UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1999

Commission file number 1-14201

Sempra Energy
(Exact name of registrant as specified in its charter)

California	33-0732627
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 Ash Street, San Diego, California 92101
(Address of principal executive offices)
(Zip Code)

(619) 696-2034
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Common stock outstanding on April 30, 1999: 240,119,972

ITEM 1. FINANCIAL STATEMENTS.

SEMPRA ENERGY
STATEMENTS OF CONSOLIDATED INCOME (Unaudited)
(Dollars in millions, except per share amounts)

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
Revenues and Other Income:		
Utility revenues:		
Natural gas	$ 698	$ 761
Electric	360	497
Other operating revenues	111	77
Other income	22	15
Total	1,191	1,350
Expenses:		
Cost of natural gas distributed	291	330
Purchased power - net	66	96
Electric fuel	35	31
Operating expenses	389	377
Depreciation and amortization	142	275
Franchise payments and other taxes	45	51
Preferred dividends of subsidiaries	3	4
Total	971	1,164

Income Before Interest and Income Taxes	220	186
Interest	58	55
Income Before Income Taxes	162	131
Income Taxes	63	44
Net Income	$ 99	$ 87
Net Income Per Share of Common Stock (Basic)	$0.42	$0.37
Net Income Per Share of Common Stock (Diluted)	$0.42	$0.37
Common Dividends Declared Per Share	$0.39	$0.32

See notes to Consolidated Financial Statements.

SEMPRA ENERGY
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	Balance at	
	March 31, 1999 (Unaudited)	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 622	$ 424
Accounts receivable - trade	512	586
Account and note receivable - other	180	159
Deferred income taxes	77	93
Energy trading assets	839	906
Inventories	90	151
Other	168	139
Total current assets	2,488	2,458
Investments and other assets:		
Regulatory assets	1,060	1,056
Nuclear-decommissioning trusts	495	494
Investments	587	548
Other assets	514	459
Total investments and other assets	2,656	2,557
Property, plant and equipment:		
Property, plant and equipment	11,289	11,235
Less accumulated depreciation and amortization	(5,901)	(5,794)
Total property, plant and equipment - net	5,388	5,441
Total assets	$10,532	$10,456

See notes to Consolidated Financial Statements.

SEMPRA ENERGY
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	Balance at March 31, 1999 (Unaudited)	Balance at December 31, 1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 38	$ 43
Accounts payable - trade	571	702
Accrued income taxes	35	27
Energy trading liabilities	677	805
Dividends and interest payable	163	168
Regulatory balancing accounts - net	461	120
Long-term debt due within one year	349	330
Other	258	271
Total current liabilities	2,552	2,466
Long-term debt	2,762	2,795
Deferred credits and other liabilities:		
Customer advances for construction	71	72
Post-retirement benefits other than pensions	220	240
Deferred income taxes	648	634
Deferred investment tax credits	137	147
Deferred credits and other liabilities	1,017	985
Total deferred credits and other liabilities	2,093	2,078
Preferred stock of subsidiaries	204	204
Commitments and contingent liabilities (Note 3)		
Shareholders' Equity:		
Common Stock	1,886	1,883
Retained earnings	1,080	1,075
Deferred compensation relating to Employee Stock Ownership Plan	(45)	(45)
Total shareholders' equity	2,921	2,913
Total liabilities and shareholders' equity	$10,532	$10,456

See notes to Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (Unaudited)
(Dollars in millions)

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
Cash Flows From Operating Activities:		
Net income	$ 99	$ 87
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142	275
Deferred income taxes and investment tax credits	4	(57)
Other - net	(64)	(124)

Net changes in other working capital components	267	572
Net cash provided by operating activities	448	753
Cash Flows From Investing Activities:		
Expenditures for property plant and equipment	(73)	(78)
Acquisitions of subsidiaries	--	(119)
Contributions to decommissioning trusts	(5)	(5)
Other	(30)	8
Net cash used in investing activities	(108)	(194)
Cash Flows From Financing Activities:		
Common stock dividends	(94)	(76)
Sale of common stock	3	9
Repurchase of common stock	--	(1)
Redemption of preferred stock	--	(75)
Issuance of long-term debt	10	76
Payment on long-term debt	(56)	(201)
Decrease in short-term debt - net	(5)	(272)
Net cash used in financing activities	(142)	(540)
Increase in Cash and Cash Equivalents	198	19
Cash and Cash Equivalents, January 1	424	814
Cash and Cash Equivalents, March 31	$ 622	$ 833
Supplemental Disclosure of Cash Flow Information:		
Interest payments (net of amounts capitalized)	$ 63	$ 59
Income tax payments (net of refunds)	$ 24	$ 7

See notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

This Quarterly Report on Form 10-Q is that of Sempra Energy (the Company), a California-based Fortune 500 energy services company. Sempra Energy's principal subsidiaries are San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas). The financial statements herein are the Consolidated Financial Statements of Sempra Energy and its subsidiaries.

The accompanying Consolidated Financial Statements have been prepared in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year. In the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are of a normal recurring nature. Certain changes in classification have been made to prior presentations to conform to the current financial statement presentation.

The Company's significant accounting policies, as well as those of its subsidiaries, are described in the notes to Consolidated Financial Statements in the Company's 1998 Annual Report. The same accounting policies are followed for interim reporting purposes.

This Quarterly Report should be read in conjunction with the Company's 1998 Annual Report, which includes the Consolidated Financial Statements and notes thereto, and the annual "Management's Discussion & Analysis of Financial Condition and Results of Operations."

SDG&E and SoCalGas have been accounting for the economic effects of regulation on all utility operations in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), as described in the notes to Consolidated Financial Statements in the Company's 1998 Annual Report. In conformity with generally accepted accounting principles for regulated enterprises and the policies of the California Public Utilities Commission (CPUC), SDG&E has ceased the application of SFAS No. 71 to its generation business, in accordance with the conclusion of the Financial Accounting Standards Board that the application of SFAS No. 71 should be discontinued when legislation is issued that determines that a portion of an entity's business will no longer be subject to cost-based regulation. The discontinuance of SFAS No. 71 has not resulted in a write-off of SDG&E's generation assets, since the CPUC has approved the recovery of the stranded costs related to these assets by the distribution portion of its business, subject to a rate cap. (See further discussion in Note 3.)

2. BUSINESS COMBINATIONS

PE/Enova

On June 26, 1998 (pursuant to an October 1996 agreement) Enova (the parent corporation of San Diego Gas & Electric) and PE (the parent corporation of the Southern California Gas Company) completed a business combination in which the companies became subsidiaries of a new company named Sempra Energy. As a result of the combination, (i) each outstanding share of common stock of Enova was converted into one share of common stock of Sempra Energy, (ii) each outstanding share of common stock of PE was converted into 1.5038 shares of common stock of Sempra Energy and (iii) the preferred stock and/or preference stock of SDG&E, PE and SoCalGas remain outstanding. Additional information on the business combination is discussed in the Company's 1998 Annual Report.

Expenses incurred in connection with the business combination were $0.5 million, after tax, and $1.4 million, after tax, for the three-month periods ended March 31, 1999 and 1998, respectively. These costs consisted primarily of employee-related costs, and investment banking, legal, regulatory and consulting fees.

KN Energy

On February 22, 1999, Sempra Energy and KN Energy, Inc. (KN Energy) announced that their respective boards of directors had approved Sempra Energy's acquisition of KN Energy, subject to approval by the shareholders of both companies and by various federal and state regulatory agencies. If the transaction is approved, holders of KN Energy common stock will receive 1.115 shares of Sempra Energy common stock or $25 in cash, or some combination thereof, for each share of KN Energy common stock. In the aggregate, the cash portion of the transaction will constitute not more than 30 percent of the total consideration. The transaction will be treated as a purchase for accounting purposes. On March 30, 1999, Sempra Energy was notified that the U.S. Federal Trade Commission had granted the Company's request for early clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, with respect to the proposed merger.

3. MATERIAL CONTINGENCIES

ELECTRIC INDUSTRY RESTRUCTURING -- CALIFORNIA PUBLIC UTILITIES COMMISSION

In September 1996 the State of California enacted a law restructuring California's electric utility industry (AB 1890). The legislation adopts the December 1995 CPUC policy decision that restructures the industry to stimulate competition and reduce rates.

