the termination of employment but continues to be subject to forfeiture based upon the extent to which the related performance goals have been satisfied at the end of the applicable performance period. All named executive officers except Mr. Folkmann have attained the age of 55 and completed at least five years of service. If an executive's employment is otherwise terminated before the end of the applicable performance period, the executive's award is forfeited.

We have reported the number and market value of shares subject to the awards (together with reinvested dividends and dividend equivalents) that would have vested at December 31, 2015 had the applicable performance and service periods ended at that date. As of December 31, 2015, the performance as a percentage of target was: zero percent for the January 2, 2015 and January 2, 2014 awards based on relative total shareholder return; 200 percent for the January 2, 2015 and January 2, 2014 awards based on earnings per share growth; 108 percent for the January 2, 2013 award based on relative total shareholder return; 147 percent for the July 16, 2012 award based on relative total shareholder return and 150 percent for the January 3, 2012 and August 6, 2012 awards based on relative total shareholder return. The number of shares that ultimately vest will depend upon the extent to which the performance measures have been satisfied at the actual end of the applicable performance period, and may be fewer or greater than the number reported in the table.

For awards that were below the minimum performance level required for vesting as of December 31, 2015, if performance as of December 31, 2015 had reached the level required for vesting at 100 percent of target for these performance-based restricted stock units (together with reinvested dividend equivalents), the number of shares reported for the awards would have been:

Grants Below Threshold Performance as of December 31, 2015

	January 2, 2015 Award		January 2, 2014 Award	
	Number of Shares at 100% of Target	Market Value at 12/31/15	Number of Shares at 100% of Target	Market Value at 12/31/15
Dennis V. Arriola	7,157	\$ 672,792	8,398	\$ 789,505
J. Bret Lane	3,630	\$ 341,229	4,611	\$ 433,434
Bruce A. Folkmann	1,121	\$ 105,365	1,414	\$ 132,907
J. Christopher Baker	2,386	\$ 224,264	3,070	\$ 288,626
Lee Schavrien	3,538	\$ 332,626	3,102	\$ 291,601
Robert M. Schlax	1,419	\$ 133,398	1,815	\$ 170,597

- (C) Service-based restricted stock and restricted stock units vest at the end of four years for the January 3, 2012, January 2, 2013 and January 2, 2014 awards and at the end of three years for the January 2, 2015 award, subject to continued

employment through the vesting date. Mr. Lane's February 21, 2013 award vests in installments of one-third annually over the three-year service period. Vesting of these awards is subject to continued employment.

If an executive's employment is terminated for any reason other than death prior to vesting, the executive's award may be forfeited.

(D) Includes shares purchased and deemed purchased with reinvested dividends and dividend equivalents that become subject to the same forfeiture conditions as the shares to which the dividends relate.

(E) Weighted average exercise price of all exercisable option shares. The weighted average exercise prices of exercisable option shares are: \$55.90 for Mr. Lane; \$53.69 for Mr. Folkmann and \$55.90 for Mr. Schlax. Messrs. Arriola, Baker and Schavrien do not have any outstanding options.

(F) These units vested on January 4, 2016. The value realized upon the January 4, 2016 vesting of these shares, which is calculated using the closing price of Sempra Energy common stock on the vesting date, is set forth in Note C to Option Exercises and Stock Vested.

Option Exercises and Stock Vested

In the table below, we summarize the stock options that were exercised and restricted stock and restricted stock units that vested during 2015 for each of our named executive officers.

2015 Option Exercises and Stock Vested	Option Awards		Stock Awards	
	Number of Shares	Value Realized on Exercise	Number of Shares	Value Realized on Vesting (B)(C)
	Acquired on Exercise	(A)	Acquired on Vesting	
Dennis V. Arriola		\$		\$
J. Bret Lane		\$	9,720	\$ 1,087,643
Bruce A. Folkmann		\$	2,198	\$ 246,393
J. Christopher Baker		\$	15,894	\$ 1,781,609
Lee Schavrien		\$	16,954	\$ 1,899,140
Robert M. Schlax (Retired)		\$	13,561	\$ 1,449,079

(A) Difference between the market value of the Sempra Energy option shares on the exercise date and the option exercise price.

(B) Market value of vesting Sempra Energy common stock (including reinvested dividends) at the vesting date.

