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

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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)

No Change

(Former name, former address and former fiscal year,
if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock outstanding on April 30, 2008: 250,341,668

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans," "intends," "may," "could," "would" and "should" or similar expressions, or discussions of strategy or of plans are intended to identify forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in these forward-looking statements.

Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others, local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the California Public Utilities Commission, the California State Legislature, the California Department of Water Resources, the Federal Energy Regulatory Commission, the Federal Reserve Board, the U.K. Financial Services Authority and other regulatory bodies in the United States and other countries; capital markets conditions, inflation rates, interest rates and exchange rates; energy and trading markets, including the timing and extent of changes in commodity prices; the availability of electric power, natural gas and liquefied natural gas; weather conditions and conservation efforts; war and terrorist attacks; business, regulatory, environmental and legal decisions and requirements; the status of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the company's business described in this report and other reports filed by the company from time to time with the Securities and Exchange Commission.

PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEMPRA ENERGY
STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions, except per share amounts)	Three months ended March 31, 2008	2007
	(unaudited)	
OPERATING REVENUES		
Sempra Utilities	$ 2,290	$ 2,059
Sempra Global and parent	980	945
Total operating revenues	3,270	3,004
OPERATING EXPENSES		
Sempra Utilities:		
Cost of natural gas	1,235	1,050
Cost of electric fuel and purchased power	163	149
Sempra Global and parent:		
Cost of natural gas, electric fuel and purchased power	409	336
Other cost of sales	136	319
Other operating expenses	698	633
Depreciation and amortization	175	169
Franchise fees and other taxes	83	81
Total operating expenses	2,899	2,737
Operating income	371	267
Other income, net	25	11
Interest income	14	26
Interest expense	(60)	(70)
Preferred dividends of subsidiaries	(2)	(2)
Income from continuing operations before income taxes and equity in earnings of certain unconsolidated subsidiaries	348	232
Income tax expense	127	63
Equity in earnings of certain unconsolidated subsidiaries	21	58
Income from continuing operations	242	227
Discontinued operations, net of income tax	--	1
Net income	$ 242	$ 228
Basic earnings per share:		
Income from continuing operations	$ 0.94	$ 0.88
Discontinued operations, net of income tax	--	--
Net income	$ 0.94	$ 0.88
Weighted-average number of shares outstanding (thousands)	258,624	259,459
Diluted earnings per share:		
Income from continuing operations	$ 0.92	$ 0.86
Discontinued operations, net of income tax	--	--
Net income	$ 0.92	$ 0.86
Weighted-average number of shares outstanding (thousands)	262,671	263,996
Dividends declared per share of common stock	$ 0.32	$ 0.31

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	March 31, 2008	December 31, 2007 *
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 806	$ 668
Short-term investments	413	--
Restricted cash	--	1
Trade accounts receivable, net	968	960
Other accounts and notes receivable, net	167	114
Income taxes receivable	--	99
Deferred income taxes	301	247
Trading-related receivables and deposits, net	2,843	2,719
Derivative trading instruments	2,870	2,170
Commodities owned	1,621	2,231
Inventories	103	224
Regulatory assets	55	106
Other	323	425
Total current assets	10,470	9,964
Investments and other assets:		
Regulatory assets arising from fixed-price contracts and other derivatives	295	309
Regulatory assets arising from pension and other postretirement benefit obligations	167	162
Other regulatory assets	474	460
Nuclear decommissioning trusts	701	739
Investments	1,494	1,243
Sundry	965	956
Total investments and other assets	4,096	3,869
Property, plant and equipment:		
Property, plant and equipment	21,420	20,917
Less accumulated depreciation and amortization	(6,132)	(6,033)
Property, plant and equipment, net	15,288	14,884
Total assets	$ 29,854	$ 28,717

See Notes to Condensed Consolidated Financial Statements.

* As adjusted.

SEMPRA ENERGY
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	March 31, 2008	December 31, 2007 *
	(unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 1,630	$ 1,064
Accounts payable - trade	1,076	1,374
Accounts payable - other	165	189
Due to unconsolidated affiliate	60	60
Income taxes payable	78	--
Trading-related payables	1,977	2,265
Derivative trading instruments	2,189	1,672
Commodities sold with agreement to repurchase	502	500
Dividends and interest payable	155	145
Regulatory balancing accounts, net	585	481
Current portion of long-term debt	23	7
Other	1,484	1,263
Total current liabilities	9,924	9,020
Long-term debt	4,589	4,553
Deferred credits and other liabilities:		
Due to unconsolidated affiliate	102	102
Customer advances for construction	154	153
Pension and other postretirement benefit obligations, net of plan assets	439	434
Deferred income taxes	510	531
Deferred investment tax credits	60	61
Regulatory liabilities arising from removal obligations	2,519	2,522
Asset retirement obligations	1,134	1,129
Other regulatory liabilities	261	265
Fixed-price contracts and other derivatives	345	332
Deferred credits and other	910	949
Total deferred credits and other liabilities	6,434	6,478
Preferred stock of subsidiaries	179	179
Minority interests	151	148
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock (50 million shares authorized; none issued)	--	--
Common stock (750 million shares authorized; 261 million shares outstanding at March 31, 2008 and December 31, 2007; no par value)	3,219	3,198
Retained earnings	5,622	5,464
Deferred compensation	(21)	(22)
Accumulated other comprehensive income (loss)	(243)	(301)
Total shareholders' equity	8,577	8,339
Total liabilities and shareholders' equity	$ 29,854	$ 28,717

See Notes to Condensed Consolidated Financial Statements.

* As adjusted.

SEMPRA ENERGY
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Three months ended March 31, 2008	2007
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 242	$ 228
Adjustments to reconcile net income to net cash provided by operating activities:		
Discontinued operations	--	(1)
Depreciation and amortization	175	169
Deferred income taxes and investment tax credits	(58)	(104)
Equity in income of unconsolidated subsidiaries	(27)	(52)
Other	32	20
Net changes in other working capital components	390	1,115
Changes in other assets	(3)	16
Changes in other liabilities	(22)	(7)
Net cash provided by continuing operations	729	1,384
Net cash used in discontinued operations	--	(1)
Net cash provided by operating activities	729	1,383
CASH FLOWS FROM INVESTING ACTIVITES		
Expenditures for property, plant and equipment	(544)	(423)
Proceeds from sale of assets	10	32
Expenditures for investments	(579)	(5)
Distributions from investments	4	--
Purchases of nuclear decommissioning and other trust assets	(134)	(211)
Proceeds from sales by nuclear decommissioning and other trusts	135	213
Other	(1)	(6)
Net cash used in investing activities	(1,109)	(400)
CASH FLOWS FROM FINANCING ACTIVITES		
Common dividends paid	(82)	(79)
Issuances of common stock	4	16
Repurchases of common stock	(2)	--
Increase (decrease) in short-term debt, net	566	(151)
Issuance of long-term debt	52	2
Payments on long-term debt	(10)	(35)
Other	(10)	2
Net cash provided by (used in) financing activities	518	(245)
Increase in cash and cash equivalents	138	738
Cash and cash equivalents, January 1	668	920
Cash and cash equivalents, March 31	$ 806	$ 1,658
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 50	$ 62
Income tax payments, net of refunds	$ 9	$ 20
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Increase (decrease) in accounts payable from investments in property, plant and equipment	$ (62)	$ 15
Value of stock received for sale of investments	$ --	$ 26

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of Sempra Energy (the company), a California-based Fortune 500 holding company, its consolidated subsidiaries and a variable interest entity of which it is the primary beneficiary. Sempra Energy's principal subsidiaries are San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) (collectively referred to as the Sempra Utilities) and Sempra Global, which is the holding company for Sempra Commodities, Sempra Generation, Sempra Pipelines & Storage, Sempra LNG and other, smaller businesses. Investments in affiliated companies over which Sempra Energy has the ability to exercise significant influence, but not control, are accounted for using the equity method. On April 1, 2008, substantially all of the company's commodity-marketing business was sold to RBS Sempra Commodities LLP, a partnership of the company and the Royal Bank of Scotland (RBS). Additional information regarding the transaction is provided in Notes 4 and 9.

Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and 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 only of a normal, recurring nature.

Information in this Quarterly Report should be read in conjunction with the company's Annual Report on Form 10-K for the year ended December 31, 2007 (the Annual Report).

The company's significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report. The same accounting policies are followed for interim reporting purposes, except for the adoption of new accounting standards as discussed in Note 2.

The Sempra Utilities account for the economic effects of regulation on utility operations in accordance with Statement of Financial Accounting Standards (SFAS) 71, *Accounting for the Effects of Certain Types of Regulation.*

NOTE 2. NEW ACCOUNTING STANDARDS

Recently issued pronouncements that have had or may have a significant effect on the company's financial statements are described below.

SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115" (SFAS 159): SFAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses for that item are reported in current earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the company elects for similar types of assets and liabilities. This statement is effective for fiscal years beginning after November 15,

2007. The company did not elect the fair value option at the adoption of SFAS 159 for any of its eligible financial assets or liabilities.

SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" (SFAS 161): SFAS 161 expands the disclosure requirements in Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. The company is in the process of evaluating the effect of this statement on its financial statement disclosures.

FASB Staff Position (FSP) FIN 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1): FSP FIN 39-1 amends certain paragraphs of FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, to permit a reporting entity to offset fair value amounts recognized for the right to reclaim or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007. The company adopted FSP FIN 39-1 effective January 1, 2008. The company applied FSP FIN 39-1 as a change in accounting principle through retrospective application. Each consolidated balance sheet herein reflects the offsetting of net derivative positions with fair value amounts for cash collateral with the same counterparty when management believes a legal right of setoff exists. Accordingly, December 31, 2007 amounts have been reclassified to conform to this presentation. Additional disclosure is provided in Note 5.

Emerging Issues Task Force (EITF) Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11): EITF 06-11 requires that the tax benefit related to dividends paid on employee share-based payment awards classified as equity be recorded as an increase to additional paid-in capital. EITF 06-11 is to be applied prospectively for tax benefits on dividends declared in fiscal years beginning after December 15, 2007. The adoption of EITF 06-11 did not have a material impact on the company's financial position or results of operations.

NOTE 3. OTHER FINANCIAL DATA

Variable Interest Entity (VIE)

SDG&E has a 10-year power purchase agreement with Otay Mesa Energy Center LLC (OMEC LLC) for power generated at the Otay Mesa Energy Center (OMEC), a 573-megawatt (MW) generating facility currently under construction by OMEC LLC, which is expected to be in commercial operation in the second half of 2009. As defined in FIN 46 (revised December 2003), *Consolidation of Variable Interest Entities - an interpretation of ARB No. 51* (FIN 46(R)), OMEC LLC is a VIE, of which SDG&E is the primary beneficiary. Accordingly, the company has consolidated OMEC LLC beginning in the second quarter of 2007. OMEC LLC’s equity of $137 million and $135 million as of March 31, 2008 and December 31, 2007, respectively, is classified as Minority Interest on the Consolidated Balance Sheets.

Available-for-Sale Securities

In March 2008, Sempra Energy and SDG&E purchased $177 million and $236 million, respectively, of industrial development bonds, which are classified as available-for-sale securities and included in Short-Term Investments on the Consolidated Balance Sheet at March 31, 2008. Interest rates on these securities are reset by remarketing agents on a weekly basis at rates intended to permit the bonds to be remarketed

at par. The bonds were initially issued as insured, auction-rate securities, the proceeds of which were loaned to SDG&E, and are repaid with payments from SDG&E first mortgage bonds with terms corresponding to those of the industrial development bonds. SDG&E intends to modify the credit support and liquidity requirements of the bonds in conjunction with their subsequent remarketing to investors.

Pension and Other Postretirement Benefits

The following table provides the components of benefit costs:

	Pension Benefits		Other Postretirement Benefits	
	Three months ended March 31,		Three months ended March 31,	
(Dollars in millions)	2008	2007	2008	2007
Service cost	$ 18	$ 22	$ 6	$ 7
Interest cost	42	41	14	14
Expected return on assets	(40)	(40)	(12)	(11)
Amortization of:				
Prior service cost (credit)	1	2	(1)	(1)
Actuarial loss	2	2	--	2
Regulatory adjustment	(15)	(16)	1	2
Total net periodic benefit cost	$ 8	$ 11	$ 8	$ 13

The company expects to contribute $73 million to its pension plans and $35 million to its other postretirement benefit plans in 2008. For the three months ended March 31, 2008, the company made contributions of $5 million and $9 million to the pension plans and other postretirement benefit plans, respectively.