Beginning on March 31, 1998, customers were given the opportunity to choose to continue to purchase their electricity from the local utility under regulated tariffs, to enter into contracts with other energy-service providers (direct access) or to buy their power from the independent Power Exchange (PX) that serves as a wholesale power pool allowing all energy producers to participate competitively. The PX obtains its power from qualifying facilities, from nuclear units and, lastly, from the lowest-bidding suppliers. The California investor-owned electric utilities (IOUs) are obligated to sell their power supply, including owned generation and purchased-power contracts, to the PX. The IOUs are also obligated to purchase from the PX the power that they distribute. An Independent System Operator (ISO) schedules power transactions and access to the transmission system. The local utility continues to provide distribution service regardless of which energy source the customer chooses. Purchases from the PX/ISO are included in purchased-power expenses and PX/ISO power revenues have been netted therein on the Statements of Consolidated Income as presented. Revenues from the PX/ISO reflect sales at market prices of energy from SDG&E's power plants and from long-term purchased-power contracts to the PX/ISO commencing April 1, 1998.

As discussed in the notes to Consolidated Financial Statements contained in the Company's 1998 Annual Report, the IOUs have been given a reasonable opportunity to recover their stranded costs via a competition transition charge (CTC) to customers through December 31, 2001. Excluding the costs of purchased power and other costs whose recovery is not limited to the pre-2002 period, the balance of SDG&E's stranded assets at March 31, 1999 is $600 million, consisting of $400 million for the power plants (see the following paragraph) and $200 million of related deferred taxes and undercollections. During the 1998-2001 period, recovery of transition costs is limited by a rate cap (discussed below).

In November 1997 SDG&E announced a plan to auction its power plants and other generation assets. This plan includes the divestiture of SDG&E's fossil power plants and combustion turbines, its 20-percent interest in the San Onofre Nuclear Generating Station (SONGS) and its portfolio of long-term purchased-power contracts. The power plants have a net book value as of March 31, 1999 of $400 million ($300 million for SONGS and $100 million for the fossil plants) and a combined generating capacity of 2,400 megawatts. The proceeds from the sales will be applied directly to SDG&E's transition costs. The fossil-fuel assets' auction is being separated from the auction of SONGS and the purchased-power contracts. In October 1998, the CPUC issued an interim decision approving the commencement of the fossil fuel assets' auction.

On December 11, 1998 contracts were executed for the sale of SDG&E's South Bay Power Plant, Encina Power Plant and 17 combustion-turbine generators. In early 1999, the CPUC issued its final approvals of these transactions. The South Bay Power Plant sale to the San Diego Unified Port District for $110 million was completed on April 23, 1999. Duke South Bay, a subsidiary of Duke Energy Power Services, will manage the plant for the Port District. The Encina Power Plant and the combustion-turbine generators are being sold to a special-purpose entity owned equally by Dynegy Power Corp. and NRG Energy, Inc. for $350 million. This transaction is expected to close by mid 1999. SDG&E will continue to operate the facilities for the next two years.

AB 1890 required a 10-percent reduction of residential and small commercial customers' rates beginning in January 1998, and provided for the issuance of rate-reduction bonds by an agency of the State of California to enable the IOUs to achieve this rate reduction. In December 1997, $658 million of rate-reduction bonds were issued on SDG&E's behalf at an average interest rate of 6.26 percent. These bonds are being repaid over 10 years by SDG&E's residential and small commercial customers via a non-bypassable charge on their electric bills. In 1997 SDG&E formed a subsidiary, SDG&E Funding LLC, to facilitate the issuance of the bonds. In exchange for the bond proceeds, SDG&E sold to SDG&E Funding LLC all of its rights to revenue streams collected from such customers. Consequently, the transaction is structured to cause such revenue streams not to be the property of SDG&E nor to be available to satisfy any claims of SDG&E's creditors.

AB 1890 includes a rate freeze for all customers. Beginning in 1998, system-average rates were fixed at 9.43 cents per kwh. The rate freeze could stay in place until January 1, 2002. However, SDG&E recently filed with the CPUC for an interim mechanism to deal with electric rates after the rate freeze ends, noting the possibility that the SDG&E rate freeze could end in 1999. A subsequent SDG&E filing requests expedited treatment from the CPUC to end the rate freeze and to set interim rates effective July 1, 1999, as well as a request for adoption of final rates. SDG&E is requesting authority to reduce base rates (the portion of the rate that SDG&E controls) to all electric customers. If approved, base electric rates will decrease by an additional five percent to 15 percent, depending on the customer class, beyond the original 10-percent rate reduction described above. The portion of the electric rate representing the commodity cost is simply passed through to customers and will fluctuate with the price of electricity from the PX. Once the rate freeze is lifted, except for the interim protection mechanism described below, customers will no longer be protected from commodity price spikes. The request to end the rate freeze is based on a projection of SDG&E's recovering all applicable electric restructuring transition costs before July 1, 1999.

In April 1999 SDG&E filed an all-party settlement (including energy service providers, the CPUC's Office of Ratepayer Advocates (ORA), and the Utility Consumers Action Network (UCAN)) detailing proposed implementation plans for the rate freeze lifting. Included in the settlement is an interim customer-protection mechanism for residential and small commercial customers that would temporarily cap rates between July 1999 and September 1999, regardless of how high the PX price moves during that period. Any resulting undercollection would be recovered through a balancing account mechanism. An interim CPUC decision is expected no later than June 24, 1999.

Thus far, electric-industry deregulation has been confined to generation. Transmission and distribution have remained subject to traditional cost-of-service regulation. However, the CPUC is exploring the possibility of opening up electric distribution to competition. During 1999, the CPUC will be conducting a rulemaking, one objective of which may be to develop a coordinated proposal for the state legislature regarding how various distribution competition issues should be addressed. SDG&E will actively participate in this effort.

ELECTRIC INDUSTRY RESTRUCTURING -- FEDERAL ENERGY REGULATORY COMMISSION

In October 1997, the Federal Energy Regulatory Commission (FERC) approved key elements of the California IOUs' restructuring proposal. This included the transfer by the IOUs of the operational control of their transmission facilities to the ISO, which is under FERC jurisdiction. The FERC also approved the establishment of the California PX to operate as an independent wholesale power pool. The IOUs pay to the PX an up-front restructuring charge (in four annual installments) and an administrative-usage charge for each megawatt-hour of volume transacted. SDG&E's share of the restructuring charge is approximately $10 million, which is being recovered as a transition cost. The IOUs have guaranteed $300 million of commercial loans to the ISO and PX for their development and initial start-up. SDG&E's share of the guarantee is $30 million.

NATURAL GAS INDUSTRY RESTRUCTURING

The natural gas industry experienced an initial phase of restructuring during the 1980s by deregulating natural gas sales to noncore customers. On January 21, 1998, the CPUC released a staff report initiating a project to assess the current market and regulatory framework for California's natural gas industry. The general goals of the plan are to consider reforms to the current regulatory framework emphasizing market-oriented policies benefiting California's natural gas consumers.

In August 1998, California enacted a law prohibiting the CPUC from enacting any natural gas industry restructuring decision for core customers prior to January 1, 2000; the CPUC continues to study the issue. During the implementation moratorium, the CPUC will hold hearings throughout the state and intends to give the legislature a draft ruling before adopting a final market-structure policy. SDG&E and SoCalGas will actively participate in this effort.

NUCLEAR INSURANCE

SDG&E and the co-owners of SONGS have purchased primary insurance of $200 million, the maximum amount available, for public-liability claims. An additional $9.5 billion of coverage is provided by the Nuclear Regulatory Commission Secondary Financial Protection Program and provides for loss sharing among utilities owning nuclear reactors if a costly accident occurs. SDG&E could be assessed up to $36 million in the event of a nuclear incident involving any of the licensed commercial reactors in the United States if the amount of the loss exceeds $200 million. In the event the public-liability limit stated above is insufficient, the Price-Anderson Act provides for Congress to enact further revenue-raising measures to pay claims which could include an additional assessment on all licensed reactor operators.

Insurance coverage is provided for up to $2.75 billion of property damage and decontamination liability. Coverage is also provided for the cost of replacement power, which includes indemnity payments for up to three years, after a waiting period of 17 weeks. Coverage is provided primarily through mutual insurance companies owned by utilities with nuclear facilities. If losses at any of the nuclear facilities covered by the risk-sharing arrangements were to exceed the accumulated funds available from these insurance programs, SDG&E could be assessed retrospective premium adjustments of up to $4.5 million.