(C) The amounts shown in the table above relate to the 2011 to 2014 performance period for performance-based restricted stock unit awards, which vested at 150 percent on January 2, 2015. They also include: for Mr. Lane, 928 shares from his February 21, 2013 restricted stock award; for Mr. Schavrien, 891 shares from his February 23, 2012 restricted stock award; and for Mr. Schlax, 1,330 shares from his January 3, 2012 award, 920 shares from his January 2, 2013 award, 748 shares from his January 2, 2014 award and 587 shares from his January 2, 2015 restricted stock unit award. The 2012 to 2015 restricted stock unit awards vested on January 4, 2016 and are not reflected in the table above. The number of units vested and their market value at the vesting date, respectively, were: zero shares for Mr. Arriola; 7,704 shares and \$717,874 for Mr. Lane; 3,405 shares and \$317,321 for Mr. Folkmann; 12,673 shares and \$1,180,850 for Mr. Baker; 12,673 shares and \$1,180,850 for Mr. Schavrien; and 6,364 shares and \$593,026 for Mr. Schlax.

Pension Benefits

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Executive officers participate, along with most other employees, in the Sempra Energy Cash Balance Plan, a broad-based tax-qualified retirement plan. Under the plan, a notional account is credited annually for each participant in an amount equal to 7.5 percent of the participant's salary and bonus. Account balances earn interest and are fully vested after three years of service.

In addition to the Cash Balance Plan, some executive officers participate in a Supplemental Executive Retirement Plan. Under the plan, benefits are calculated using a defined benefit formula based on final average earnings (average base salary for the two consecutive years of highest base salary prior to retirement plus the average of the three highest annual bonuses during the ten years prior to retirement), years of service and age at retirement of the executive officer and the officer's spouse.

Benefits under the defined benefit formula begin to vest after five years of service and attainment of age 55, with full vesting when age plus years of service total 70 or the executive attains age 60. Upon normal retirement at age 62, the annual benefit (as a percentage of final average earnings) in the form of a 50 percent joint and survivor annuity is 20 percent after five years of service, 40 percent after ten years of service, 50 percent after 15 years of service, 60 percent after 20 years of service, 62.5 percent after 30 years of service, and 65 percent after 40 years of service. Reduced benefits based on age and years of service are provided for retirement as early as age 55 and the completion of five years of service.

Supplemental Executive Retirement Plan participants with at least three years of service who do not meet the minimum vesting criteria under the defined benefit formula (five years of service and attainment of age 55) are entitled to a benefit equal to the benefit that would have been received under the tax-qualified Cash Balance Plan but for Internal Revenue Code limitations on pay and benefits under tax-qualified plans.

Benefits payable under the Supplemental Executive Retirement Plan are reduced by benefits payable under the Cash Balance Plan.

Retiring employees may elect to receive the retirement date present value of their vested accumulated retirement benefits in a single lump sum payment. Alternatively, they may elect an annuity that provides the actuarial equivalent of the lump sum benefit.

In the table below, we summarize the present value of accumulated benefits under the various retirement plans at December 31, 2015 for our named executive officers.

Pension Benefits at Year-End	Plan	Years of Credited Service	Present
			Value of Accumulated Benefit (A)
Dennis V. Arriola	Cash Balance Plan	18	\$ 547,346
	Supplemental Executive Retirement Plan	18	4,390,963
	Total (B)		\$ 4,938,309
J. Bret Lane	Cash Balance Plan	34	\$ 1,139,168
	Supplemental Executive Retirement Plan	34	3,657,074
	Total (B)		\$ 4,796,242
Bruce A. Folkmann	Cash Balance Plan	11	\$ 215,367
	Total (C)		\$ 215,367
J. Christopher Baker	Cash Balance Plan	21	\$ 578,285
	Supplemental Executive Retirement Plan	21	4,387,186
	Total (D)		\$ 4,965,471
Lee Schavrien	Cash Balance Plan	38	\$ 1,363,142
	Supplemental Executive Retirement Plan	38	5,475,409
	Total (D)		\$ 6,838,551

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Robert M. Schlax (Retired)	Cash Balance Plan	10	\$ 169,593
		Total (E)	\$ 169,593