Earnings per Share (EPS)

Diluted EPS for the three months ended March 31, 2008 and 2007, respectively, reflects the inclusion of 4,047,000 and 4,537,000 additional shares in the weighted-average shares outstanding for the dilutive effect of stock options, restricted stock awards and restricted stock units.

The dilution from common stock options is based on the treasury stock method, whereby the proceeds from the exercise price and unearned compensation as defined by SFAS 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), are assumed to be used to repurchase shares on the open market at the average market price for the period. The calculation excludes options for which the exercise price was greater than the average market price for common stock during the period. There were 1,474,287 such awards outstanding during the three months ended March 31, 2008 and no such awards during the corresponding period in 2007. The company had 2,500 and 689,350 stock options that were outstanding during the three months ended March 31, 2008 and 2007, respectively, that were antidilutive due to the inclusion of unearned compensation in the assumed proceeds under the treasury stock method.

The dilution from unvested restricted stock awards and units is based on the treasury stock method, whereby assumed proceeds equivalent to the unearned compensation as defined by SFAS 123(R) related to the awards and units are assumed to be used to repurchase shares on the open market at the average market price for the period. There were 544,399 restricted stock units which were antidilutive for the three months ended March 31, 2008 and no such antidilutive restricted stock awards or units during the corresponding period in 2007.

Share-Based Compensation

Total share-based compensation expense, net of income tax, was $8 million and $9 million for the three months ended March 31, 2008 and 2007, respectively. Pursuant to the company's share-based compensation plans, 743,500 non-qualified stock options and 643,250 restricted stock units were granted during the three months ended March 31, 2008.

Capitalized Interest

The company recorded $31 million and $21 million of capitalized interest for the three months ended March 31, 2008 and 2007, respectively, including the debt-related portion of allowance for funds used during construction for the Sempra Utilities.

Comprehensive Income

The following is a reconciliation of net income to comprehensive income.

	Three months ended March 31,	
(Dollars in millions)	2008	2007
Net income	$ 242	$ 228
Foreign currency adjustments	73	(6)
Financial instruments*	(18)	(1)
Available-for-sale securities**	2	5
Net actuarial loss***	1	--
Comprehensive income	$ 300	$ 226

* Net of income tax benefit of $12 million and $1 million for the three months ended March 31, 2008 and 2007, respectively.

** Net of income tax expense of a negligible amount and $3 million for the three months ended March 31, 2008 and 2007, respectively.

*** Net of income tax expense of $1 million and a negligible amount for the three months ended March 31, 2008 and 2007, respectively.

Other Income, Net

Other Income, Net consists of the following:

	Three months ended March 31,	
(Dollars in millions)	2008	2007
Equity in earnings (losses) of unconsolidated subsidiaries	$ 6	$ (6)
Allowance for equity funds used during construction	8	6
Regulatory interest, net	(5)	(5)
Sundry, net	16	16
Total	$ 25	$ 11

NOTE 4. DEBT AND CREDIT FACILITIES

Committed Lines of Credit

At March 31, 2008, the company had available $4.3 billion in unused, committed lines of credit to provide liquidity and support commercial paper (the major components of which are detailed below).

Sempra Global has a $2.5 billion, five-year syndicated revolving credit facility expiring in 2010 and a $750 million, three-year syndicated revolving credit facility expiring in November 2008. At March 31, 2008, Sempra Global had letters of credit of $91 million outstanding under the five-year facility and no outstanding borrowings under either facility. The facilities provide support for $867 million of commercial paper outstanding at March 31, 2008.

Sempra Commodities has a five-year, syndicated revolving credit facility expiring in 2010 that provides for up to $1.72 billion of extensions of credit to Sempra Commodities and certain of its affiliates. At March 31, 2008, Sempra Commodities had $585 million of outstanding borrowings and $823 million letters of credit outstanding under this facility.

Sempra Commodities also has a $500 million, three-year credit facility expiring in 2009 that provides for extensions of credit to Sempra Commodities. At March 31, 2008, Sempra Commodities had $145 million of outstanding borrowings and $334 million letters of credit outstanding under this facility.

Sempra LNG has a $1.25 billion, five-year syndicated revolving credit facility expiring in 2009. At March 31, 2008, Sempra LNG had $85 million of outstanding letters of credit and no outstanding borrowings under this facility.

The Sempra Utilities have a combined $600 million revolving credit facility expiring in 2010, under which each utility may borrow up to $500 million, subject to a combined borrowing limit for both utilities of $600 million. At March 31, 2008, the company had no outstanding borrowings under this facility. The facility provides support for $33 million of commercial paper outstanding as of March 31, 2008.

Uncommitted Lines of Credit

Under uncommitted facilities, lenders provide credit on a discretionary basis. Terms are generally consistent with existing committed credit facilities. At March 31, 2008, Sempra Commodities had $1.1 billion in various uncommitted lines of credit and $372 million of letters of credit outstanding supported by these lines.

Additional information concerning committed and uncommitted credit facilities is provided in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

In connection with the sale of the commodity-marketing business as discussed in Note 9, RBS will release or indemnify the company in respect of any obligations related to the Sempra Commodities committed and uncommitted lines of credit.

Weighted Average Interest Rate

The company's weighted average interest rate on the total short-term debt outstanding was 3.91 percent at March 31, 2008.

Interest-Rate Swaps

The company’s fair value interest-rate swaps and interest-rate swaps to hedge cash flows are discussed in Note 5.

NOTE 5. FINANCIAL INSTRUMENTS

The company periodically uses commodity derivative instruments and interest-rate swap agreements to moderate its exposure to commodity price changes and interest-rate changes and to lower its overall cost of borrowing.

Fair Value Hedges

Commodity fair value hedges are associated with Sempra Commodities. These hedges are recorded as trading instruments and may involve significant notional quantities of commodities traded within that business.

As of March 31, 2008 and December 31, 2007, the company had fair value interest-rate swap hedges for a notional amount of debt totaling $450 million. The maturities of these swaps range from 2010 to 2011. These fair value hedge balances were an asset of $21 million and $11 million at March 31, 2008 and December 31, 2007, respectively.

Market value adjustments since inception of the interest-rate swap hedges were recorded as an increase in Fixed-Price Contracts and Other Derivatives (in noncurrent assets as Sundry or in noncurrent liabilities) and a corresponding increase or decrease in Long-Term Debt without affecting net income or other comprehensive income.

Cash Flow Hedges

Commodity cash flow hedges are primarily associated with Sempra Commodities. These hedges are recorded primarily as trading instruments and may involve significant notional quantities of commodities traded within that business.

As of March 31, 2008 and December 31, 2007, the company had established cash flow interest-rate swap hedges for notional debt balances totaling $434 million. The maturities on the swaps at March 31, 2008 range from 2009 to 2038. In addition, OMEC LLC has entered into cash flow interest-rate swap hedges for a notional amount of debt ranging from $134 million to $377 million. The swaps expire in 2019.

The balances in Accumulated Other Comprehensive Income (Loss) at March 31, 2008 and December 31, 2007 related to all cash flow hedges were losses of $42 million and $24 million, respectively, net of income tax. The company expects that losses of $27 million, which are net of income tax benefit, that are currently recorded in Accumulated Other Comprehensive Income (Loss) related to these cash flow hedges will be reclassified into earnings during the next twelve months as the hedged items affect earnings. However, in connection with the consummation of the transaction related to Sempra Commodities discussed in Note 9, a portion of Sempra Commodities' cash flow hedge balance will be recognized.

Hedge Ineffectiveness

A summary of the hedge ineffectiveness gains (losses) follows:

	Three months ended March 31,	
(Dollars in millions)	2008	2007
Commodity hedges:*		
Cash flow hedges	$ (3)	$ --
Fair value hedges	(9)	29
Time value exclusions from hedge assessment	--	(2)
Total unrealized gains (losses)	(12)	27
Interest-rate hedges:**		
Cash flow hedges	--	1
Total unrealized gains	--	1
Total ineffectiveness gains (losses)	$ (12)	$ 28

* For commodity derivative instruments, the company records ineffectiveness gains (losses) in Operating Revenues from Sempra Global and Parent on the Statements of Consolidated Income.

** For interest-rate swap instruments, the company records ineffectiveness gains (losses) in Other Income, Net on the Statements of Consolidated Income.

For commodity derivative instruments designated as fair value hedges, the ineffectiveness gains (losses) relate to hedges of commodity inventory and include gains (losses) that represent time value of money, which is excluded for hedge assessment purposes. For commodity derivative instruments designated as cash flow hedges, the ineffectiveness amount for 2008 relates to hedges of natural gas purchases and sales related to transportation and storage capacity arrangements.

Sempra Commodities

The carrying values of trading assets and trading liabilities, primarily at Sempra Commodities, are as follows:

(Dollars in millions)	March 31, 2008	December 31, 2007*
TRADING ASSETS		
Trading-related receivables and deposits, net:		
Due from trading counterparties	$ 2,269	$ 2,489
Due from commodity clearing organizations and clearing brokers	574	230
	2,843	2,719
Derivative trading instruments:		
Unrealized gains on swaps and forwards	1,455	1,067
Over-the-counter (OTC) commodity options purchased	1,415	1,103
	2,870	2,170
Commodities owned	1,621	2,231
Total trading assets	$ 7,334	$ 7,120
TRADING LIABILITIES		
Trading-related payables	$ 1,977	$ 2,265
Derivative trading instruments:		
Unrealized losses on swaps and forwards	1,410	950
OTC commodity options written	779	722
	2,189	1,672
Commodities sold with agreement to repurchase	502	500
Total trading liabilities	$ 4,668	$ 4,437

* Amounts have been reclassified to reflect the adoption of FASB Staff Position FIN 39-1.

Sempra Commodities' credit risk from physical and financial instruments as of March 31, 2008 is represented by their positive fair value after consideration of collateral. Options written do not expose Sempra Commodities to credit risk. Exchange-traded futures and options are not deemed to have significant credit exposure since the exchanges guarantee that every contract will be properly settled on a daily basis. Credit risk is also associated with Sempra Commodities' retail customers.

The following table summarizes the counterparty credit quality and exposure for Sempra Commodities, expressed in terms of net replacement value. These exposures are net of collateral in the form of customer margin and/or letters of credit of $1.9 billion and $1.6 billion at March 31, 2008 and December 31, 2007, respectively.

(Dollars in millions)	March 31, 2008	December 31, 2007
Counterparty credit quality*		
Commodity exchanges	$ 574	$ 230
AAA	15	13
AA	586	478
A	563	419
BBB	684	504
Below investment grade or not rated	894	959
Total	$ 3,316	$ 2,603

* As determined by rating agencies or by internal models intended to approximate rating agency determinations.

Sempra Utilities

At the Sempra Utilities, the use of derivative instruments is subject to certain limitations imposed by company policy and regulatory requirements. These instruments enable the company to estimate with greater certainty the effective prices to be received by the company and the prices to be charged to its customers. The Sempra Utilities record realized gains or losses on derivative instruments associated with transactions for electric energy and natural gas contracts in Cost of Electric Fuel and Purchased Power and Cost of Natural Gas, respectively, on the Statements of Consolidated Income. On the Consolidated Balance Sheets, the Sempra Utilities record corresponding regulatory assets and liabilities related to unrealized gains and losses from these derivative instruments to the extent derivative gains and losses associated with these derivative instruments will be payable or recoverable in future rates.

Adoption of FSP FIN 39-1

The company adopted FSP FIN 39-1 effective January 1, 2008, which requires retroactive application. Each Consolidated Balance Sheet herein reflects the offsetting of net derivative positions with fair value amounts for cash collateral with the same counterparty when management believes a legal right of setoff exists. As of March 31, 2008, the company offset fair value cash collateral receivables and payables against net derivative positions of $498 million and $1.0 billion, respectively. As of December 31, 2007, the company offset fair value cash collateral receivables and payables against net derivative positions of $177 million and $1.1 billion, respectively. The fair value of cash collateral that was not offset in the Consolidated Balance Sheets as of March 31, 2008 and December 31, 2007 was $105 million and $27 million, respectively. The fair value of derivative instruments, determined in accordance with the company's netting policy, is set forth below.