CANADIAN NATURAL GAS

SDG&E has been involved in negotiations and litigation with four Canadian suppliers concerning contract terms and prices. SDG&E has settled with three of the suppliers. One of the three is delivering natural gas under the terms of the settlement agreement through 2003; the other two have ceased deliveries and the contracts were terminated. The fourth supplier has ceased deliveries pending legal resolution. Although these contracts were intended to supply SDG&E to a level approximating the related committed long-term pipeline capacity, SDG&E intends to continue using the capacity in other ways, including the transport of replacement natural gas and the release of a portion of this capacity to third parties.

QUASI-REORGANIZATION

During 1993, PE completed a strategic plan to refocus on its natural gas utility and related businesses. The strategy included the divestiture of the Company's merchandising operations and all of its oil and gas exploration and production business. In connection with the divestitures, PE effected a quasi-reorganization for financial-reporting purposes, effective December 31, 1992. Certain of the liabilities established in connection with discontinued operations and the quasi-reorganization will be resolved in future years. Management believes the provisions previously established for these matters are adequate.

4. COMPREHENSIVE INCOME

In conformity with generally accepted accounting principles, the Company has adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." Comprehensive income for the three-month periods ended March 31, 1999 and 1998 was equal to net income.

5. SEGMENT INFORMATION

The Company, primarily an energy-services company, has three separately managed reportable segments comprised of SDG&E, SoCalGas and Sempra Energy Trading (SET). The two utilities operate in essentially separate service territories under separate regulatory frameworks and rate structures set by the CPUC. As described in the notes to Consolidated Financial Statements in the Company's 1998 Annual Report, SDG&E provides electric and natural gas service to San Diego and southern Orange counties. SoCalGas is a natural gas distribution utility, serving customers throughout most of southern California and part of central California. SET is based in Stamford, Connecticut and is engaged in the nationwide wholesale trading and marketing of natural gas, power and petroleum. The accounting policies of the segments are the same as those described in the notes to Consolidated Financial Statements in the Company's 1998 Annual Report, and segment performance is evaluated by management based on reported net income. Intersegment transactions generally are recorded the same as sales or transactions with third parties. Utility transactions are primarily based on rates set by the CPUC and the FERC. There were no significant changes in segment assets for the three months ended March 31, 1999. See Note 3 regarding the sale of the Company's power plants. Segment information of SoCalGas and SDG&E is provided in the Quarterly Report on Form 10-Q for the three-month period ended March 31, 1999 of each of these companies.

	Three months ended March 31,	
(Dollars in millions)	1999	1998
Operating Revenues:		
San Diego Gas & Electric	$ 461	$ 606
Southern California Gas	607	664
Sempra Energy Trading	73	9
Intersegment revenues	(14)	(11)
All other	64	82
Total	$1,191	$ 1,350

Net Income:		
San Diego Gas & Electric*	$ 53	$ 48
Southern California Gas*	47	47
Sempra Energy Trading	1	(8)
All other	(2)	-
Total	$ 99	$ 87

* after preferred dividends

6. SEMPRA ENERGY HOLDINGS

On May 5, 1999, Sempra Energy and its wholly owned subsidiary, Sempra Energy Holdings (Holdings), jointly filed a shelf registration of common stock, preferred stock, debt securities and guarantees of Sempra Energy; debt securities of Holdings; and certain other securities to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933. Because any debt securities issued by Holdings will be guaranteed by Sempra Energy, summarized financial information of Holdings is provided below. Additional financial information of Holdings is provided in Sempra Energy's Current Report on Form 8-K filed May 5, 1999.

(Dollars in millions)

	At March 31, 1999	At December 31, 1998
Current assets	$1,396	$1,470
Non-current assets	587	544
Current liabilities	1,367	1,452
Non-current liabilities	139	140

	Three Months Ended March 31,	
	1999	1998
Operating revenues	$ 114	$ 111
Operating expenses	129	131
Net loss	10	11

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements contained in this Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's 1998 Annual Report.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans" and "intends," variations of such words, and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties which could cause actual results to differ materially from those anticipated.

These statements are necessarily based upon various assumptions involving judgments with respect to the future including, among others, local, regional, national and international economic, competitive, political and regulatory conditions and developments; technological developments; capital market conditions; inflation rates; interest rates; energy markets; weather conditions; business, regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity industries; the timing and success of business development efforts; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Company. Accordingly, while the Company believes that the assumptions are reasonable, there can be no assurance that they will approximate actual experience, or that the expectations will be realized. Readers are urged to review and consider carefully the risks, uncertainties and other factors which affect the Company's business described in this quarterly report and other reports filed by the Company from time to time with the Securities and Exchange Commission. Readers are cautioned not to put undue reliance on any forward-looking statements. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

BUSINESS COMBINATIONS

See Note 2 of the notes to Consolidated Financial Statements regarding the PE/Enova business combination and the KN Energy proposed merger. See "International Operations" below for a discussion of the planned acquisition of Chilquinta Energia S.A.

CAPITAL RESOURCES AND LIQUIDITY

The Company's utility operations continue to be a major source of liquidity. In addition, working capital requirements are met through the issuance of short-term and long-term debt. These capital resources are expected to remain available. Cash requirements primarily include utility capital expenditures, repayments and retirements of long-term debt, and costs related to the proposed acquisitions of KN Energy and Chilquinta Energia S.A. Major changes in cash flows not described elsewhere are described below. Cash and cash equivalents at March 31, 1999 are available for investment in energy-related domestic and international projects, the retirement of debt, and other corporate purposes.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operations decreased primarily due to greater working capital requirements and to a decrease in collections on regulatory balancing accounts compared to 1998. Overcollected balancing accounts increased for both periods due to actual natural gas costs' being lower than amounts collected in rates.

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures for property, plant and equipment are estimated to be $420 million for the full year 1999 and will be financed primarily by internally generated funds and will largely represent investment in utility operations. Construction, investment and financing programs are continuously reviewed and revised in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements.

In January 1998 PE and Enova jointly acquired CES/Way International, Inc. for a total of $79 million. CES/Way provides energy-efficiency services, including energy audits, engineering design, project management, construction, financing and contract maintenance.

In March 1998 PE increased its existing investment in two Argentine natural gas utility holding companies from 12.5 percent to 21.5 percent by purchasing an additional interest for $40 million.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities decreased due to greater long-term and short-term debt repayments and the repurchase of preferred stock in 1998. The decrease was partially offset by higher dividends paid on common stock in 1999.

Dividends paid on common stock were $94 million during the three-month period ended March 31, 1999, compared to $76 million during the same period in 1998. The increase in 1999 is the result of the Company's paying dividends on its common stock at the rate previously paid by Enova, which, on an equivalent-share basis, is higher than the rate paid by PE.

Dividends currently are paid quarterly to shareholders. The payment of future dividends is within the discretion of the board of directors.

On February 2, 1998, SoCalGas redeemed all outstanding shares of 7-3/4% Series Preferred Stock for a total cost of $75 million, including unpaid dividends.

RESULTS OF OPERATIONS

The increases in net income and net income per share for the three months ended March 31, 1999 are primarily due to higher net income at SDG&E due to property sales and improved results at Sempra Energy Trading (SET) due to higher trading gains. SoCalGas' net income for the three-month period ended March 31, 1999 was consistent with net income for the same period in 1998.

Income tax expense increased for the three-month period ended March 31, 1999, compared to the corresponding period in 1998, due to the increase in income before taxes. The increase in income before taxes, coupled with a relatively unchanged level of income tax credits, resulted in an increase in the Company's income tax rate.

UTILITY OPERATIONS

Utility natural gas revenues decreased 8 percent for the three-month period ended March 31, 1999 compared to the same period in 1998. The decrease was primarily due to a decrease in the average cost of natural gas and lower utility electric generating sales, partially offset by a slight increase in sales to residential customers due to colder weather and customer growth in 1999.

Electric revenues decreased 28 percent in 1999 primarily due to the January 1998 application to stranded cost recovery of the $130 million balance in the Interim Transition Cost Balancing Account (ITCBA), which had been transferred from the then-discontinued ECAC and ERAM balancing accounts at December 31, 1997. In addition, there was a decrease in retail revenues as a result of a decrease in sales to other utilities, due to the start-up of the PX. The PX is described further under "Factors Influencing Future Performance".