- (A) Based upon the assumptions used for financial reporting purposes set forth in Note 7 of the Notes to Consolidated Financial Statements contained in our Annual Report to Shareholders, except retirement age has been assumed to be the earliest time at which the executive could retire under each of the plans without any benefit reduction due to age.
Amounts shown for the Cash Balance Plan are based on the greater of the amounts payable under the plan or the sum of the present value of the accumulated benefit payable under a frozen predecessor plan plus future cash balance accruals. The amount shown for the Supplemental Executive Retirement Plan is the present value of the incremental benefit over that provided by the Cash Balance Plan.
- (B) Messrs. Arriola and Lane are not vested in benefits in the Supplemental Executive Retirement Plan defined benefit formula. Had they retired at December 31, 2015, Mr. Arriola would have received a total benefit of \$605,037 and Mr. Lane would have received a total benefit of \$1,729,262 under the Cash Balance Plan and the Supplemental Executive Retirement Plan cash balance formula.
- (C) Mr. Folkmann, who is not a participant in the Supplemental Executive Retirement Plan, is vested in benefits under the Cash Balance Plan, which include qualified Cash Balance Plan benefits and nonqualified Cash Balance Restoration Plan benefits which restore amounts that would have been payable under the Cash Balance Plan but for IRS limits on tax-qualified plans. Had his employment terminated on December 31, 2015, his benefits would have been \$279,763.
- (D) Messrs. Schavrien and Baker, who at December 31, 2015 were age 61 and 56, are eligible for early retirement benefits. Had they retired at December 31, 2015 and received their benefits under the plans as a lump sum, Mr. Schavrien's early retirement benefit would have been \$7,010,770 and Mr. Baker's early retirement benefit would have been \$5,649,309.
- (E) Mr. Schlax received a pension benefit payment of \$227,714 during the year ended December 31, 2015. The amount shown in the table is his remaining benefit.

Nonqualified Deferred Compensation

Sempra Energy's nonqualified deferred compensation plans permit executives to elect on a year-by-year basis to defer the receipt of a portion of their annual salary and bonus for payment in installments or in a lump sum at a future date in connection with an executive's separation from service or on a fixed in-service distribution date. Executive officers also may defer all or a portion of certain performance-based restricted stock unit awards upon vesting.

The timing and form of distribution are selected by the executive at the time of the deferral election and subsequent changes are limited. In the event of a change in control of Sempra Energy, participant accounts are distributed in a lump sum immediately prior to the date of the change in control. Deferred amounts are fully vested and earn interest at a rate reset annually to the higher of 110 percent of the Moody's Corporate Bond Yield Average Rate or the Moody's Rate plus one percent (5.42 percent for 2015) or, at the election of the executive, are deemed invested in investment accounts that mirror the investment accounts available under tax-qualified 401(k) savings plans in which all employees may elect to participate. Deferrals of performance-based restricted stock unit awards must be directed into the Sempra Energy phantom stock account.

The table below summarizes information relating to the participation in Sempra Energy's nonqualified deferred compensation plans for each of the executive officers named in the Summary Compensation Table. None of our named executive officers received any payments of nonqualified deferred compensation during the year ended December 31, 2015.

2015 Nonqualified				
Deferred	Executive Contributions	Company Contributions	Aggregate Earnings	Aggregate Balance at
Compensation	in 2015 (A)	in 2015 (B)	in 2015 (C)	12/31/15 (D)
Dennis V. Arriola	\$ 425,099	\$ 23,105	\$ (4,406)	\$ 1,375,322
J. Bret Lane	\$ 41,163	\$ 14,578	\$ 15,269	\$ 876,524
Bruce A. Folkmann	\$ 29,850	\$ 7,398	\$ 760	\$ 38,008
J. Christopher Baker	\$ 98,747	\$ 11,701	\$ 15,683	\$ 2,554,291

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Lee Schavrien	\$ 38,197	\$ 12,045	\$ (30,532)	\$ 738,346
Robert M. Schlax (Retired)	\$ 45,875	\$ 3,157	\$ (43,034)	\$ 1,058,639

- (A) Executive contributions consist of deferrals of salary and bonus that are also reported as compensation in the Summary Compensation Table. Timing differences between reporting bonus compensation in the Summary Compensation Table (which reports bonus amounts for the year in which they were earned) and related deferral dates (the date on which the bonuses otherwise would have been paid to the executive) may in any year result in lesser or greater amounts reported as executive contributions in the accompanying table than the amounts that have been included in compensation reported in the Summary Compensation Table. Executive contributions in 2015 that are also included as salary and bonus compensation reported in the Summary Compensation Table total \$216,299 for Mr. Arriola; \$41,163 for Mr. Lane; \$16,356 for Mr. Folkmann; \$72,177 for Mr. Baker; \$22,045 for Mr. Schavrien; and \$17,540 for Mr. Schlax.
- (B) Company contributions mirror the amounts that the executive would have received under tax-qualified 401(k) savings plans if not for maximum dollar limitations on amounts that may be deferred under tax-qualified plans, but do not include the stretch match provided under the 401(k) Savings Plan. These contributions are also reported as compensation in the Summary Compensation Table.
- (C) Earnings (losses) are measured as the difference in deferred account balances between the beginning and the end of the year minus executive and company contributions during the year. Earnings consisting of above-market interest are reported in the Summary Compensation Table. Excluding above-market interest, earnings (losses) for 2015 were (\$5,373) for Mr. Arriola; \$7,177 for Mr. Lane; \$579 for Mr. Folkmann; (\$12,628) for Mr. Baker; (\$31,164) for Mr. Schavrien; and (\$43,034) for Mr. Schlax. These earnings (losses) are not reported in the Summary Compensation Table.
- (D) Year-end balances consist of executive and company contributions and earnings (losses) on contributed amounts. All contributions and all earnings that consist of above-market interest have been included in the Summary Compensation Table for 2015 or prior years to the extent such reporting requirements were then applicable to the executive. Such aggregate amounts reported in the Summary Compensation Table for fiscal years 2013, 2014 and 2015 are \$1,273,802 for Mr. Arriola; \$127,786 for Mr. Lane; \$37,429 for Mr. Folkmann; \$542,452 for Mr. Baker; \$132,830 for Mr. Schavrien; and \$212,659 for Mr. Schlax.