	March 31, 2008		December 31, 2007	
(Dollars in millions)	Assets	Liabilities	Assets	Liabilities
Sempra Commodities' trading derivatives	$ 2,937	$ 2,335	$ 2,393	$ 2,073
Sempra Utilities' commodity derivatives	64	--	27	8
Interest-rate instruments	7	45	5	20
Total	$ 3,008	$ 2,380	$ 2,425	$ 2,101

Fair Value Hierarchy

The company’s valuation techniques used to measure fair value and the definition of the three levels of the fair value hierarchy, as defined in SFAS 157, *Fair Value Measurements* (SFAS 157), are discussed in Note 11 of the Notes to Consolidated Financial Statements in the Annual Report.

The following tables set forth by level within the fair value hierarchy the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2008 and December 31, 2007. As required by SFAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	At fair value as of March 31, 2008				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting and Collateral	Total
Assets:					
Trading derivatives	$ 48	$ 3,798	$ 331	$ (1,240)	$ 2,937
Commodity trading inventories	--	1,557	--	--	1,557
Other derivatives	28	79	7	--	114
Nuclear decommissioning trusts*	519	175	--	--	694
Short-term investments	--	413	--	--	413
Other	83	6	15	--	104
Total	$ 678	$ 6,028	$ 353	$ (1,240)	$ 5,819
Liabilities:					
Trading derivatives	$ 98	$ 2,952	$ 10	$ (725)	$ 2,335
Other derivatives	--	61	--	--	61
Total	$ 98	$ 3,013	$ 10	$ (725)	$ 2,396

Recurring Fair Value Measures	At fair value as of December 31, 2007**				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting and Collateral	Total
Assets:					
Trading derivatives	$ 201	$ 2,943	$ 446	$ (1,197)	$ 2,393
Commodity trading inventories	--	2,177	--	--	2,177
Other derivatives	16	45	7	--	68
Nuclear decommissioning trusts*	551	175	--	--	726
Other	86	6	7	--	99
Total	$ 854	$ 5,346	$ 460	$ (1,197)	$ 5,463
Liabilities:					
Trading derivatives	$ 200	$ 2,116	$ 59	$ (302)	$ 2,073
Other derivatives	--	32	--	--	32
Total	$ 200	$ 2,148	$ 59	$ (302)	$ 2,105

* Excludes cash balances.

** Amounts have been reclassified to reflect the adoption of FASB Staff Position FIN 39-1.

Trading derivatives in the Recurring Fair Value Measures tables above include OTC unrealized values related to swaps, forwards and options, as well as open, listed exchange transactions. However, exchange transactions, which are cash settled during the life of the transaction, are classified as part of Trading-Related Receivables and Deposits, Net on the Consolidated Balance Sheets. The following table provides a reconciliation of these balances as of March 31, 2008 and December 31, 2007.

	March 31, 2008		December 31, 2007	
(Dollars in millions)	Assets	Liabilities	Assets	Liabilities
Derivative trading instruments:				
Per Consolidated Balance Sheets	$ 2,870	$ 2,189	$ 2,170	$ 1,672
Unrealized revenues for exchange contracts	67	146	223	401
Per Recurring Fair Value Measures Table	$ 2,937	$ 2,335	$ 2,393	$ 2,073

The Recurring Fair Value Measures tables above do not include certain commodity trading inventories that are carried on a lower-of-cost-or-market basis. The tables do include a portion of commodity trading inventories for which fair value hedge accounting is applied. The following table provides a reconciliation of these balances as of March 31, 2008 and December 31, 2007.

(Dollars in millions)	March 31, 2008	December 31, 2007
Commodities owned:		
Per Consolidated Balance Sheets	$ 1,621	$ 2,231
Less: Commodities owned, recorded at lower-of-cost-or-market	(64)	(54)
Per Recurring Fair Value Measures Table	$ 1,557	$ 2,177

The determination of the fair values above incorporates various factors required under SFAS 157. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of the company's nonperformance risk on its liabilities.

The following table sets forth a reconciliation primarily of changes in the fair value of net trading derivatives classified as level 3 in the fair value hierarchy:

	Three months ended March 31,	
(Dollars in millions)	2008	2007
Balance as of January 1	$ 401	$ 519
Realized and unrealized losses	(82)	(250)
Purchases and issuances	24	75
Balance as of March 31	$ 343	$ 344
Change in unrealized gains (losses) relating to instruments still held as of March 31	$ (60)	$ (82)

Gains and losses (realized and unrealized) for level 3 recurring items are included primarily in Operating Revenues for Sempra Global and Parent on the Statements of Consolidated Income.

NOTE 6. SEMPRA UTILITIES' REGULATORY MATTERS

Sunrise Powerlink Electric Transmission Line

SDG&E has applied to the California Public Utilities Commission (CPUC) for authorization to construct the Sunrise Powerlink, a 500-kilovolt (kV) electric transmission line between the Imperial Valley and the San Diego region that will be able to deliver 1,000 MW. The project, as proposed by the company, is now projected to cost $1.5 billion, which includes an allowance for funds used during construction related to both debt and equity. The increase in total projected cost from previous estimates is primarily due to the delay in the projected in-service date and the increased costs of materials and supplies. The projected cost is subject to change pending the final route, terms, conditions and mitigation requirements stipulated in the CPUC decision.

A proposed decision on the project is expected in July 2008, with a final CPUC decision expected by year-end 2008. Given this timeline, if the project is approved by the CPUC as proposed by the company, the earliest management projects the Sunrise Powerlink would be in commercial operation is in the first half of 2011.

General Rate Case (GRC)

In December 2007, SoCalGas and SDG&E filed settlement agreements with the CPUC pertaining to their 2008 General Rate Cases (2008 GRC) that would, if approved by the CPUC, provide a 2008 revenue requirement of $1.685 billion for SoCalGas and $1.349 billion for SDG&E and would resolve all 2008 revenue requirement issues. If adopted, the settlements would represent an increase in the annual revenue requirement in 2008 of $59 million for SoCalGas, and $138 million for SDG&E, as compared to the 2007 revenue requirement. The Sempra Utilities also reached agreement with certain parties in the 2008 GRC, also subject to CPUC approval, regarding post test-year provisions including the duration of the post-test years (2008 GRC period), earnings sharing and the year-to-year increases to the annual authorized revenue during the GRC period. The parties, with the exception of the CPUC's Division of Ratepayer Advocates (DRA), agreed to a GRC term of four years (2008 through 2011), with the DRA separately agreeing to a term of five years (through 2012). All parties agreed to post test-year revenue requirement increases in fixed dollar amounts. All parties also agreed that there would be no earnings sharing between the companies and ratepayers should either of the companies achieve earnings above or below the authorized return on equity for any year in the post test-year period.

Both SoCalGas and SDG&E have filed requests with the CPUC to make any decision on the 2008 GRC effective retroactive to January 1, 2008. A final CPUC decision on all 2008 GRC issues, as noted above, is expected in the second quarter of 2008.

As a final CPUC decision in regard to the 2008 GRC has not been issued, both SoCalGas and SDG&E are reporting first quarter 2008 revenue associated with CPUC-regulated operations consistent with the 2007 revenue requirement as established by the CPUC's 2004 Cost of Service decision.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

At March 31, 2008, the company's reserves for unresolved litigation matters were $167 million. The company has additional reserves of $455 million for settlements reached to resolve certain litigation arising out of the 2000 - 2001 California energy crisis. The uncertainties inherent in complex legal proceedings make it difficult to estimate with reasonable certainty the costs and effects of resolving legal matters. Accordingly, costs ultimately incurred may differ materially from estimated costs and could materially adversely affect the company's business, cash flows, results of operations and financial condition.

Continental Forge Settlement

The litigation that is the subject of the settlements and $455 million of reserves is frequently referred to as the Continental Forge litigation, although the settlements also include other cases. The Continental Forge class-action and individual antitrust and unfair competition lawsuits in California and Nevada alleged that Sempra Energy and the Sempra Utilities unlawfully sought to control natural gas and electricity markets and claimed damages in excess of $23 billion after applicable trebling.

The San Diego County Superior Court entered a final order approving the settlement of the Continental Forge class-action litigation as fair and reasonable in July 2006. The California Attorney General and the Department of Water Resources (DWR) have appealed the final order. Oral argument is expected to take place in 2008. The Nevada Clark County District Court entered an order approving the Nevada class-action settlement in September 2006. Both the California and Nevada settlements must be approved for

either settlement to take effect, but the company is permitted to waive this condition. The settlements are not conditioned upon approval by the CPUC, the DWR, or any other governmental or regulatory agency.

To settle the California and Nevada litigation, in January 2006, the company agreed to make cash payments in installments aggregating $377 million, of which $347 million relates to the Continental Forge and California class action price reporting litigation and $30 million relates to the Nevada antitrust litigation. The Los Angeles City Council had not previously voted to approve the City of Los Angeles' participation in the January 2006 California settlement. In March 2007, Sempra Energy and the Sempra Utilities entered into a separate settlement agreement with the City of Los Angeles resolving all of its claims in the Continental Forge litigation in return for the payment of $8.5 million in April 2007. This payment was made in lieu of the $12 million payable in eight annual installments that the City of Los Angeles was to receive as part of the January 2006 California settlement.

Additional consideration for the January 2006 California settlement includes an agreement that Sempra LNG would sell to the Sempra Utilities, subject to CPUC approval, regasified liquefied natural gas (LNG) from its LNG terminal being constructed in Baja California, Mexico, for a period of 18 years at the California border index price minus $0.02 per million British thermal units (MMBtu). Also, Sempra Generation voluntarily would reduce the price that it charges for power and limit the locations at which it would deliver power under its DWR contract. Based on the expected contractual power deliveries, this discount would have potential value aggregating $300 million over the contract's then remaining six-year term. As a result of recording the price discount of the DWR contract in 2005, subsequent earnings reported on the DWR contract reflect original rather than discounted power prices. The price reductions would be offset by any amounts in excess of a $150 million threshold up to the full amount of the price reduction that Sempra Generation is ordered to pay or incurs as a monetary award, any reduction in future revenues or profits, or any increase in future costs in connection with arbitration proceedings involving the DWR contract.

Under the terms of the January 2006 settlements, $83 million was paid in August 2006 and an additional $83 million was paid in August 2007. Of the remaining amounts, $25.8 million is to be paid on the closing date of the January 2006 settlements, which will take place after the resolution of all appeals, and $24.8 million will be paid on each successive anniversary of the closing date through the seventh anniversary of the closing date, as adjusted for the City of Los Angeles settlement. Under the terms of the City of Los Angeles settlement, $8.5 million was paid in April 2007. The reserves recorded for the California and Nevada settlements in 2005 fully provide for the present value of both the cash amounts to be paid in the settlements and the price discount to be provided on electricity to be delivered under the DWR contract. A portion of the reserves was discounted at 7 percent, the rate specified for prepayments in the settlement agreement. For payments not addressed in the agreement and for periods from the settlement date through the estimated date of the first payment, 5 percent was used to approximate the company’s average cost of financing.

DWR Contract

The DWR commenced an arbitration proceeding in February 2004 against Sempra Generation with respect to the contract under which Sempra Generation sells electricity to the DWR. The DWR disputed a portion of Sempra Generation's billings and its manner of delivering electricity, and sought rescission of the contract, which expires by its terms in 2011.

In its April 2006 decision, the arbitration panel declined to rescind the contract and ruled against the DWR on its most significant claims, but did rule in favor of the DWR on certain contractual issues. As a result, Sempra Generation paid $73 million in the second quarter of 2006. The arbitration panel's ruling is

final and binding upon both the DWR and Sempra Generation with respect to the issues that were the subject of the arbitration.