Cost of natural gas distributed decreased 12 percent for the three-month period ended March 31, 1999. The decrease was primarily due to the decrease in the average cost of natural gas purchased and lower utility electric generating sales, offset by higher volumes. Under the current regulatory framework, changes in revenue resulting from changes in core market volumes and the cost of natural gas do not affect net income.

As discussed in Note 3, PX/ISO power revenues have been netted against purchased-power expenses, including purchases from the PX/ISO. The PX/ISO began operations in April 1998.

Depreciation and amortization decreased 48 percent for the three-month period ended March 31, 1999, compared to the same period in 1998 due to the January 1998 application of the ITCBA to stranded cost recovery as discussed above.

The tables below summarize the components of natural gas and electric volumes and revenues by customer class for the three months ended March 31, 1999 and 1998.

Gas Sales, Transportation & Exchange
(Dollars in millions, volumes in billion cubic feet)

	Gas Sales		Transportation & Exchange		Total	
	Throughput	Revenue	Throughput	Revenue	Throughput	Revenue
1999:						
Residential	115	$ 724	1	$ 1	116	$ 725
Commercial and industrial	32	178	81	66	113	244
Utility electric generation*	12	5	16	7	28	12
Wholesale	-	-	8	2	8	2
	159	$ 907	106	$ 76	265	983
Balancing accounts and other						(285)
Total						$ 698
1998:						
Residential	109	$ 809	1	$ 4	110	$ 813
Commercial and industrial	30	186	86	71	116	257
Utility electric generation*	10	2	23	11	33	13
Wholesale	-	-	9	2	9	2

	149	$ 997	119	$ 88	268	1,085
Balancing accounts and other						(324)
Total						$ 761

* The portion representing SDG&E's sales for electric generation includes margin only.

Electric Distribution
(Dollars in millions, volumes in millions of Kwhrs

	1999		1998	
	Volumes	Revenue	Volumes	Revenue
Residential	1,685	$ 170	1,631	$ 167
Commercial	1,518	125	1,632	134
Industrial	489	31	814	48
Direct access	657	21	-	-
Street and highway lighting	19	2	22	2
Off-system sales	26	-	595	13
	4,394	349	4,694	364
Balancing and other		11		133
Total	4,394	$ 360	4,694	$ 497

YEAR 2000 ISSUES

Most companies are affected by the inability of many automated systems and applications to process the year 2000 and beyond. The Year 2000 issues are the result of computer programs and other automated processes using two digits to identify a year, rather than four digits. Any of the Company's computer programs that include date-sensitive software may recognize a date using "00" as representing the year 1900, instead of the year 2000, or "01" as 1901, etc., which could lead to system malfunctions. The Year 2000 issue impacts both Information Technology ("IT") systems and also non-IT systems, including systems incorporating embedded processors. To address this problem, in 1996, both Pacific Enterprises and Enova Corporation established company-wide Year 2000 programs. These programs have now been consolidated into Sempra Energy's overall Year 2000 readiness effort. Sempra Energy has established a central Year 2000 Program Office, which reports to the Company's Chief Information Technology Officer and reports periodically to the audit committee of the Board of Directors.

The Company's State of Readiness

Sempra Energy has identified all IT and non-IT systems (including embedded systems) that might not be Year 2000 ready and categorizing them in the following areas: IT applications, computer hardware and software infrastructure, telecommunications, embedded systems, and third parties. The Company evaluated its exposure in all of these areas. These systems and applications are being tracked and measured through four key phases: inventory, assessment, remediation/testing, and Year 2000 readiness. The Company has prioritized so that, when possible, critical systems are being assessed and modified/replaced first. Critical systems are those applications and systems, including embedded processor technology, which, if not appropriately remediated, may have a significant impact on energy delivery, revenue collection or the safety of personnel, customers or facilities. The Company's Year 2000 testing effort includes functional testing of Year 2000 dates and validating that changes have not altered existing functionality. The Company uses an independent, internal review process to verify that the appropriate testing has occurred.

The Company's Year 2000 project is currently on schedule and the company estimates that all critical systems will be Year 2000 Ready by June 30, 1999. The Company defines "Year 2000 Ready" as suitable for continued use into the year 2000 with no significant operational problems.

Sempra Energy's current schedule for Year 2000 testing, readiness and development of contingency plans is subject to change depending upon the remediation and testing phases of the Company's compliance effort and upon developments that may arise as the Company continues to assess its computer-based systems and operations. In addition, this schedule is dependent upon the efforts of third parties, such as suppliers (including energy producers) and customers. Accordingly, delays by third parties may cause the Company's schedule to change.

The Costs to Address the Company's Year 2000 Issues

Sempra Energy's budget for the Year 2000 program is $48 million, of which $40 million has been spent. As the Company continues to assess its systems and as the remediation and testing efforts progress, cost estimates may change. The Company's Year 2000 readiness effort is being funded entirely by operating cash flows.

The Risks of the Company's Year 2000 Issues

Based upon its current assessment and testing of the Year 2000 issue, the Company believes the reasonably likely worst case Year 2000 scenarios to have the following impacts upon Sempra Energy and its operations. With respect to the Company's ability to provide energy to its domestic utility customers, the Company believes that the reasonably likely worst case scenario is for small, localized interruptions of utility service which are restored in a time frame that is within normal service levels. With respect to services that are essential to Sempra Energy's operations, such as customer service, business operations, supplies and emergency response capabilities, the scenario is for minor disruptions of essential services with rapid recovery and all essential information and processes ultimately recovered.

To assist in preparing for and mitigating these possible scenarios, Sempra Energy is a member of several industry-wide efforts established to deal with Year 2000 problems affecting embedded systems and equipment used by the nation's natural gas and electric power companies. Under these efforts, participating utilities are working together to assess specific vendors' system problems and to test plans. These assessments will be shared by the industry as a whole to facilitate Year 2000 problem solving.

A portion of this risk is due to the various Year 2000 Ready schedules of critical third party suppliers and customers. The Company continues to contact its critical suppliers and customers to survey their Year 2000 remediation programs. While risks related to the lack of Year 2000 readiness by third parties could materially and adversely affect the Company's business, results of operations and financial condition, the Company expects its Year 2000 readiness efforts to reduce significantly the Company's level of uncertainty about the impact of third party Year 2000 issues on both its IT systems and its non-IT systems.

The Company's Contingency Plans

Sempra Energy's contingency plans for Year-2000-related interruptions are being incorporated in the Company's existing overall emergency preparedness plans. To the extent appropriate, such plans will include emergency backup and recovery procedures, remediation of existing systems parallel with installation of new systems, replacing electronic applications with manual processes, identification of alternate suppliers and increasing inventory levels. These contingency plans are well underway and the Company plans to be completed by June 30, 1999. Due to the speculative and uncertain nature of contingency planning, there can be no assurances that such plans actually will be sufficient to reduce the risk of material impacts on the Company's operations due to Year 2000 issues.

FACTORS INFLUENCING FUTURE PERFORMANCE

The Company's performance in the near future will primarily depend on the results of SDG&E and SoCalGas. Because of the ratemaking and regulatory process, electric and natural gas industry restructuring, and the changing energy marketplace, there are several factors that will influence the Company's future financial performance. These factors are discussed in this section and in "Other Operations" and "International Operations" below.

KN Energy and Chilquinta Energia S.A. Acquisitions

See discussion of the proposed KN Energy acquisition in Note 2 of the notes to Consolidated Financial Statements. See "International Operations" below for a discussion of the planned acquisition of Chilquinta Energia S.A.

Industry Restructuring

See discussion of industry restructuring in Note 3 of the notes to Consolidated Financial Statements.

Electric-Generation Assets and Electric Rates

In November 1997 SDG&E adopted a plan to auction its power plants and other electric-generation assets, so that it could continue to concentrate its business on the transmission and distribution of electricity and natural gas as California opens its electric-utility industry to competition. This is described in Note 3 of the notes to Consolidated Financial Statements. In addition, the March 1998 CPUC decision approving the Enova/PE business combination required, among other things, the divestiture by SDG&E of its fossil-fueled generation units. The proceeds from the sales will be applied directly to SDG&E's transition costs.