Severance and Change in Control Benefits

We have a severance pay agreement with each of our named executive officers. Each agreement is for a term of two years and is automatically extended for an additional year upon each anniversary of the agreement unless we or the executive elect not to extend the term.

The severance pay agreements provide executives with severance benefits in the event that we were to terminate the executive's employment during the term of the agreement for reasons other than cause, death or disability, or in the event that the executive were to resign for good reason as defined in the agreement. The nature and amount of the severance benefits vary somewhat with the executive's position, and increased benefits are provided if the executive enters into an agreement with the company to provide consulting services for two years and abide by certain covenants regarding non-solicitation of employees and information confidentiality. Additional benefits are also provided if the termination of employment or resignation were to occur within two years following a change in control of Sempra Energy.

The definitions of cause and good reason vary somewhat based on whether the termination of employment occurs before or after a change in control of Sempra Energy. However, cause is generally defined to include a willful and continued failure by the executive to perform his or her duties to the company, and good reason is generally defined to include adverse changes in the executive's responsibilities, compensation and benefit opportunities, and certain changes in employment location. A change in control is defined in the agreements to include events resulting in a change in the effective control of Sempra Energy or a change in the ownership of a substantial portion of Sempra Energy's assets.

Outstanding stock option, restricted stock and restricted stock unit agreements for grants dated prior to May 9, 2013 provide that all stock options would become immediately exercisable and all forfeiture and transfer conditions on restricted stock and restricted stock units would immediately terminate upon a change in control of Sempra Energy, whether or not accompanied or followed by a termination of the executive's employment. Awards granted after May 9, 2013 under the Sempra Energy 2013 Long-Term Incentive Plan include a double trigger provision for vesting of equity in connection with a change in control. Restricted stock unit awards issued to date under the Sempra Energy 2013 Long-Term Incentive Plan provide for continuation following a change in control through the new company's assumption of the awards or the issuance

of replacement awards. Replacement awards must meet certain criteria, which are described in Section 16 of the Sempra Energy 2013 Long-Term Incentive Plan. If awards are not assumed or replaced or if an employee is eligible for retirement (age 55 or older with five or more years of service) as of the date of the change in control, awards would vest upon a change in control. Such awards vest at the greater of target performance level or the actual performance level had the performance period ended on the last day of the calendar year immediately preceding the date of the change in control (or, for awards based on relative total shareholder return, had the performance period ended on the date of the change in control). All named executive officers except Mr. Folkmann have attained the age of 55 and completed at least five years of service. Also, any outstanding awards would immediately vest upon the executive's involuntary termination other than for cause, termination for good reason, death, disability, or retirement during the three-year period following a change in control.

We summarize below the benefits each of our executive officers named in the Summary Compensation Table would have been entitled to receive had we terminated his or her employment (other than for cause, death or disability) at December 31, 2015 or had the executive resigned for good reason, and the benefits each executive would have been entitled to receive had such termination or resignation occurred within two years following a change in control of Sempra Energy. These amounts assume the executive had entered into a two-year consulting, non-solicitation and confidentiality agreement providing for enhanced severance. We also show the benefits that each executive would have been entitled to receive (accelerated vesting of restricted stock and restricted stock units) had a change in control of Sempra Energy occurred on December 31, 2015, whether or not accompanied or followed by a termination of the executive's employment.