In February 2006, the DWR commenced additional arbitration against Sempra Generation relating to the manner in which Sempra Generation schedules its Mexicali plant. The DWR seeks $100 million in damages and an order terminating the contract. In July 2007, the arbitration panel issued an order finding that the claims asserted by the DWR in the arbitration were subject to the Federal Energy Regulatory Commission's (FERC) exclusive jurisdiction, and staying the matter until any proceedings filed by the DWR at the FERC are final. In September 2007, the DWR filed a Petition for Declaratory Order at the FERC asking the agency to declare it does not have and will not assert jurisdiction over the claims posed by the DWR. In November 2007, the FERC granted the DWR’s petition, finding that the FERC does not have exclusive jurisdiction to determine the claims alleged by the DWR. Sempra Generation has requested that the FERC rehear or clarify this ruling.

In 2002, Sempra Generation and the DWR commenced litigation in a state civil action in which the DWR sought to void its contract with Sempra Generation, seeking damages, injunctive and declaratory relief and $100 million in punitive damages, alleging that the company misrepresented its intention and ability to construct a temporary phase of one power project and, alternatively, breached its contract by failure to construct and deliver power from that phase. Although Sempra Generation was initially awarded summary judgment on all claims, in June 2005, the California Court of Appeal reversed the summary judgment decision, concluding that the contract language was ambiguous and presented triable issues of material fact that must be addressed by further evidence and proceedings. The case was remanded to the trial court. In January 2007, the DWR added additional claims for fraud and breach of contract. The company believes that the DWR's claims must be arbitrated, and has appealed the trial court's denial of its motion to compel arbitration to the California Court of Appeal.

The California Energy Oversight Board, the CPUC and others filed petitions appealing 2003 FERC orders upholding the DWR's contracts with Sempra Generation and other power suppliers under the *Mobile-Sierra* doctrine's "public interest" standard of review. In December 2006, the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit Court of Appeals) granted the appeals and remanded the cases (including a companion case involving contracts in Nevada, Washington and California) back to the FERC instructing the FERC to consider applying a more rigorous contract review standard upon remand. Sempra Generation and other power suppliers petitioned the United States Supreme Court to review the Ninth Circuit Court of Appeals' decisions, and in September 2007, the U.S. Supreme Court granted the requests for review in the companion case noted above and oral argument took place on February 19, 2008. The requests for review in the case involving the DWR contracts will remain on hold pending the resolution of the companion case. A decision is expected in mid-2008.

Other Natural Gas Cases

In April 2003, Sierra Pacific Resources and its utility subsidiary Nevada Power filed a lawsuit in the U.S. District Court in Nevada against major natural gas suppliers, including Sempra Energy, the Sempra Utilities and Sempra Commodities, seeking recovery of damages alleged to aggregate in excess of $150 million (before trebling). The lawsuit alleges a conspiracy to manipulate and inflate the prices that Nevada Power had to pay for its natural gas by preventing the construction of natural gas pipelines to serve Nevada and other Western states, and reporting artificially inflated prices to trade publications. The U.S. District Court dismissed the case in November 2004, determining that the FERC had exclusive jurisdiction to resolve the claims. In September 2007, the Ninth Circuit Court of Appeals reversed the dismissal and returned the case to the District Court for further proceedings.

Apart from the claims settled in connection with the Continental Forge settlement, the remaining 13 state antitrust actions that were coordinated in San Diego Superior Court against Sempra Energy, the Sempra Utilities and Sempra Commodities and other, unrelated energy companies, alleging that energy prices were unlawfully manipulated by the reporting of artificially inflated natural gas prices to trade publications and by entering into wash trades and churning transactions, were settled on January 4, 2008, for $2.5 million.

Pending in the U.S. District Court in Nevada are five cases against Sempra Energy, Sempra Commodities, the Sempra Utilities and various other companies, which make similar allegations to those in the state proceedings, four of which also include conspiracy allegations similar to those made in the Continental Forge litigation. The court dismissed four of these actions in 2005, determining that the FERC had exclusive jurisdiction to resolve the claims. The remaining case, which includes conspiracy allegations, was stayed. In September 2007, the Ninth Circuit Court of Appeals reversed the dismissal and returned the cases to the District Court for further proceedings.

Electricity Cases

In November 2006, the U.S. District Court in San Diego dismissed a lawsuit filed by the California Attorney General in November 2005 against Sempra Commodities alleging illegal market-gaming activities during the California energy crisis and claiming unspecified civil penalties and damages. The court ruled that only the FERC has the authority to regulate wholesale energy markets. The court also declined to remand the case to state court. The FERC has previously investigated and entered into settlements with numerous energy trading companies, including Sempra Commodities, regarding similar allegations. The California Attorney General has appealed the dismissal.

FERC Refund Proceedings

The FERC is investigating prices charged to buyers in the California Power Exchange (PX) and Independent System Operator (ISO) markets by various electric suppliers. In December 2002, a FERC Administrative Law Judge (ALJ) issued preliminary findings indicating that the PX and ISO owe power suppliers $1.2 billion for the October 2, 2000 through June 20, 2001 period (the $3.0 billion that the California PX and ISO still owe energy companies less $1.8 billion that the energy companies charged California customers in excess of the preliminarily determined competitive market clearing prices). In March 2003, the FERC adopted its ALJ's findings, but changed the calculation of the refund by basing it on a different estimate of natural gas prices, which would increase the refund obligations from $1.8 billion to more than $3 billion for the same time period.

Various parties appealed the FERC's order to the Ninth Circuit Court of Appeals. In August 2006, the Court of Appeals held that the FERC had properly established October 2, 2000 through June 20, 2001 as the refund period and had properly excluded certain bilateral transactions between sellers and the DWR from the refund proceedings. However, the court also held that the FERC erred in excluding certain multi-day transactions from the refund proceedings. Finally, while the court upheld the FERC's decision not to extend the refund proceedings to the summer period (prior to October 2, 2000), it found that the FERC had erred in not considering other remedies, such as disgorgement of profits, for tariff violations that are alleged to have occurred prior to October 2, 2000. The Court of Appeals remanded the matter to the FERC for further proceedings. In November 2007, Sempra Commodities and other entities filed requests for rehearing of the Court of Appeals' August 2006 decision. In August 2007, the Ninth Circuit Court of Appeals issued a decision reversing and remanding FERC orders declining to provide refunds in a related proceeding regarding short-term bilateral sales up to one month in the Pacific Northwest. The court found that some of the short-term sales between the DWR and various sellers (including Sempra Commodities) that had previously been excluded from the refund proceeding involving sales in the ISO and PX markets

in California, were within the scope of the Pacific Northwest refund proceeding. In December 2007, Sempra Commodities and other sellers filed requests for rehearing of the Court of Appeals' August 2007 decision. It is possible that on remand, the FERC could order refunds for short-term sales to the DWR in the Pacific Northwest refund proceeding.

Sempra Commodities has reserves for its estimated refund liability that reflect its estimate of the effect of the FERC's revision of the benchmark prices it will use to calculate refunds and other refund-related developments.

In a separate complaint filed with the FERC in 2002, the California Attorney General challenged the FERC's authority to establish a market-based rate regime, and further contended that, even if such a regime were valid, electricity sellers had failed to comply with the FERC's quarterly reporting requirements. The Attorney General requested that the FERC order refunds from suppliers. The FERC dismissed the complaint and instead ordered sellers to restate their reports. After an appeal by the California Attorney General, the Ninth Circuit Court of Appeals upheld the FERC's authority to establish a market-based rate regime, but ordered remand of the case to the FERC for further proceedings, stating that failure to file transaction-specific quarterly reports gave the FERC authority to order refunds with respect to jurisdictional sellers. In December 2006, a group of sellers petitioned the United States Supreme Court to review the Ninth Circuit Court of Appeals' decision. In June 2007, the Supreme Court declined further review of the Ninth Circuit Court of Appeals' order. On remand, it is possible that the FERC could order refunds or disgorgement of profits for periods in addition to those covered by its prior refund orders and substantially increase the refunds that ultimately may be required to be paid by Sempra Commodities and other power suppliers.

At March 31, 2008, Sempra Commodities is owed approximately $100 million from energy sales made in 2000 and 2001 through the ISO and the PX markets. The collection of these receivables depends on several factors, including the California ISO and PX refund case. The company believes adequate reserves have been recorded.

FERC Manipulation Investigation

The FERC is separately investigating whether there was manipulation of short-term energy markets in the western United States that would constitute violations of applicable tariffs and warrant disgorgement of associated profits. In this proceeding, the FERC's authority is not confined to the periods relevant to the refund proceeding. In May 2002, the FERC ordered all energy companies engaged in electric energy trading activities to state whether they had engaged in various specific trading activities in violation of the PX and ISO tariffs.

In June 2003, the FERC issued several orders requiring various entities to show cause why they should not be found to have violated California ISO and PX tariffs. The FERC directed a number of entities, including Sempra Commodities, to show cause why they should not disgorge profits from certain transactions between January 1, 2000 and June 20, 2001 that are asserted to have constituted gaming and/or anomalous market behavior under the California ISO and/or PX tariffs. In October 2003, Sempra Commodities agreed to pay $7.2 million in full resolution of these investigations. That liability was recorded as of December 31, 2003. The Sempra Commodities settlement was approved by the FERC in August 2004. Certain California parties have sought rehearing on this order and the FERC has not yet responded.

Other Litigation

In October 2007, Southern California experienced catastrophic wildfires. The causes of many of these fires remain under investigation, including the possible role of SDG&E power lines affected by unusually high winds. In November 2007, the California Department of Forestry and Fire Protection (Cal Fire) issued a press release stating that power lines caused three of the fires in San Diego County and that together these three fires burned more than 200,000 acres and destroyed approximately 1,900 structures. Cal Fire is expected to issue a final report, and the CPUC's Consumer Protection and Safety Division, which is also investigating the fires, is also expected to issue a report. Six lawsuits, four of which seek to be designated as class actions, have been filed against SDG&E in San Diego County Superior Court seeking unspecified amounts for damages relating to the fires. One of the lawsuits also names Sempra Energy as a defendant. The lawsuits assert that SDG&E improperly designed and maintained its power lines and failed to adequately clear adjacent vegetation. The company has approximately $1 billion in liability insurance and has notified its insurers of the lawsuits.

The company and several subsidiaries, along with three oil and natural gas companies, the City of Beverly Hills and the Beverly Hills Unified School District, are defendants in a toxic tort lawsuit filed in Los Angeles County Superior Court by approximately 1,000 plaintiffs claiming that various emissions resulted in cancer or fear of cancer. The company has submitted the case to its insurers, who have reserved their rights with respect to coverage. In November 2006, the court granted the defendants' summary judgment motions based on lack of medical causation for the 12 initial plaintiffs scheduled to go to trial first. The court also granted the company's separate summary judgment motion on punitive damages. Plaintiffs filed a notice of appeal in March 2007. The court has stayed the case as to the remaining plaintiffs pending the appeal.

In 1998, Sempra Energy and the Sempra Utilities converted their traditional pension plans (other than the SoCalGas union employee plan) to cash balance plans. In July 2005, a lawsuit was filed against SoCalGas in the U.S. District Court for the Central District of California alleging that the conversion unlawfully discriminated against older employees and failed to provide required disclosure of a reduction in benefits. In October 2005, the court dismissed three of the four causes of action and, in March 2006, dismissed the remaining cause of action. The Ninth Circuit Court of Appeals heard oral argument on the matter on February 15, 2008, and took the matter under submission.

Nuclear Insurance

SDG&E and the other owners of the San Onofre Nuclear Generating Station (SONGS) have insurance to respond to nuclear liability claims related to SONGS. The insurance provides coverage of $300 million, the maximum amount available, and includes coverage for acts of terrorism. In addition, the Price-Anderson Act provides for up to $10.5 billion of secondary financial protection. Should any of the licensed/commercial reactors in the United States experience a nuclear liability loss that exceeds the $300 million insurance limit, all utilities owning nuclear reactors could be assessed to provide the secondary financial protection. SDG&E's total share would be up to $40 million, subject to an annual maximum assessment of $6 million, unless a default were to occur by any other SONGS owner. In the event the secondary financial protection limit were insufficient to cover the liability loss, SDG&E could be subject to an additional assessment.

SDG&E and the other owners of SONGS have $2.75 billion of nuclear property, decontamination and debris removal insurance and up to $490 million for outage expenses and replacement power costs incurred because of accidental property damage. This coverage is limited to $3.5 million per week for the first 52 weeks and $2.8 million per week for up to 110 additional weeks, after a waiting period of 12

weeks. The insurance is provided through a mutual insurance company, through which insured members are subject to retrospective premium assessments (up to $8.6 million in SDG&E's case).