As described in Note 3 of the notes to Consolidated Financial Statements, AB 1890 requires a 10-percent reduction of residential and small commercial customers' rates beginning in January 1998, as well as a rate freeze for all customers. The rate freeze could stay in place until January 1, 2002. However, SDG&E recently filed with the CPUC for an interim mechanism to deal with electric rates after the rate freeze ends, noting the possibility that the SDG&E rate freeze could end in 1999. If approved, base electric rates (the portion of the rate that SDG&E controls) will decrease by an additional five percent to 15 percent, depending on the customer class, beyond the original 10-percent rate reduction described above. The portion of the electric rate representing the commodity cost is simply passed through to customers and will fluctuate with the price of electricity from the PX. Once the rate freeze is lifted, except for the interim protection mechanism described in Note 3 of the notes to Consolidated Financial Statements, customers will no longer be protected from commodity price spikes.

Performance-Based Regulation (PBR)

To promote efficient operations and improved productivity and to move away from reasonableness reviews and disallowances, the CPUC has been directing utilities to use PBR. PBR has replaced the general rate case and certain other regulatory proceedings for both SoCalGas and SDG&E. Under PBR, regulators require future income potential to be tied to achieving or exceeding specific performance and productivity goals, as well as cost reductions, rather than relying solely on expanding utility rate base in a market where a utility already has a highly developed infrastructure.

SoCalGas' PBR is in effect through December 31, 2002; however, the CPUC decision allows for the possibility that changes to the PBR mechanism could be adopted in a decision to be issued in SoCalGas' 1999 Biennial Cost Allocation Proceeding (BCAP) application which is anticipated to become effective at year-end 1999. SDG&E continues to participate in PBR for its electric and natural gas distribution business. During early 1998 SDG&E filed an application with the CPUC proposing a new distribution PBR mechanism since the base rate PBR mechanism would terminate at the end of 1998. The results of SDG&E's 1999 Cost of Service study form the basis for the new mechanism's starting-point rates. In December 1998, the Cost of Service settlement agreement among SDG&E, ORA and UCAN was approved by the CPUC, resulting in an authorized revenue increase of $12 million (an electric distribution increase of $18 million and a natural gas decrease of $6 million). New rates became effective on January 1, 1999. Also in January 1999, an administrative law judge's proposed decision was released on the PBR design issues of SDG&E's distribution PBR application. The proposed decision recommends a revenue-per-customer indexing mechanism rather than the rate-indexing mechanism proposed by SDG&E. Revenue or base margin per customer would be indexed based on inflation less an estimated productivity factor. The proposed decision also recommends much tighter earnings sharing bands than previously in effect for SDG&E. In March 1999, a CPUC commissioner issued an alternate decision which, among other things, would approve the rate-indexing proposal. On May 13, 1999, the CPUC adopted a decision incorporating the rate-indexing mechanism.

Cost of Capital

Under PBR, annual Cost of Capital proceedings were replaced by an automatic adjustment mechanism if changes in certain indices exceed established tolerances. For 1999, SoCalGas is authorized to earn a rate of return on common equity (ROE) of 11.6 percent and a 9.49 percent return on rate base (ROR), unchanged from 1998. For SDG&E, electric-industry restructuring is changing the method of calculating the utility's annual cost of capital. SDG&E's May 1998 application to the CPUC for unbundled rates seeks to establish new, separate rates of return for SDG&E's electric distribution and natural gas businesses. The application proposes a 12.00 percent ROE, which would produce an overall ROR of 9.33 percent. The ORA, UCAN and other intervenors have filed testimony recommending significantly lower RORs. A final CPUC decision is expected by mid 1999.

OTHER OPERATIONS

Sempra Energy Solutions (Solutions), formed in 1997 as a joint venture of PE and Enova, incorporates several existing unregulated businesses from each of PE and Enova. It is pursuing a variety of opportunities, including buying and selling natural gas for large users, integrated energy-management services targeted at large governmental and commercial facilities, and consumer market products and services. CES/Way International, Inc. (CES/Way), which was acquired by Solutions in January 1998, provides energy-efficiency services including energy audits, engineering design, project management, construction, financing and contract maintenance.

Solutions' net losses were $8 million and $9 million for the three-month periods ended March 31, 1999 and 1998. The losses are primarily due to start-up costs.

Sempra Energy Trading Corp. (SET), a leading natural gas power marketing firm headquartered in Stamford, Connecticut, was jointly acquired by PE and Enova on December 31, 1997. For the three-month period ended March 31, 1999, SET recorded after-tax income of $1 million, compared to a net loss of $7 million in the first quarter of 1998. The increase in income was primarily due to SET's acquisition of CNG Energy Services Corporation, a subsidiary of Pittsburgh-based Consolidated Natural Gas Company, in July 1998. [P] Effective April 1999, PE transferred its ownership interest in SET to Sempra Energy.

INTERNATIONAL OPERATIONS

On April 13, 1999 Sempra Energy announced that the board of directors of Chilquinta S.A. approved an offer by Sempra Energy and Public Service Enterprise Group (PSEG) to acquire, under a 50-50 partnership, the shares of Chilquinta S.A.'s subsidiary, Chilquinta Energia S.A., for $830 million. The acquisition will be funded by $510 million in equity provided equally by the two partners and $320 million in non-recourse debt provided by a syndicate of banks at the time of closing. Chilquinta S.A., a leading energy company based in Santiago, Chile, has operations in Chile, Argentina and Peru. The combination remains subject to approval by Chilquinta Energia's shareholders and regulatory notifications in Chile and is expected to close in mid 1999.

The net losses for international operations for the three-month periods ended March 31, 1999 and 1998 were $2 million and $3 million, respectively. The losses are primarily due to expenses related to the evaluation of international opportunities.

PART II - OTHER INFORMATION

ITEM 1.   LEGAL PROCEEDINGS

Except for the matters referred to in the Company's 1998 Annual Report or referred to elsewhere in this Quarterly Report on Form 10-Q for the three months ended March 31, 1999, neither the Company nor any of its affiliates is a party to, nor is its property the subject of, any material pending legal proceedings other than routine litigation incidental to its businesses.

ITEM 4. SUBMISSION OF MATTERS TO VOTE

Sempra Energy's 16-member board of directors is divided into three classes whose terms are staggered so that the term of one class expires at each Annual Meeting of Shareholders. At the annual meeting on May 4, 1999, the shareholders of Sempra Energy elected five directors for a three-year term expiring in 2002. The name of each nominee and the number of shares voted for or withheld were as follows:

Nominees	Votes For	Votes Withheld
Hyla H. Bertea	203,205,326	8,544,424
Ann L. Burr	203,353,651	8,396,099
Richard A. Collato	203,347,298	8,402,452
Daniel W. Derbes	203,341,955	8,407,795
Ignacio E. Lozano, Jr.	202,892,606	8,857,144

The results of the voting on the following additional items, all of which were approved, were as follows:

(a) A proposal to approve a Non-Employee Directors' Stock Plan.

In Favor	147,829,901
Opposed	26,325,417
Abstained	5,762,468
Broker Non-Vote	31,831,964

(b) A proposal to approve an Executive Incentive Plan for executive officers.

In Favor	182,329,656
Opposed	23,468,861
Abstained	5,951,233

(c) A proposal to approve a Long Term Incentive Plan for officers and other key employees of Sempra Energy and its subsidiaries.

In Favor	96,458,669
Opposed	77,611,943
Abstained	5,847,175
Broker Non-Vote	31,831,963

Additional information concerning the election of the board of directors and the other proposals is contained in Sempra Energy's Notice of 1999 Annual Meeting of Shareholders and Proxy Statement.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 2 - Plan of acquisition

2.1 Agreement and Plan of Merger, dated as of February 20, 1999, among Sempra Energy, Cardinal Acquisition Corp. and KN Energy, Inc. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed by Sempra Energy with the Securities and Exchange Commission on February 23, 1999).

Exhibit 10 - Material Contracts - Compensation

10.1 Form of Sempra Energy Severance Pay Agreement

Exhibit 12 - Computation of ratios

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

Exhibit 27 - Financial Data Schedules

27.1 Financial Data Schedule for the three months ended March 31, 1999.

(b) Reports on Form 8-K

A Current Report on Form 8-K filed February 23, 1999 announced the agreement entered into by Sempra Energy, Cardinal Acquisition Corp. and KN Energy, Inc. to merge KN Energy, Inc. with and into Cardinal Acquisition Corp., a wholly owned subsidiary of Sempra Energy.

A Current Report on Form 8-K filed April 2, 1999 announced the early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, with respect to the proposed acquisition of KN Energy.

A Current Report on Form 8-K filed April 14, 1999 announced the approval by Chilquinta S.A.'s board of directors of the offer by Sempra Energy and Public Service Enterprise Group to acquire, on a 50-50 basis, Chilquinta S.A.'s subsidiary, Chilquinta Energia S.A.