Severance and Change in Control Benefits	Termination of Employment by the Company Without Cause or by the Executive Officer for Good Reason Unrelated to		Change in Control Only (Without Termination of Employment)
	a Change in Control	Change in Control	
Dennis V. Arriola			
Lump Sum Cash Payment (A)	\$ 1,489,100	\$ 1,985,467	
Acceleration of Existing Equity Awards (B)		4,716,723	\$ 4,716,723
Enhanced Retirement Benefits (C)		5,422,715	
Health and Welfare Benefits (D)	21,711	46,307	
Financial Planning (E)	37,500	50,000	
Outplacement	50,000	50,000	
Total	\$ 1,598,311	\$ 12,271,212	\$ 4,716,723
J. Bret Lane			
Lump Sum Cash Payment (A)	\$ 1,018,250	\$ 1,357,667	
Acceleration of Existing Equity Awards (B)		3,008,498	\$ 3,008,498
Enhanced Retirement Benefits (C)		3,983,977	
Health and Welfare Benefits (D)	32,688	61,859	
Financial Planning (E)	37,500	50,000	
Outplacement	50,000	50,000	
Total	\$ 1,138,438	\$ 8,512,001	\$ 3,008,498
Bruce A. Folkmann			
Lump Sum Cash Payment (A)	\$ 457,200	\$ 800,100	
Acceleration of Existing Equity Awards (B)		1,183,985	\$ 784,914
Health and Welfare Benefits (D)	15,868	26,132	
Financial Planning (E)	25,000	37,500	
Outplacement	50,000	50,000	
Total	\$ 548,068	\$ 2,097,717	\$ 784,914
Total After Severance Reduction (F)	\$ 548,068	\$ 1,572,676	\$ 784,914
J. Christopher Baker			
Lump Sum Cash Payment (A)	\$ 934,050	\$ 1,245,400	
Acceleration of Existing Equity Awards (B)		2,922,961	\$ 2,922,961
Enhanced Retirement Benefits (C)			
Health and Welfare Benefits (D)	32,688	57,508	
Financial Planning (E)	37,500	50,000	
Outplacement	50,000	50,000	
Total	\$ 1,054,238	\$ 4,325,869	\$ 2,922,961
Lee Schavrien			
Lump Sum Cash Payment (A)	\$ 947,850	\$ 1,263,800	
Acceleration of Existing Equity Awards (B)		3,101,422	\$ 3,101,422
Enhanced Retirement Benefits (C)			
Health and Welfare Benefits (D)	21,711	45,271	
Financial Planning (E)	37,500	50,000	
Outplacement	50,000	50,000	
Total	\$ 1,057,061	\$ 4,510,493	\$ 3,101,422

- (A) Severance payment of one-half times (one times following a change in control) the sum of annual base salary and the average of the last three incentive bonuses. An additional one-half to one times the sum of annual base salary and the average of the last three incentive bonuses is conditioned upon the executive's agreement to provide post-termination consulting services and abide by restrictive covenants related to non-solicitation and confidentiality. Excludes payment of bonus earned in the year of termination.
- (B) Fair market value at December 31, 2015 of shares subject to performance-based and service-based restricted stock units for which forfeiture restrictions would terminate.
Includes the full value of the 2012 restricted stock unit award that vested on January 4, 2016. The value realized upon vesting of this award is discussed above under Option Exercises and Stock Vested, Note C.
- (C) For Mr. Arriola, the amount shown for termination accompanied by a change in control is the incremental actuarial value assuming that he had attained age 62, but reduced for applicable early retirement factors.
- (D) Estimated value associated with continuation of health benefits for 18 months for Messrs. Arriola, Lane, Baker and Schavrien, and 12 months for Mr. Folkmann for termination unrelated to a change in control and continuation of health, life, disability and accident benefits for two years for Messrs. Arriola, Lane, Baker and Schavrien, and 18 months for Mr. Folkmann for termination accompanied by a change in control.
- (E) Estimated value associated with continuation of financial planning services for 18 months for Messrs. Arriola, Lane, Baker and Schavrien, and 12 months for Mr. Folkmann for termination unrelated to a change in control, and two years for Messrs. Arriola, Lane, Baker and Schavrien, and 18 months for Mr. Folkmann for termination accompanied by a change in control.
- (F) Under the severance pay agreements, the change in control severance payments may be reduced to ensure that the total benefit falls below the Section 280G excise tax threshold. Such reduction will apply if the difference between the executive's net after-tax unreduced benefit and the net after-tax reduced benefit is less than five percent.
Executive officers who voluntarily terminate their employment (other than for good reason) or whose employment is terminated by death or disability or by the company for cause are not entitled to enhanced benefits.

ANNUAL REPORT

The company is mailing the joint Annual Report to Shareholders of Sempra Energy, SoCalGas and SDG&E to its shareholders together with this Information Statement.

This Notice of Annual Shareholders Meeting and this Information Statement are sent by order of the Board of Directors of Southern California Gas Company.

Kari E. McCulloch

Corporate Secretary

Dated: April 22, 2016