The nuclear property insurance program, subscribed to by members of the nuclear power generating industry, includes an industry aggregate loss limit for non-certified acts of terrorism (as defined by the Terrorism Risk Insurance Act). The industry aggregate loss limit for property claims arising from non-certified acts of terrorism is $3.24 billion. This limit is the maximum amount to be paid to members who sustain losses or damages from these non-certified terrorist acts.

NOTE 8. SEGMENT INFORMATION

The company is a holding company, whose subsidiaries are primarily engaged in the energy business. It has five separately managed reportable segments (SoCalGas, SDG&E, Sempra Commodities, Sempra Generation and Sempra Pipelines & Storage), which are described in the Annual Report. The “all other” amounts consist primarily of parent organizations and Sempra LNG. Additional information regarding Sempra Commodities is provided in Note 9.

The accounting policies of the segments are described in the Notes to Consolidated Financial Statements in the Annual Report. Segment performance is evaluated by management based on reported net income. Sempra Utility transactions are based on rates set by the CPUC and the FERC.

Discontinued operations, as discussed in Note 5 of the Notes to Consolidated Financial Statements in the Annual Report, are the operating results of Bangor Gas and Frontier Energy, which had been in the Sempra Pipelines & Storage segment. The following tables exclude amounts from discontinued operations, unless otherwise noted.

(Dollars in millions)	Three months ended March 31, 2008		Three months ended March 31, 2007	
OPERATING REVENUES				
SoCalGas	$ 1,556	47%	$ 1,368	45%
SDG&E	746	23	709	24
Sempra Commodities	457	14	512	17
Sempra Generation	446	14	397	13
Sempra Pipelines & Storage	93	3	77	3
Adjustments and eliminations	(17)	(1)	(42)	(1)
Intersegment revenues	(11)	--	(17)	(1)
Total	$ 3,270	100%	$ 3,004	100%
INTEREST EXPENSE				
SoCalGas	$ 16		$ 18	
SDG&E	27		24	
Sempra Commodities	12		7	
Sempra Generation	4		4	
Sempra Pipelines & Storage	2		5	
All other	37		56	
Intercompany eliminations	(38)		(44)	
Total	$ 60		$ 70	
INTEREST INCOME				
SoCalGas	$ 3		$ 6	
SDG&E	2		1	
Sempra Commodities	7		5	
Sempra Generation	2		11	
Sempra Pipelines & Storage	3		4	
All other	35		43	
Intercompany eliminations	(38)		(44)	
Total	$ 14		$ 26	
DEPRECIATION AND AMORTIZATION				
SoCalGas	$ 71	41%	$ 69	41%
SDG&E	77	44	75	44
Sempra Commodities	6	3	7	4
Sempra Generation	14	8	12	7
Sempra Pipelines & Storage	2	1	3	2
All other	5	3	3	2
Total	$ 175	100%	$ 169	100%
INCOME TAX EXPENSE (BENEFIT)				
SoCalGas	$ 40		$ 39	
SDG&E	32		38	
Sempra Commodities	39		4	
Sempra Generation	31		39	
Sempra Pipelines & Storage	4		(1)	
All other	(19)		(56)	
Total	$ 127		$ 63	
EQUITY IN EARNINGS (LOSSES) OF				
UNCONSOLIDATED SUBSIDIARIES				
Earnings (losses) recorded before tax:				
Sempra Pipelines & Storage	$ 8		$ --	
Sempra Generation	2		(1)	
All other	(4)		(5)	
Total	$ 6		$ (6)	
Earnings recorded net of tax:				
Sempra Pipelines & Storage	$ 18		$ 12	
Sempra Commodities	3		46	
Total	$ 21		$ 58	

(Dollars in millions)	Three months ended March 31, 2008		Three months ended March 31, 2007	
NET INCOME				
SoCalGas*	$ 57	23%	$ 55	24%
SDG&E*	74	31	62	27
Sempra Commodities	59	24	71	31
Sempra Generation	45	19	54	24
Sempra Pipelines & Storage	26	11	16	7
Discontinued operations	--	--	1	--
All other	(19)	(8)	(31)	(13)
Total	$ 242	100%	$ 228	100%
EXPENDITURES FOR PROPERTY, PLANT & EQUIPMENT				
SoCalGas	$ 116	21%	$ 86	20%
SDG&E	235	43	157	37
Sempra Commodities	21	4	9	2
Sempra Generation	11	2	1	--
Sempra Pipelines & Storage	59	11	79	19
All other	102	19	91	22
Total	$ 544	100%	$ 423	100%

(Dollars in millions)	March 31, 2008		December 31, 2007**	
ASSETS				
SoCalGas	$ 6,717	22%	$ 6,406	22%
SDG&E	8,596	29	8,499	30
Sempra Commodities	8,875	30	8,620	30
Sempra Generation	1,805	6	1,759	6
Sempra Pipelines & Storage	2,634	9	2,287	8
All other	2,399	8	2,182	8
Intersegment receivables	(1,172)	(4)	(1,036)	(4)
Total	$ 29,854	100%	$ 28,717	100%
INVESTMENTS IN EQUITY METHOD INVESTEES				
Sempra Commodities	$ 34		$ 32	
Sempra Generation	205		205	
Sempra Pipelines & Storage	1,023		776	
All other	42		46	
Total	$ 1,304		$ 1,059	

* After preferred dividends.

** Adjusted to reflect the adoption of FASB Staff Position FIN 39-1.

NOTE 9. SUBSEQUENT EVENTS

RBS Sempra Commodities LLP

On April 1, 2008, Sempra Energy and The Royal Bank of Scotland (RBS) completed the formation of their previously announced partnership, RBS Sempra Commodities LLP, to own and operate the commodity-marketing businesses previously held as subsidiaries of Sempra Energy. Sempra Energy holds an equity investment in the partnership of $1.6 billion. RBS holds an equity investment of $1.665 billion and will provide any additional funding required for the ongoing operations of the partnership's businesses. As a result of the transaction, Sempra Energy also received approximately $1.2 billion in cash.

Beginning April 1, the company will account for its investment in the partnership under the equity method, and the company's share of partnership earnings will be reported in the Sempra Commodities segment.

Financial information for the Sempra Commodities segment, which generally comprises the company's commodity-marketing business, is as follows at March 31, 2008 and for the three months then ended (in millions):

Operating revenues	$	457
Net income		59
Assets		8,875
Liabilities		6,154

Additional information concerning this transaction is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report.

Share Repurchase Program

On April 1, 2008, the company entered into a Collared Accelerated Share Acquisition Program with Merrill Lynch International (MLI) under which the company will expend $1 billion to repurchase shares of its common stock. The program is expected to extend into the fourth quarter of 2008.

Sempra Energy prepaid $1 billion to MLI on April 7, 2008 for shares of Sempra Energy common stock to be purchased from MLI in a share forward transaction. The number of shares purchased (subject to minimum and maximum numbers of shares) will be determined by dividing the $1 billion purchase price by the arithmetic mean of the volume-weighted average trading prices of shares of Sempra Energy common stock for each day in a valuation period minus a fixed discount. The valuation period will begin following the completion of a hedging period during which MLI will establish an initial hedging position in respect of its obligation to deliver shares under the program and will continue until the program is completed.

The company's outstanding shares used to calculate earnings per share will be reduced by the number of shares repurchased as they are delivered to the company, and the $1 billion purchase price will be recorded as a reduction in shareholders' equity upon its prepayment. On the April 7,

2008 prepayment date, Sempra Energy received 11,209,865 of the shares to be purchased and will receive the balance of the minimum number at the end of the hedging period. It will receive any additional repurchased shares at the end of the valuation period.

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" and "Risk Factors" contained in the company's 2007 Annual Report on Form 10-K (Annual Report).

OVERVIEW

Sempra Energy

Sempra Energy is a Fortune 500 energy services holding company. Its business units provide electric, natural gas and other energy products and services to its customers. Operations are divided into the Sempra Utilities and Sempra Global. The Sempra Utilities are Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E), which serve consumers from California's Central Valley to the Mexican border. Sempra Global is a holding company for most of the subsidiaries of Sempra Energy that are not subject to California utility regulation. Sempra Global's principal subsidiaries provide the following energy-related products and services:

- Sempra Commodities is primarily a wholesale and retail trader of physical and financial products, including natural gas, power, petroleum and petroleum products, and other commodities; and it is also a trader and wholesaler of base metals. On April 1, 2008, Sempra Energy and The Royal Bank of Scotland (RBS) completed the formation of their previously announced partnership, RBS Sempra Commodities LLP, to own and operate the commodity-marketing businesses previously held as subsidiaries of Sempra Energy. These subsidiaries generally comprise the Sempra Commodities segment. This transaction is discussed in Note 9 of the Notes to Condensed Consolidated Financial Statements herein.

- Sempra Generation develops, owns and operates electric generation facilities.

- Sempra LNG is developing receipt terminals for the importation of liquefied natural gas (LNG) and has an agreement to supply natural gas to Mexico's government-owned electric utility.

- Sempra Pipelines & Storage develops and owns natural gas pipelines and storage facilities in the United States and Mexico, and holds interests in companies that provide natural gas or electricity services in Argentina, Chile, Mexico and Peru. The company is currently pursuing the sale of its interests in the Argentine utilities, as discussed in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report.

RESULTS OF OPERATIONS

Net income increased by $14 million (6%) to $242 million for the three months ended March 31, 2008, compared to the corresponding period of 2007, primarily resulting from improved results at SDG&E, Sempra Pipelines & Storage and Parent and Other, partially offset by lower results at Sempra Commodities and Sempra Generation, as discussed in "Business Unit Results" below.

Net Income (Loss) by Business Unit

	Three months ended March 31,			
(Dollars in millions)	2008		2007	
Sempra Utilities				
Southern California Gas Company *	$ 57	23%	$ 55	24%
San Diego Gas & Electric Company *	74	31	62	27
Total Sempra Utilities	131	54	117	51
Sempra Global				
Sempra Commodities	59	24	71	31
Sempra Generation	45	19	54	24
Sempra Pipelines & Storage	26	11	16	7
Sempra LNG	(9)	(4)	(10)	(4)
Total Sempra Global	121	50	131	58
Parent and other **	(10)	(4)	(21)	(9)
Income from continuing operations	242	100	227	100
Discontinued operations, net of income tax	--	--	1	--
Net income	$ 242	100%	$ 228	100%

* After preferred dividends.

** Includes after-tax interest expense ($15 million and $21 million for the three months ended March 31, 2008 and 2007, respectively), intercompany eliminations recorded in consolidation and certain corporate costs incurred at Sempra Global.

Sempra Utilities Revenues and Cost of Sales

During the three months ended March 31, 2008, natural gas revenues and the cost of natural gas increased compared to the corresponding period in 2007, primarily as a result of higher natural gas prices and volumes. Electric revenues increased for the three months ended March 31, 2008 compared to the corresponding period in 2007 primarily due to higher cost of electric fuel and purchased power and higher authorized transmission margin.

As a final decision in the 2008 General Rate Case (GRC) was not issued by the California Public Utilities Commission (CPUC) by March 31, 2008, revenues for the first quarter of 2008 associated with CPUC-regulated operations were consistent with the 2007 CPUC-authorized revenue established by the 2004 Cost of Service decision.

Although the current regulatory framework provides that the cost of natural gas purchased for core customers be passed through to the customers on a substantially concurrent basis, SoCalGas' Gas Cost Incentive Mechanism (GCIM) and SDG&E's natural gas procurement Performance-Based Regulation (PBR) mechanism, which was in effect through March 31, 2008, allow them to share in the savings or costs from buying natural gas for their customers below or above market-based monthly benchmarks. The mechanisms permit full recovery of commodity procurement

costs within a tolerance band around the benchmark price. The costs or savings outside the tolerance band are shared between customers and shareholders. Further discussion is provided in Notes 1 and 15 of the Notes to Consolidated Financial Statements in the Annual Report.

The tables below summarize the Sempra Utilities' natural gas and electric volumes and revenues by customer class for the three-month periods ended March 31.