A Current Report on Form 8-K filed May 5, 1999 announced that Sempra Energy Holdings would be filing a shelf registration of debt securities to be offered pursuant to Rule 415 under the Securities Act of 1933 and provided certain financial information for Sempra Energy Holdings.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly cause this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEMPRA ENERGY
(Registrant)

Date: May 14, 1999 By: /s/ F. H. Ault

F. H. Ault
Vice President and Controller

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM THE STATEMENT OF CONSOLIDATED INCOME, BALANCE SHEET,
AND CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
SUCH FINANCIAL STATEMENTS.
0001032208
SEMPRA ENERGY
1,000,000

3-MOS
DEC-31-1999
MAR-31-1999
PER-BOOK
5,189
1,281
2,488
1,234
340
10,532
1,841
0
1,080
2,921
25
179
2,700
38
0
0
343
0
62
6
4,258
10,532
1,169
63
971
1,034
135
22
157
58
99
0
99
94
0
448
0.42
0.42

PREFERRED DIVIDEND OF SUBSIDIARY INCLUDED IN OTHER OPERATING
EXPENSE

EXHIBIT 10.1

SEMPRA ENERGY
SEVERANCE PAY AGREEMENT

THIS AGREEMENT (this "Agreement"), dated as of December 1, 1998 (the "Effective Date") is made by and between SEMPRA ENERGY, a California corporation, and ___________________ (the "Executive").

WHEREAS, the Executive is currently employed by Sempra Energy or a subsidiary of Sempra Energy (Sempra Energy and its subsidiaries are hereinafter collectively referred to as the "Company") as ______ (Title); and

WHEREAS, the Board of Directors of Sempra Energy (the "Board") has determined that it is in the best interests of the Company to institute formalized severance arrangements for certain of the executives of the Company, including the Executive.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the Company and the Executive hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

"Affiliate" has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

"Beneficial Owner" has the meaning set forth in Rule 13d-3 under the Exchange Act.

"Cause" means (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 2 hereof), or (ii) the Executive's commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interests of the Company. Notwithstanding the foregoing, the Executive shall not be deemed terminated for Cause pursuant to clause (i) of this definition unless and until the Executive shall have been provided with reasonable notice of and, if possible, a reasonable opportunity to cure the facts and circumstances claimed to provide a basis for termination of the Executive's employment for Cause.

A "Change in Control" of Sempra Energy shall be deemed to have occurred when:

(a) Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Sempra Energy representing twenty percent (20%) or more of the combined voting power of Sempra Energy's then outstanding securities; or

(b) The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of directors of Sempra Energy) whose appointment or election by the Board or nomination for election by Sempra Energy's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) There is consummated a merger or consolidation of Sempra Energy or any direct or indirect subsidiary of Sempra Energy with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of Sempra Energy outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of Sempra Energy or any subsidiary of Sempra Energy, at least sixty percent (60%) of the combined voting power of the securities of Sempra Energy or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of Sempra Energy (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Sempra Energy (not including in the securities beneficially owned by such Person any securities acquired directly from Sempra Energy or its affiliates other than in connection with the acquisition by Sempra Energy or its affiliates of a business) representing twenty percent (20%) or more of the combined voting power of Sempra Energy's then outstanding securities; or

(d) The shareholders of Sempra Energy approve a plan of complete liquidation or dissolution of Sempra Energy or there is consummated an agreement for the sale or disposition by Sempra Energy of all or substantially all of Sempra Energy's assets, other than a sale or disposition by Sempra Energy of all or substantially all of Sempra Energy's assets to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of Sempra Energy in substantially the same proportions as their ownership of Sempra Energy immediately prior to such sale.

"Change in Control Date" means the date on which a Change in Control occurs.

"Code" means the Internal Revenue Code of 1986, as amended.

"Date of Termination" has the meaning assigned thereto in Section 2 hereof.

"Disability" has the meaning set forth in the SERP (as defined below), as in effect from time to time; provided, however, that in no event shall the Executive be deemed to have incurred a Disability hereunder if there exists a reasonable expectation that the Executive will return to work on a full-time basis within ninety (90) days of the events giving rise to the Disability.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder.

"Good Reason" means:

(a) Prior to a Change in Control, the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination (as discussed in Section 2 below):

(I) the assignment to the Executive of any duties materially inconsistent with the range of duties and responsibilities appropriate to a senior executive within the Company (such range determined by reference to past, current and reasonable practices within the Company);

(ii) a material reduction in the Executive's overall standing and responsibilities within the Company, but not including (A) a mere change in title, or (B) a transfer within Company, which, in the case of both (A) and (B), does not adversely affect the Executive's overall status within the Company;

(iii) a material reduction by the Company in the Executive's aggregate annualized compensation and benefits opportunities, except for across-the-board reductions (or modifications of benefit plans) similarly affecting all similarly situated executives (both of the Company and of any Person then in control of the Company) of comparable rank with the Executive;

(iv) the failure by the Company to pay to the Executive any portion of the Executive's current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof; for purposes of this Agreement, no such purported termination shall be effective;

(vi) the failure by the Company to obtain a satisfactory agreement from any successor of the Company requiring such successor to assume and agree to perform the Company's obligations under this Agreement, as contemplated in Section 8(a) hereof; or

(vii) the failure by the Company to comply with any material provision of this Agreement.

(b) From and after a Change in Control, the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination (as discussed in Section 2 below):

(I) an adverse change in the Executive's title, authority, duties, responsibilities or reporting lines as in effect immediately prior to the Change in Control;

(ii) a reduction of ten percent (10%) or more by the Company in the Executive's aggregate annualized compensation and benefits opportunities, except for across-the-board reductions (or modifications of benefit plans) of less than ten percent (10%) similarly affecting all similarly situated executives (both of the Company and of any Person then in control of the Company) of comparable rank with the Executive;

(iii) the relocation of the Executive's principal place of employment

immediately prior to the Change in Control Date (the "Principal Location") to a location which is both further away from Executive's residence and more than thirty (30) miles from such Principal Location, or the Company's requiring the Executive to be based anywhere other than such Principal Location (or permitted relocation thereof), or a substantial increase in the Executive's business travel obligations outside of the Southern California area as of the Effective Date other than any such increase that (A) arises in connection with extraordinary business activities of the Company and (B) is understood not to be part of the Executive's regular duties with the Company;
(iv) the failure by the Company to pay to the Executive any portion of the Executive's current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;
(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof; for purposes of this Agreement, no such purported termination shall be effective;
(vi) the failure by the Company to obtain a satisfactory agreement from any successor of the Company requiring such successor to assume and agree to perform the Company's obligations under this Agreement, as contemplated in Section 8(a) hereof; or
(vii) the failure by the Company to comply with any material provision of this Agreement.
From and after a Change in Control, the Executive's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed to be unreasonable by an arbitrator. The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.
"Involuntary Termination" means (a) a termination of employment by the Company other than for Cause, death, or Disability, or (b) the Executive's resignation of employment with the Company for Good Reason; provided, however, that, except as provided in the last paragraph of Section 4, a termination of the Executive's employment by reason of his or her retirement prior to a Change in Control shall not constitute an Involuntary Termination hereunder.
"Notice of Termination" has the meaning assigned thereto in Section 2 hereof.
"Person" means any person, entity or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of Sempra Energy in substantially the same proportions as their ownership of stock of Sempra Energy, or (v) a person or group as used in Rule 13d-1(b) under the Exchange Act.
Section 2. Date and Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive shall be communicated by a written notice of termination to the other party (the "Notice of Termination"). Where applicable, the Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The date of the Executive's termination of employment with the Company (the "Date of Termination") shall be determined as follows: (i) if the Executive's employment is terminated by the Company, either with or without Cause, the Date of Termination shall be the date specified in the Notice of Termination (which, in the case of a termination by the Company other than for Cause, shall not be less than two (2) weeks from the date such Notice of Termination is given unless the Company elects to pay the Executive, in addition to any other amounts payable hereunder, an amount equal to two (2) weeks of the Executive's base salary in effect on the Date of Termination), and (ii) if the basis for the Executive's Involuntary Termination is his or her resignation for Good Reason, the Date of Termination shall be determined by the Company, but shall not in any event be less than fifteen (15) days nor more than sixty (60) days from the date such Notice of Termination is given. Unless the Board determines otherwise, notice by Executive of his or her resignation for Good Reason must be made within 180 days of the act or failure to act the Executive alleges to constitute Good Reason.
Section 3. Severance Benefits Prior to Change in Control. Except as

provided in Section 4 and Section 12(g) hereof, in the event of the Involuntary Termination of the Executive, the Company shall pay the Executive, in one lump sum cash payment as soon as practicable following such Involuntary Termination, (A) the full amount of any earned but unpaid base salary through the Date of Termination at the rate in effect on such date, plus (B) an amount (the "Severance Payment") equal to the sum of (X) the Executive's annual base salary as in effect on the Date of Termination and (Y) his or her average annual bonus payment for the two years immediately preceding the Date of Termination (or in the event that the Executive has not been employed for two years, then his target bonus for the year in which the termination occurs). In addition to the Severance Payment, the Executive shall be entitled to the following additional benefits:

(I) Equity Based Compensation. The Executive shall retain all rights to any equity-based compensation awards to the extent set forth in the applicable plan and/or award agreement.