Natural Gas Sales, Transportation and Exchange
(Volumes in billion cubic feet, dollars in millions)

	Natural Gas Sales		Transportation and Exchange		Total	
	Volumes	Revenue	Volumes	Revenue	Volumes	Revenue
2008:						
Residential	108	$ 1,293	--	$ 2	108	$ 1,295
Commercial and industrial	36	396	73	35	109	431
Electric generation plants	--	--	58	21	58	21
Wholesale	--	--	7	2	7	2
	144	$ 1,689	138	$ 60	282	1,749
Balancing accounts and other						43
Total						$ 1,792
2007:						
Residential	104	$ 1,125	--	$ 2	104	$ 1,127
Commercial and industrial	37	354	69	41	106	395
Electric generation plants	--	--	43	20	43	20
Wholesale	--	--	8	3	8	3
	141	$ 1,479	120	$ 66	261	1,545
Balancing accounts and other						47
Total						$ 1,592

Electric Distribution and Transmission
(Volumes in millions of kilowatt-hours, dollars in millions)

	2008		2007	
	Volumes	Revenue	Volumes	Revenue
Residential	2,009	$ 220	1,960	$ 249
Commercial	1,687	160	1,683	185
Industrial	553	42	522	48
Direct access	765	23	778	28
Street and highway lighting	26	3	25	3
	5,040	448	4,968	513
Balancing accounts and other		50		(46)
Total		$ 498		$ 467

Although commodity costs associated with long-term contracts allocated to SDG&E from the California Department of Water Resources (DWR) (and the revenues to recover those costs) are not included in the Statements of Consolidated Income, the associated volumes and distribution revenues are included in the above table.

Sempra Global and Parent Operating Revenues

Sempra Global and Parent operating revenues increased by $35 million (4%) in the three months ended March 31, 2008 to $980 million. The increase was primarily attributable to Sempra Generation, mainly as a result of increased power sales and favorable natural gas and power prices, partially offset by a decrease at Sempra Commodities.

Sempra Global and Parent Cost of Natural Gas, Electric Fuel and Purchased Power

Sempra Global and Parent cost of natural gas, electric fuel and purchased power increased by $73 million (22%) in the three months ended March 31, 2008 to $409 million. The increase was primarily associated with the higher revenues at Sempra Generation.

Sempra Global and Parent Other Cost of Sales

Sempra Global and Parent other cost of sales decreased by $183 million (57%) in the three months ended March 31, 2008 to $136 million. The decrease was attributable to Sempra Commodities due to lower transportation and storage costs related to natural gas trading activity, and increased activity in the power markets, where associated costs are lower.

Other Operating Expenses

Other operating expenses increased by $65 million (10%) in the three months ended March 31, 2008 to $698 million. The increase was primarily related to increased margins and a $43 million credit provision at Sempra Commodities, as discussed in "Business Unit Results" below.

Other Income, Net

Other income, net, which consists primarily of equity earnings from unconsolidated subsidiaries, allowance for equity funds used during construction and regulatory interest, increased by $14 million (127%) in the three months ended March 31, 2008 to $25 million. The increase was primarily due to a $16 million cash payment received for the early termination of a capacity agreement for the Cameron LNG receipt terminal and $12 million higher equity earnings from unconsolidated subsidiaries, partially offset by $8 million higher losses from investments related to the company's executive retirement and deferred compensation plans. These losses were offset by a $9 million reduction in deferred compensation expense in Other Operating Expenses.

Interest Income

Interest income decreased by $12 million (46%) in the three months ended March 31, 2008 to $14 million. The decrease for the three-month period was primarily due to lower average short-term investment balances in 2008.

Interest Expense

Interest expense decreased by $10 million (14%) in the three months ended March 31, 2008 to $60 million. The decrease was due to higher capitalized interest in 2008, the effect of repayment of long-term debt in 2007 and lower interest rates in 2008, partially offset by higher short-term borrowings in 2008.

Income Taxes

Income tax expense was $127 million and $63 million for the three months ended March 31, 2008 and 2007, respectively, and the effective income tax rates were 36 percent and 27 percent, respectively. The increase in income tax expense for the three months ended March 31, 2008 was due primarily to higher pretax income and the higher effective tax rate. The increase in the 2008 effective tax rate was due primarily to a complete phase-out of the synthetic fuel credit and foreign exchange adjustments related to Mexican entities.

Equity in Earnings of Certain Unconsolidated Subsidiaries

Equity in earnings of certain unconsolidated subsidiaries, net of tax, decreased by $37 million (64%) in the three months ended March 31, 2008 to $21 million. The decrease for the three-month period was primarily due to an after-tax gain of $30 million in 2007 at Sempra Commodities from the sale of investments.

Net Income

Variations in net income are discussed below in "Business Unit Results."

Business Unit Results

Southern California Gas Company

Net income for SoCalGas increased by $2 million (4%) in the three months ended March 31, 2008 to $57 million. The increase was primarily due to a GCIM award, after-tax, of $5 million in 2008, largely offset by $3 million lower earnings from the deferral of 2008 non-core natural gas storage revenue in accordance with the Omnibus Gas Settlements, as discussed in Note 15 of the Notes to Consolidated Financial Statements in the Annual Report.

San Diego Gas & Electric Company

Net income increased by $12 million (19%) in the three months ended March 31, 2008 to $74 million. The increase was primarily due to the favorable resolution of prior years' income tax issues in 2008.

Sempra Commodities

Sempra Commodities' net income decreased by $12 million (17%) in the three months ended March 31, 2008 to $59 million. Although reported margins increased by 73%, primarily attributable to power and natural gas, the resulting effect on net income was offset by several factors. These factors included $17 million related to a credit provision, $7 million lower earnings related to synthetic fuels credit operations, a $4 million decrease in equity-method investment earnings, a $4 million effect from increased litigation reserves and $12 million of higher income tax expense in 2008. The credit provision related primarily to one customer who experienced severe liquidity issues. The higher income tax expense was primarily the result of a $6 million favorable resolution of prior years' income tax issues in 2007 and $6 million of unfavorable tax adjustments in 2008. Also included in 2007 results was $18 million from a gain on sale of investments. The reported margins reflect an increase resulting from earnings variability associated with certain commodity inventories and storage and transportation capacity contracts

not being marked to market while the corresponding hedges qualify as derivative instruments and are marked to market.

Margin by geographical region and product line, presented below, is a key performance measure used by management to evaluate the Sempra Commodities business, and similarly enhances the understanding of the business by investors and investment analysts. Margin represents the contribution to earnings of the Sempra Commodities business relative to its overhead costs, and consists primarily of Operating Revenues less Cost of Sales. Cost of Sales for Sempra Commodities is comprised primarily of transportation and storage costs. Margin also is net of transaction-related execution costs (primarily brokerage and other fees) and net interest income/expense.

	Three months ended March 31,			
Margin (Dollars in millions)	2008		2007	
Geographical:				
North America	$ 241	83%	$ 104	62%
Europe and Asia	48	17	63	38
	$ 289	100%	$ 167	100%
Product Line:				
Natural gas	$ (2)	--%	$ (56)	(33)%
Power	163	56	82	49
Oil – crude and products	50	17	57	34
Metals	48	17	60	36
Other	30	10	24	14
	$ 289	100%	$ 167	100%

For the three months ended March 31, 2008 and 2007, "Other" includes synthetic fuels credit operations of $4 million and $27 million, respectively, which contributed $2 million and $9 million to net income for the same periods, respectively. The amount recorded for synthetic fuels credit operations in 2008 primarily represents the adjustments of 2007 amounts to reflect the final inflation factor rates published in April 2008 by the Internal Revenue Service.

Margin is a non-GAAP financial measure and may be different from non-GAAP financial measures used by other companies. Management believes this non-GAAP financial measure provides meaningful supplementary information regarding Sempra Commodities' results, as it presents the information used by management to evaluate their performance. As noted above, the calculation of margin is substantively the net of the GAAP financial measures of Revenues and Cost of Sales, adjusted for other transaction-related costs as noted above. Margin has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of the company's results under GAAP. Some of the limitations of margin are that it does not reflect other operating expenses and income taxes, and other companies in this industry may calculate this measure differently than presented above. The company compensates for these limitations by relying primarily on GAAP results and by using margin only supplementally. A reconciliation of GAAP information to margin for Sempra Commodities is as follows:

	Three months ended March 31,	
(Dollars in millions)	2008	2007
Revenues	$ 457	$ 512
Cost of sales	(136)	(319)
	321	193
Other related costs	(32)	(26)
Margin	$ 289	$ 167

A summary of Sempra Commodities' unrealized revenues for trading activities follows:

	Three months ended March 31,	
(Dollars in millions)	2008	2007
Balance at January 1	$ 1,203	$ 1,913
Additions	910	601
Realized	(974)	(1,630)
SFAS 157 cumulative effect *	--	19
Balance at March 31	$ 1,139	$ 903

* Notes 2 and 11 of the Notes to Consolidated Financial Statements in the Annual Report provide additional information on Statement of Financial Accounting Standards (SFAS) 157.

The estimated fair values as of March 31, 2008, and the scheduled maturities related to the unrealized revenues are (dollars in millions):

	Fair Market	Scheduled Maturity (in months)			
Source of fair value	Value	0-12	13-24	25-36	>36
Over-the-counter (OTC) fair value of forwards, swaps and options *	$ 1,218	$ 958	$ 57	$ 60	$ 143
Exchange contracts **	(79)	(191)	146	(20)	(14)
Total	$ 1,139	$ 767	$ 203	$ 40	$ 129

* The present value of unrealized revenue to be received from outstanding OTC contracts.

** Cash received (paid) associated with open exchange contracts.

Sempra Commodities' Value at Risk (VaR) amounts are described in Item 3 herein.

Sempra Generation

Sempra Generation's net income decreased by $9 million (17%) in the three months ended March 31, 2008 to $45 million. The decrease was primarily due to a mark-to-market loss of $1 million in 2008 compared to mark-to-market earnings of $6 million in 2007 on long-term forward contracts with Sempra Commodities and other counterparties and $6 million lower net interest income, partially offset by $2 million improved results from Elk Hills Power, an equity method investment.

Sempra Pipelines & Storage

Net income for Sempra Pipelines & Storage increased by $10 million (63%) in the three months ended March 31, 2008 to $26 million. The increase was primarily due to $5 million from its equity method investment in the Rockies Express project following the start-up of Rockies Express-West during the first quarter of 2008 and a favorable foreign currency exchange-rate effect of $4 million from its investments in Chile and Peru.

Sempra LNG

The net loss for Sempra LNG decreased by $1 million (10%) in the three months ended March 31, 2008 to $9 million. The decrease in net loss was primarily due to a $10 million after-tax cash payment received for the early termination of a capacity agreement with Merrill Lynch Commodities Inc. for the Cameron LNG receipt terminal, offset by $6 million higher income tax

expense related to Mexican currency translation and inflation adjustments, and a $2 million increase in mark-to-market loss related to a natural gas marketing agreement with Sempra Commodities.

Parent and Other

The net loss for Parent and Other decreased by $11 million (52%) in the three months ended March 31, 2008 to $10 million. The lower net loss was primarily due to $8 million lower net interest expense.

CAPITAL RESOURCES AND LIQUIDITY

A substantial portion of the funding of the company's capital expenditures and its ability to pay dividends is dependent on the relatively stable pattern of earnings by the Sempra Utilities and Sempra Generation's long-term power sale contracts. However, in order to fund a significant capital expenditures program, SDG&E is not expected to pay common dividends to Sempra Energy over the next few years. The company's expansion also requires the issuance of securities from time to time.

On April 1, 2008, the company completed the formation of their previously announced partnership, RBS Sempra Commodities LLP (RBS Sempra Commodities), to own and operate Sempra Energy's commodity-marketing businesses, which generally comprised the Sempra Commodities segment. RBS will provide the joint venture with all growth capital, working-capital requirements and credit support. Accordingly, the company intends to reduce the amount of available credit under its existing facilities to a level consistent with its reduced liquidity requirements. The company holds an equity investment in the partnership of $1.6 billion, and RBS holds an equity investment of $1.665 billion. As a result of the transaction, the company also received cash of approximately $1.2 billion. On April 1, 2008, the company entered into a share repurchase program with Merrill Lynch International (MLI) and prepaid $1 billion to MLI on April 7, 2008 for shares of the company’s common stock to be purchased from MLI in a share forward transaction. The company intends to continue purchasing common shares in 2009, up to a total of $1.5 billion to $2 billion in purchases, which may require additional borrowings, including a hybrid capital issuance. The company expects that its board of directors will increase the company’s quarterly common stock dividend to $0.35 per share ($1.40 annually), an increase of $0.03 per share ($0.12 annually) from the $0.32 per share ($1.28 annually) authorized in February 2008, and target an annual dividend payout ratio of 35 percent to 40 percent of net income.

After the close of the transaction, the company will account for its investment in the partnership under the equity method. The company and RBS intend that RBS Sempra Commodities will distribute all of its net income of an annual basis, although the distributions are within the discretion of the board of directors of the partnership. In limited cases, earnings allocable to the partnership may be retained by the partnership to replenish capital depleted through losses. Additional information concerning the transaction with RBS and the share repurchase program is provided in Note 9 of the Notes to Condensed Consolidated Financial Statements herein. At March 31, 2008, Sempra Commodities' intercompany borrowings were $55 million, down from $95 million at December 31, 2007. Sempra Commodities' external debt was $752 million and $443 million at March 31, 2008 and December 31, 2007, respectively.

At March 31, 2008, the company had $806 million in unrestricted cash and cash equivalents, and $4.3 billion in available unused, committed lines of credit to provide liquidity and support

commercial paper. Management believes that these amounts and cash flows from operations, distributions from equity method investments and security issuances, combined with current cash balances, will be adequate to finance capital expenditures and meet liquidity requirements and to fund shareholder dividends and anticipated share repurchases, any new business acquisitions or start-ups, and other commitments. If cash flows from operations were to be significantly reduced or the company were to be unable to raise funds under acceptable terms, neither of which is considered likely, the company would be required to reduce non-utility capital expenditures, share repurchases, trading operations and/or investments in new businesses. Management continues to regularly monitor the company’s ability to finance the needs of its operating, investing and financing activities in a manner consistent with its intention to maintain strong, investment-quality credit ratings.

The company's credit agreements are discussed more fully in Note 4 of the Notes to Condensed Consolidated Financial Statements herein and in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

At the Sempra Utilities, cash flows from operations, security issuances and/or capital contributions by Sempra Energy are expected to continue to be adequate to meet utility capital expenditure requirements. As a result of SDG&E's projected capital expenditure program, SDG&E has elected to suspend the payment of dividends on its common stock to Sempra Energy, and the level of future common dividends may be affected in order to maintain SDG&E's authorized capital structure during periods of increased capital expenditures.

Sempra Generation's projects have been financed through a combination of operating cash flow, project financing, funds from the company and external borrowings.

Sempra Generation's long-term power sale contracts may contain collateral requirements. The DWR contracts do not contain such requirements. The collateral arrangements provide for Sempra Generation and/or the counterparty to post cash, guarantees or letters of credit to the other party for exposure in excess of established thresholds. Sempra Generation may be required to provide collateral when market price movements adversely affect the counterparty's cost of replacement energy supplies were Sempra Generation to fail to deliver the contracted amounts. As of March 31, 2008, Sempra Generation was holding $18 million in collateral from Sempra Commodities.

Sempra Pipelines & Storage is expected to require funding from the company or external sources, or both, to continue its Liberty Gas Storage facility and other natural gas storage projects, its participation in the development of Rockies Express Pipeline (REX), a natural gas pipeline, and its planned development of pipelines to serve the Sempra LNG facility being developed in Louisiana. The sale of interests in Argentina is expected to provide cash for company projects.

Sempra LNG will require funding for its development of LNG receiving facilities. While Sempra LNG's $1.25 billion credit facility and other Sempra Energy sources are expected to be adequate for these requirements, the company may decide to use project financing if management determines its use to be advantageous. As the projects currently under construction are put in service, Sempra LNG is expected to provide operating cash flow for further development.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities decreased by $654 million (47%) to $729 million for 2008. The change was primarily due to a $1.1 billion decrease in net trading assets in 2007, offset

by, in 2008, a $91 million increase in income from continuing operations (adjusted for noncash items), a $204 million lower decrease in accounts payable and a $163 million higher decrease in other current assets.

For the three months ended March 31, 2008, the company made contributions of $5 million and $9 million to the pension plans and other postretirement benefit plans, respectively.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities increased by $709 million (177%) to $1.1 billion for 2008. The change was primarily due to the purchase of $413 million of industrial development bonds, a $150 million contribution to the Rockies Express project and a $121 million increase in capital expenditures.

The company expects to make capital expenditures and investments of $2.1 billion in 2008. Significant capital expenditures and investments are expected to include $1.1 billion for Sempra Utility plant improvements and $1 billion of capital expenditures at its other subsidiaries, including the development of LNG facilities and natural gas pipelines. These expenditures and investments are expected to be financed by cash flows from operations, cash on hand and security issuances. The $2.1 billion does not include the investment in RBS Sempra Commodities made on April 1, 2008, nor the investment in industrial revenue bonds.

The company's 25-percent participation in the Rockies Express project required a contribution to the partnership of $150 million in February 2008, and the company does not expect any further contribution to the project will be required in 2008. REX-West, the segment of the pipeline which extends 713 miles from the Cheyenne Hub to Audrain County in Missouri, began interim service in January and is expected to begin full service in May 2008.

Sempra LNG's Energía Costa Azul LNG receipt terminal in Baja California, Mexico, with a capacity of 1 Bcf per day, is mechanically complete and in the cooldown and commissioning phase. It is expected to begin commercial operations in May 2008. The estimated costs of this project, including capitalized interest, are approximately $975 million (excluding pre-expansion costs, which are $67 million to date) for the base facility and approximately $125 million for a nitrogen-injection facility. Through March 31, 2008, Sempra LNG has made expenditures of $1.1 billion related to the terminal (including breakwater), the nitrogen-injection facility and the proposed expansion project.

Sempra LNG's Cameron LNG receipt terminal is currently under construction in Hackberry, Louisiana. Construction is expected to be completed in late 2008 with capacity revenues starting in early 2009. The estimated costs of this project, including capitalized interest, are approximately $800 million (excluding pre-expansion costs, which are $41 million to date). Through March 31, 2008, Sempra LNG has made expenditures of $668 million related to the terminal and proposed expansion project.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash provided by (used in) financing activities totaled $518 million for 2008 and $(245) million for 2007. The change was primarily due to a $566 million increase in short-term debt in 2008 compared to a decrease of $151 million in 2007 and a $50 million increase in long-term debt issuances.

COMMITMENTS

At March 31, 2008, there were no significant changes to the commitments that were disclosed in the Annual Report, except for increases of $101 million and $7 million, respectively, related to construction commitments at Sempra LNG and Sempra Pipelines & Storage, $236 million related to an operating lease commitment at Sempra LNG and $988 million related to natural gas contracts at SoCalGas. The future payments under these contractual commitments are expected to be $797 million for 2008, $290 million for 2009, $25 million for 2010, $12 million for 2011, $12 million for 2012 and $196 million thereafter.

FACTORS INFLUENCING FUTURE PERFORMANCE

The Sempra Utilities' operations and Sempra Generation's long-term contracts generally provide relatively stable earnings and liquidity. However, for the next few years SDG&E is planning to reinvest its earnings in significant capital projects and is not expected to pay common dividends to Sempra Energy during that time. Also, Sempra Generation’s contract with the DWR, which provides a significant portion of Sempra Generation’s revenues, ends in late 2011. Due to the inability to forecast with certainty future electricity prices and the cost of natural gas, contracts entered into to replace this capacity may provide substantially lower revenue. Sempra LNG and Sempra Pipelines & Storage are expected to provide relatively stable earnings and liquidity upon the completion of their construction programs, but to require substantial funding during the construction period. Also, until firm supply or capacity contracts are in place and effective for Sempra LNG’s Cameron and Energía Costa Azul LNG regasification facilities, Sempra LNG will seek to obtain interim LNG supplies, which may result in greater variability in revenues and earnings.

As discussed in Note 9 of the Notes to Condensed Consolidated Financial Statements herein, on April 1, 2008, the company and RBS completed the formation of a partnership, RBS Sempra Commodities LLP, to own and operate the company's commodity-marketing business, which generally comprises the company’s Sempra Commodities segment. This transaction will eliminate the company’s requirements for trading guarantees and credit support for this business. The company expects somewhat lower earnings from the commodities business in the near term due to its reduced ownership after the formation of the partnership.

Notes 6 and 7 of the Notes to Condensed Consolidated Financial Statements herein and Notes 14 through 16 of the Notes to Consolidated Financial Statements in the Annual Report also describe matters that could affect future performance.

Litigation

Note 7 of the Notes to Condensed Consolidated Financial Statements herein and Note 16 of the Notes to Consolidated Financial Statements in the Annual Report describe litigation, the ultimate resolution of which could have a material adverse effect on future performance.

Sempra Utilities

Note 6 of the Notes to Condensed Consolidated Financial Statements herein and Notes 14 and 15 of the Notes to Consolidated Financial Statements in the Annual Report describe electric and natural gas regulation and rates, and other pending proceedings and investigations.

Sempra Global

As discussed in "Cash Flows From Investing Activities," the company's investments will significantly impact the company's future performance. Information regarding these investments is provided in "Capital Resources and Liquidity" herein and "Capital Resources and Liquidity" and "Factors Influencing Future Performance" in the Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Certain accounting policies are viewed by management as critical because their application is the most relevant, judgmental and/or material to the company's financial position and results of operations, and/or because they require the use of material judgments and estimates. These accounting policies are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report.

The company's significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

NEW ACCOUNTING STANDARDS

Recently issued pronouncements that have had or may have a significant effect on the company's financial statements are described in Note 2 of the Notes to Condensed Consolidated Financial Statements herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in the risk issues affecting the company subsequent to those discussed in the Annual Report, except for the following.

Following is a summary of Sempra Commodities' trading Value at Risk (VaR) profile (using a one-day holding period) in millions of dollars:

	95%	99%
March 31, 2008	$ 36.5	$ 51.5
Year-to-date 2008 range	$ 6.3 to $ 36.6	$ 8.9 to $ 51.6
March 31, 2007	$ 12.3	$ 17.4
Year-to-date 2007 range	$ 6.1 to $ 21.4	$ 8.6 to $ 30.1

The VaR at March 31, 2008 and the VaR range for the first quarter of 2008 are higher than the comparable VaR for 2007 due to greater volatility and higher prices in natural gas and power markets in 2008.

As of March 31, 2008, the total VaR of the Sempra Utilities' positions was not material.

ITEM 4. CONTROLS AND PROCEDURES

Company management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f). The company has designed and maintains disclosure controls and procedures to ensure that information required to be disclosed in the company's reports is recorded, processed, summarized and reported within the

time periods specified in the rules and forms of the Securities and Exchange Commission and is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating these controls and procedures, management recognizes that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives and necessarily applies judgment in evaluating the cost-benefit relationship of other possible controls and procedures. In addition, the company has investments in unconsolidated entities accounted for using the equity method and consolidates a variable interest entity as defined in Financial Accounting Standards Board Interpretation No. 46(R) that it does not control or manage and consequently, its disclosure controls and procedures with respect to these entities are necessarily limited to oversight or monitoring controls that the company has implemented to provide reasonable assurance that the objectives of the company's disclosure controls and procedures as described above are met.

There have been no changes in the company's internal control over financial reporting during the company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

The company evaluates the effectiveness of its internal control over financial reporting based on the framework in *Internal Control--Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the company evaluated the effectiveness of the design and operation of the company's disclosure controls and procedures as of March 31, 2008, the end of the period covered by this report. Based on that evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective at the reasonable assurance level.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except for the matters described in Notes 6 and 7 of the Notes to Condensed Consolidated Financial Statements herein, neither the company nor its subsidiaries are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.

ITEM 1A. RISK FACTORS

There have been no material changes from risk factors as previously disclosed in the company's 2007 Annual Report on Form 10-K, except for a reduction in risks associated with Sempra Commodities as a result of the reduction of the company's interests in this business associated with the transaction with RBS discussed in Note 9 of the Notes to Condensed Consolidated Financial Statements herein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities:

On September 11, 2007, the board of directors authorized the repurchase of additional shares of the company's common stock provided that the amounts expended for such purposes do not exceed the greater of $2 billion or amounts expended to purchase no more than 40 million shares.