(ii) Welfare Benefits. Subject to Section 6 below, for a period of ______ following the Date of Termination, the Executive and his or her dependents shall be provided with health insurance benefits substantially similar to those provided to the Executive and his or her dependents immediately prior to the Date of Termination; provided, however, that such benefits shall be provided on substantially the same terms and conditions and at the same cost to the Executive as in effect immediately prior to the Date of Termination.

(iii) Outplacement Services. The Executive shall receive outplacement services suitable to his or her position for a period of eighteen (18) months following the Date of Termination, or if earlier, until the first acceptance of an offer of employment with a subsequent employer, in an aggregate amount not to exceed $50,000.

(iv) Financial Planning Services. The Executive shall receive financial planning services for a period of eighteen (18) months following the Date of Termination at a level consistent with the benefits provided under the Company's financial planning program for the Executive, as in effect immediately prior to the Date of Termination.

Section 4. Severance Benefits in Connection with and After Change in Control. Notwithstanding the provisions of Section 3 above, in the event of the Involuntary Termination of the Executive within two years following a Change in Control, in lieu of the payments described in Section 3 above, the Company shall pay the Executive, in one lump sum cash payment as soon as practicable following such Involuntary Termination, (A) the full amount of any earned but unpaid base salary through the Date of Termination at the rate in effect on such date, plus (B) an amount (the "Change in Control Severance Payment") equal to ____ the sum of (X) the Executive's annual base salary as in effect immediately prior to the Change in Control or the Date of Termination, whichever is greater, and (Y) his or her average annual bonus payment for the two years immediately preceding the Change in Control Date or the Date of Termination, whichever is greater (or in the event that the Executive has not been employed for two years, then his target bonus for the year in which the Change in Control or in which the termination occurs, whichever is greater). In addition to the Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits:

(I) Equity-Based Compensation. Notwithstanding the provisions of any applicable equity-compensation plan or award agreement to the contrary, all equity-based incentive compensation awards (including, without limitation, stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance share awards, section 162(m) awards, and dividend equivalents) held by the Executive under any annual incentive compensation plan or long-term incentive compensation plan maintained by the Company shall immediately vest and become exercisable or payable, as the case may be, as of the Date of Termination, to be exercised or paid, as the case may be, in accordance with the terms of the applicable plan and award agreement, and any restrictions on any such awards shall automatically lapse; provided, however, that any such awards granted on or after the Effective Date shall remain outstanding and exercisable until the earlier of (A) eighteen (18) months following the Date of Termination or (B) the expiration of the original term of such award (it being understood that all awards granted prior to the Effective Date shall remain outstanding and exercisable for a period that is no less than that provided for in the applicable agreement in effect as of the date of grant).

(ii) SERP. The Executive shall receive a lump sum cash payment representing the present value as of the Date of Termination of his or her Supplemental Executive Retirement Plan ("SERP") benefits, to be calculated as if the Executive had reached age 62 (or his or her actual age if older) for service and vesting purposes, and applying either the applicable early retirement factors under the Company's tax-qualified retirement plan, if the Executive is less than age 62 but at least 55, or actuarially determined early retirement factors if the Executive is less than age 55 and the applicable lump-sum factors under the Company's tax-qualified retirement plan.

(iii) Welfare Benefits. Subject to Section 6 below, for a period of _____ months following the Date of Termination, the Executive and his or her dependents shall be provided with life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his or her dependents immediately prior to the Date of Termination or the Change in Control Date, whichever is more favorable to the Executive; provided, however, that such benefits shall be provided on substantially the same terms and conditions and at the same cost to the Executive as in effect immediately prior to the Date of Termination or the Change in Control Date, whichever is more favorable to the Executive.

(iv) Outplacement Services. The Executive shall receive outplacement services suitable to his or her position for a period of eighteen (18) months following the Date of Termination, or if earlier, until the first acceptance of an offer of employment with a subsequent employer, in an aggregate amount not to exceed $50,000.

(v) Financial Planning Services. The Executive shall receive financial planning services for a period of eighteen (18) months following the Date of Termination at a level consistent with the benefits provided under the Company's financial planning program for the Executive, as in effect immediately prior to the Date of Termination or the Change in Control Date, whichever is more favorable to the Executive.

(vi) Deferred Compensation. Notwithstanding any election heretofore or hereafter made by the Executive under any deferred compensation plan of the Company, the Executive shall receive a lump sum cash payment in an amount equal to any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) under any deferred compensation plan of the Company.

Notwithstanding anything contained herein, if a Change in Control occurs and the Executive's employment with the Company is terminated by reason of an Involuntary Termination prior to the Change in Control Date, and if such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change in Control or (ii) otherwise arose in connection with or in anticipation of the Change in Control, then the Executive shall, in lieu of the payments described in Section 3 above, be entitled to the Change in Control Severance Payment and the additional benefits described in this Section 4 as if such Involuntary Termination had occurred within two years following the Change in Control.

Section 5. Release. Notwithstanding anything herein to the contrary, the Company's obligation to make the payments provided for in this Agreement is expressly made subject to and conditioned upon (i) the Executive's prior execution of a release substantially in the form attached hereto as Exhibit A within forty-five (45) days after the applicable Date of Termination and (ii) the Executive's non-revocation of such release in accordance with the terms thereof.

Section 6. No Mitigation or Offset.

(a) No Mitigation by Executive. Except as otherwise expressly provided herein, the Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for herein be reduced by any compensation earned by the Executive as the result of employment by another employer; provided, however, that if the Executive becomes employed with another employer and is eligible to receive life, disability, accident and health insurance benefits under another employer-provided plan, the Executive's continued plan coverage as set forth in Section 3(ii) or 4(iii) hereof, as the case may be, shall be secondary to the coverage provided under such other plan(s) during such applicable period of eligibility.

(b) No Offset by Company. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, provided that nothing herein shall preclude the Company from separately pursuing recovery from the Executive based on any such claim.

Section 7. Section 280G

(a) Gross-Up. Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with (A) the Company, (B) any Person whose actions result in a Change in Control or (C) any Person affiliated with the Company or such Person) (all such payments and benefits, including the Change in Control Severance

Payments, being hereinafter called the "Total Payments") would be subject (in whole or part) to the tax (the "Excise Tax") imposed under section 4999 of the Code, the Company shall pay to the Executive such additional amounts (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment, shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the date on which the Gross-Up Payment is calculated for purposes of this section, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income tax imposed on the Gross-Up Payment being repaid by the Executive to the extent that such repayment results in a reduction in Excise Tax and/or a federal, state or local income tax deduction) plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments.

(b) Accounting Firm. All determinations to be made with respect to this Section 7 shall be made by the Company's independent accounting firm (or, in the case of a payment following a Change in Control, the accounting firm that was, immediately prior to the Change in Control, the Company's independent auditor). The accounting firm shall be paid by the Company for its services performed hereunder.

Section 8. Successors; Binding Agreement.

(a) Assumption by Successor. Sempra Energy will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Sempra Energy expressly to assume and to agree to perform its obligations under this Agreement in the same manner and to the same extent that Sempra Energy would be required to perform such obligations if no such succession had taken place; provided, however, that no such assumption shall relieve Sempra Energy of its obligations hereunder. As used herein, the "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that assumes and agrees to perform its obligations by operation of law or otherwise.

(b) Enforceability; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Executive (and the Executive's personal representatives and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of Sempra Energy, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of Sempra Energy or otherwise, including, without limitation, as a result of a Change in Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to such Executive hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his or her devisee, legatee or other designee or, if there is no such designee, to his or her estate.

Section 9. Confidentiality; Non Solicitation.

(a) Confidentiality. The Executive acknowledges that in the course of his or her employment within the Company, he or she has acquired non-public privileged or confidential information and trade secrets concerning the operations, future plans and methods of doing business ("Proprietary Information") of the Company; and the Executive agrees that it would be extremely damaging to the Company if such Proprietary Information were disclosed to a competitor of the Company or to any other person or corporation. The Executive understands and agrees that all Proprietary Information the Executive has acquired during the course of such employment has been divulged to the Executive in confidence and further understands and agrees to keep all Proprietary Information secret and confidential (except for such information which is or becomes publicly available other than as a result of a breach by the Executive of this provision) without limitation in time. In view of the nature of the Executive's employment and the Proprietary Information the Executive has acquired during the course of such employment, the Executive likewise agrees that the Company would be irreparably harmed by any disclosure of Proprietary Information in violation of the terms of this paragraph and that the Company shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this paragraph and to any other judicial relief available to it. Inquiries regarding whether specific information constitutes Proprietary Information shall be directed to the Company's General Counsel (or, if such position is vacant, the Company's Chief Executive Officer); provided, however, that the Company shall not unreasonably classify information as Proprietary Information.

(b) Non-Solicitation of Employees. The Executive recognizes that he or she possesses and will possess confidential information about other employees of the Company, relating to their education, experience, skills, abilities, compensation and benefits, and interpersonal relationships with customers of the Company. The Executive recognizes that the information he or she possesses and will possess about these other employees is not generally known, is of substantial value to the Company in developing their business and in securing and retaining customers, and has been and will be acquired by him or her because of his or her business position within the Company. The Executive agrees that for a period of one (1) year following the Date of Termination, he or she will not, directly or indirectly, solicit or recruit any employee of the Company for the purpose of being employed by him or her or by any other competitor of the Company on whose behalf he or she is acting as an agent, representative or employee and that he or she will not convey any such confidential information or trade secrets about other employees of the Company to any other person; provided, however, that it shall not constitute a solicitation or recruitment of employment in violation of this paragraph to discuss employment opportunities with any employee of the Company who has either first contacted the Executive or regarding whose employment the Executive has discussed with and received written approval of the Company's Senior Vice President, Human Resources (or, if such position is vacant, the Company's Chief Executive Officer), prior to making such solicitation or recruitment. In view of the nature of the Executive's employment with the Company, the Executive likewise agrees that the Company would be irreparably harmed by any solicitation or recruitment in violation of the terms of this paragraph and that the Company shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this paragraph and to any other judicial relief available to it.

(c) Survival of Provisions. The obligations contained in this Section 9 shall survive the termination or expiration of the Executive's employment within the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 9 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

Section 10. Notices. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to Sempra Energy, 101 Ash Street, San Diego, CA 92101, Attn: Human Resources Administrator, or to the Executive at the address in the records of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

Section 11. Administration Prior to Change in Control. Prior to a Change in Control, the compensation committee of the Board (the "Compensation Committee") shall have full and complete authority to construe and interpret the provisions of this Agreement, to determine an individual's entitlement to benefits under this Agreement, to make in its sole and absolute discretion all determinations contemplated under this Agreement, to investigate and make factual determinations necessary or advisable to administer or implement this Agreement, and to adopt such rules and procedures as it deems necessary or advisable for the administration or implementation of this Agreement. All determinations made under this Agreement by the Compensation Committee shall be final and binding on all interested persons. Prior to a Change in Control, the Compensation Committee may delegate responsibilities for the operation and administration of this Agreement to one or more officers or employees of the Company. The provisions of this Section 11 shall terminate and be of no further force and effect upon the occurrence of a Change in Control.

Section 12. Miscellaneous.

(a) No Right of Employment. Nothing in this Agreement shall be construed as giving the Executive any right to be retained in the employ of the Company or shall interfere in any way with the right of the Company to terminate the Executive's employment at any time, with or without Cause.

(b) Unfunded Obligation. The obligations under this Agreement shall be unfunded. Benefits payable under this Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Agreement.

(c) Rules of Construction. As used herein, the masculine gender shall be deemed to include the feminine and the singular form shall be deemed to encompass the plural, unless the context requires otherwise. Headings of sections (other than the definitions) are included solely for convenience of reference and shall not govern or control the meaning of the text of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(d) Tax Withholding. All amounts paid under this Agreement shall be subject to all applicable federal, state and local wage and employment tax withholding.

(e) Exclusive Benefit. The Severance Payment, the Change in Control Severance Payment and all other benefits provided hereunder shall be in lieu of any other severance payments to which the Executive is entitled under any other severance plan or arrangement sponsored by the Company, as well as pursuant to any individual employment or severance agreement that was entered by the Executive and the Company, and, upon the Effective Date of this Agreement, all such plans, programs, agreements and arrangements are hereby automatically superseded and terminated.

(f) Dispute Resolution. Any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or the interpretation of this Agreement or any arrangements relating to this Agreement or contemplated in this Agreement or the breach, termination or invalidity thereof shall be settled by final and binding arbitration administered by JAMS/Endispute in San Diego, California in accordance with the then existing JAMS/Endispute Arbitration Rules and Procedures for Employment Disputes. In the event of such an arbitration proceeding, the Executive and the Company shall select a mutually acceptable neutral arbitrator from among the JAMS/Endispute panel of arbitrators. In the event the Executive and the Company cannot agree on an arbitrator, the Administrator of JAMS/Endispute will appoint an arbitrator. Neither the Executive nor the Company nor the arbitrator shall disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all parties. Except as provided herein, the Federal Arbitration Act shall govern the interpretation, enforcement and all proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the state of California, or federal law, or both, as applicable and the arbitrator is without jurisdiction to apply any different substantive law. The arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator shall render an award and a written, reasoned opinion in support thereof. Judgment upon the award may be entered in any court having jurisdiction thereof. The Executive and the Company shall generally each be responsible for payment of one-half the amount of the arbitrator's fee; provided, however, that the Company shall pay to the Executive all legal fees and expenses (including but not limited to fees and expenses in connection with any arbitration) incurred by the Executive in disputing in good faith any issue arising under this Agreement relating to the termination of the Executive's employment in connection with a Change in Control or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement on account of a Change in Control unless the arbitrator or court determines that the Executive had no reasonable basis for such claim.

(g) Amendment and Termination. No provision of this Agreement may be amended or terminated unless it is agreed to in writing and signed by both parties hereto. Notwithstanding anything contained herein, this Agreement shall automatically terminate and be of no further force and effect and no benefits shall be payable hereunder in the event that the Company sells or otherwise disposes of any part of the business or assets of Sempra Energy or a subsidiary of Sempra Energy (other than such a sale or disposition which is part of a transaction or series of transactions which would result in a Change in Control) and as a result of such transaction, the Executive is no longer employed by the Company or any of its Affiliates.

(h) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(I) Governing Law. This Agreement shall be governed by the laws of the State of California, without giving effect to conflicts of laws principles thereof.

(j) Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into with, the Company shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SEMPRA ENERGY

By: ________________________

Richard D. Farman

Chairman & Chief Executive Officer

EXECUTIVE

____

____

EXHIBIT 12.1

SEMPRA ENERGY
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(Dollars in millions)

	1994	1995	1996	1997	1998	Three Months Ended March 31, 1999
Fixed Charges and Preferred Stock Dividends:						
Interest	$ 237	$ 227	$ 205	$ 209	$ 210	$ 59
Interest Portion of Annual Rentals	35	32	28	25	20	5
Preferred dividends of subsidiaries (1)	53	50	37	31	18	5
Total Fixed Charges and Preferred Stock Dividends For Purpose of Ratio	$ 325	$ 309	$ 270	$ 265	$ 248	$ 69
Earnings:						
Pretax income from continuing operations	$ 634	$ 665	$ 727	$ 733	$ 432	$ 162
Add:						
Fixed charges (from above)	325	309	270	265	248	69
Less: Fixed charges capitalized	4	6	5	3	3	-
Fixed charges net of capitalized charges	321	303	265	262	245	69
Total Earnings for Purpose of Ratio	$ 955	$ 968	$ 992	$ 995	$ 677	$ 231
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	2.94	3.13	3.67	3.75	2.73	3.35

(1) In computing this ratio, "Preferred dividends of subsidiaries" represents the before-tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.