On April 1, 2008, the company entered into a Collared Accelerated Share Acquisition Program with Merrill Lynch International under which the company will expend $1 billion to repurchase shares of its common stock, as discussed in the company's Current Report on Form 8-K dated April 1, 2008 and in Note 9 of the Notes to Condensed Consolidated Financial Statements herein.

ITEM 6. EXHIBITS

Exhibit 10 - Material Contracts

10.1 Limited Liability Partnership Agreement, dated as of April 1, 2008, between Sempra Energy, Sempra Commodities, Inc., Sempra Energy Holdings, VII B.V., RBS Sempra Commodities LLP and The Royal Bank of Scotland plc.

10.2 Indemnity Agreement, dated as of April 1, 2008, between Sempra Energy, Pacific Enterprises, Enova Corporation and The Royal Bank of Scotland plc.

10.3 First amendment to the Master Formation and Equity Interest Purchase Agreement, dated as of April 1, 2008, by and among Sempra Energy, Sempra Global, Sempra Energy Trading International, B.V. and The Royal Bank of Scotland plc.

10.4 Master Confirmation for Share Purchase Agreement, dated as of April 1, 2008, between Sempra Energy and Merrill Lynch International.

Exhibit 12 - Computation of ratios

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

Exhibit 31 -- Section 302 Certifications

31.1 Statement of Registrant's Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

31.2 Statement of Registrant's Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

Exhibit 32 -- Section 906 Certifications

32.1 Statement of Registrant's Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.

32.2 Statement of Registrant's Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.

SIGNATURE

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

SEMPRA ENERGY,
(Registrant)

Date: May 2, 2008

By: /s/ Joseph A. Householder
Joseph A. Householder
Senior Vice President, Controller and Chief Accounting Officer

Exhibit 10.1
Execution Version

Dated 1 April 2008

THE ROYAL BANK OF SCOTLAND plc

and

SEMPRA COMMODITIES, INC.

and

SEMPRA ENERGY HOLDINGS VII B.V.

and

RBS SEMPRA COMMODITIES LLP

and

SEMPRA ENERGY
(solely for the purposes of Clauses 13.1, 15.1, 15.2, 17,18.15 and 19.2)

LIMITED LIABILITY PARTNERSHIP AGREEMENT

This Agreement is made on 1 April 2008 between:

(1) **The Royal Bank of Scotland plc**, a public limited company incorporated in Scotland whose registered office is at 36 St Andrew Square, Edinburgh EH2 2YB ("**RBS**");

(2) **Sempra Commodities, Inc.**, a corporation duly organised and existing under the laws of Delaware, USA whose registered office in Delaware is c/o National Registered Agents, Inc., 160 Greentree Drive, Dover, County of Kent, Delaware, 19904, USA ("**SC**");

(3) **Sempra Energy Holdings VII B.V.**, a company formed under the laws of the Netherlands whose registered office is at Olympic Plaza, Fred. Roeskestraat 123, 1076 EE Amersterdam, the Netherlands ("**SEH VII**");

(4) **Sempra Energy**, a corporation duly organised and existing under the laws of California, USA whose registered office is at 101 Ash, San Diego, California 92101, USA ("**Sempra Energy**"); and

(5) **RBS Sempra Commodities LLP**, a limited liability partnership formed under the United Kingdom Limited Liability Partnership Act 2000 and the regulations made thereunder whose registered office is at 24/25 St. Andrew Square, Edinburgh EH2 1AF, UK (the "**Partnership**").

Whereas:

(A) Sempra Energy, Sempra Global, Sempra Energy Trading International, B.V. and RBS entered into a Master Formation and Equity Interest Purchase Agreement on July 9, 2007 which provides for RBS and Sempra Energy to contribute cash and cash equivalents to the Partnership to fund the purchase by the Partnership of the SET Companies and the repayment to Sempra Energy of inter-company debt.

(B) The Partnership was incorporated in England under the Act (as defined below) under partnership no. SO301514 on 31 August 2007 pursuant to the Incorporation Document.

(C) Roboscot 64 Limited and RBS were the Members of the Partnership on incorporation.

(D) The parties to this Agreement wish to enter into this Limited Liability Partnership Agreement to govern the future operation of the Partnership and the mutual rights and duties of its Members.

(E) RBS and the members of the SET Group have entered into that certain Commodities Trading Activities Master Agreement dated as of the date hereof (the "**Commodities Trading Activities Master Agreement**") pursuant to which the SET Group will engage in the SET Business as agent on behalf of RBS (or, in the case of employees of Sempra Metals Limited and Sempra Energy Europe Limited, as representatives of RBS) and the Partnership will make its capital available to RBS, and will assume the risk of loss, in connection with the SET Business.

It is agreed as follows:

1 Interpretation

1.1 Definitions

In this Agreement unless the context otherwise requires:

"**AAA**" has the meaning provided in Clause 19.2.1;

"**AAA Rules**" has the meaning provided in Clause 19.2.1;

"**Accession Deed**" means a deed in the form set out in Schedule 1 pursuant to which a Person agrees to become a Member and accedes to this Agreement;

"**Accounting Dispute Notice**" has the meaning provided in Clause 13.1.3(ix);

"**Accounting Expert**" has the meaning provided in Clause 13.1.3(ix);

"**Accounts**" has the meaning provided in Clause 6.2.3;

"**Acquiror**" has the meaning provided in Clause 16.3.4;

"**Act**" means the United Kingdom Limited Liability Partnerships Act 2000, as amended from time to time;

"**Adjusted Contribution Amounts**" means the RBS Adjusted Contribution Amount and the Sempra Adjusted Contribution Amount;

"**Adjusted Global Net Income**" means, for any Financial Year, the Post-Tax consolidated income of the SET Group, determined in accordance with IFRS, *plus* the Aggregate Transfer Pricing Adjustment; *provided* that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Adjusted Global Net Income. For purposes of this definition, "**Post-Tax**" means a computation made after deductions of any Taxes incurred by the SET Group and any irrecoverable VAT incurred by RBS or the SET Group as a result of the Contributions, as set forth in Section 2.2 of the Master Formation and Equity Interest Purchase Agreement or in the course of conduct of the Business but not including Taxes (other than VAT described in the previous clause of this sentence) of any Member in respect of its respective share of Partnershi p Net Income or Partnership Net Loss;

"**Adjusted Global Net Loss**" means, for any Financial Year, the Post-Tax consolidated loss of the SET Group, determined in accordance with IFRS, *plus* the Aggregate Transfer Pricing Adjustment; *provided* that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Adjusted Global Net Loss. For purposes of this definition, "**Post-Tax**" means a

computation made after deductions of any Taxes incurred by the SET Group and any irrecoverable VAT incurred by RBS or the SET Group as a result of the Contributions, as set forth in Section 2.2 of the Master Formation and Equity Interest Purchase Agreement or in the course of conduct of the Business but not including Taxes (other than VAT described in the previous clause of this sentence) of any Member in respect of its respective share of Partnership Net Income or Partnership Net Loss;

"**Affiliate Conduct Rules and Plans**" means any laws, rules, regulations, directives, judgements, decrees or orders that are promulgated or imposed by the United States Federal Energy Regulatory Commission, the public utility commission of any State of the United States (including the California Public Utility Commission) or any similar utility or energy regulatory bodies (for the avoidance of doubt, excluding the FSA) and that are applicable to Sempra Energy or its affiliates, including any codes of conduct, standards of conduct, compliance plans or interlocking directorate rules pertaining to Sempra Energy or its affiliates or adopted by Sempra Energy or its affiliates as it or they reasonably deem necessary to comply with such laws, rules and regulations, as in effect from time to time and, as to codes of conduct and standards of conduct adopted internally, of which the Partnership has been notified in writing (such internal codes and standards as in effect as of the Closing being attached hereto as Schedule 2);

"**Aggregate Transfer Pricing Adjustment**" means, with respect to any Financial Year, the aggregate amount by which payments by the members of the SET Group during such Financial Year to any Member, or any Associated Company thereof, in respect of any goods or services, the provision of which is subject to the affiliate pricing terms set forth in Clause 13.3, exceed (or are less than, as the case may be), as a result of adjustments required by an applicable Tax authority, the amount that would have been paid had such provision of goods or services been on the pricing terms set forth in Clause 13.3;

"**Agreement**" means this Limited Liability Partnership Agreement;

"**Allocation Percentages**" means each of the RBS Allocation Percentage and the Sempra Allocation Percentage;

"**Allocation Percentage Calculation Date**" has the meaning provided in Clause 7.1;

"**Applicable Laws**" means, with respect to any Person, any laws, rules, regulations, directives, treaties, judgements, decrees, Governmental Authorisations or orders of any Governmental Body that are applicable to and binding on such Person;

"**Arbitration Demand**" has the meaning provided in Clause 19.2.1;

"**Associated Companies**" means, in relation to any Person, any holding company, subsidiary, subsidiary undertaking or any other subsidiaries or subsidiary undertakings of any such holding company; *provided* that: (i) with respect to the Sempra Members, "Associated Companies" does not include the Sempra Utilities or any other Person now or hereafter owned by Sempra Energy or any of its Associated Companies, that is subject to cost-based rate regulation and regulation as to service by any state, federal or foreign governmental authority and owns or operates facilities used for (a) the generation, transmission, or distribution of electric energy for sale, (b) the distribution of natural or manufactured gas for heat, light, or power or (c) the collection, treatment and distribution of water for sale; (ii) with respect to RBS, Sempr a Energy or any Member, "Associated Companies" shall not include any member of the SET Group; and (iii) with respect to any Person, "Associated Companies" shall not include (a) any holding company resulting from an acquisition of such Person by another Person, which other Person was not, prior to such acquisition, an Associated Company of such Person or (b) any subsidiary or subsidiary undertaking of a holding company described in clause (iii)(a) that was, prior to such acquisition, a subsidiary or subsidiary undertaking, respectively, of such holding company;

"**Auditors**" means the auditors of the Partnership from time to time as appointed pursuant to Clause 6.3.8 by the Designated Members;

"**Average Net Trading Revenue**" means, with respect to any Person, the average, for the most recent three years for which financial statements are available for such Person, of the total annual net revenue for such Person, determined in accordance with IFRS or GAAP, as applicable, it being understood that net revenues (i) with respect to any trading activity shall mean the total realized gains, unrealized mark-to-market gains and fee and interest income generated by trading activities, net of interest expense and transaction fees and expenses attributable to such trading activity for such period and (ii) with respect to any other transactions, the net revenues as reflected in such financial statements;

"**Board**" means the Board of Directors of the Partnership constituted in accordance with Clause 12 or, where the context requires, any authorised committee thereof;

"**Business**" has the meaning provided in Clause 3.1;

"**Business Day**" means a day which is not a Saturday or Sunday or a bank or public holiday in England and Wales or the United States;

"**Buyback Consideration**" has the meaning provided in Clause 13.1.3(ii);

"**Capital Account**" has the meaning provided in Clause 11.3.1;

"**Capital Model**" means the model, system or methodology reasonably used by RBS in the calculation of the total regulatory capital required to be maintained by the RBS Group to satisfy the requirements from time to time of the FSA (or such other entity as may be RBS's principal prudential regulatory authority), solely by reason of the operation of the Business;

"**Carrying Value**" means, with respect to any asset of the Partnership, such asset's adjusted basis for U.S. federal income tax purposes, except that the Carrying Values of all assets of the Partnership shall be adjusted to equal their respective fair market values, in accordance with the rules set forth in Treasury Regulations section 1.704-1(b)(2)(iv)(f), except as otherwise provided herein, as of: (i) the date of the acquisition of any additional partnership interests by any new or existing Members in exchange for more than a *de minimis* capital contribution, other than pursuant to the initial formation of the Membership; (ii) the date of the distribution of more than a *de minimis* amount of assets of the Partnership to a Member; (iii) the date any partnership interests are relinquished to the Partnership; (iv) the date of the termination of the Partner ship under section 708(b)(i)(B) of the Code; and (v) the date on which any of the Partnership's Financial Years ends; *provided*, *however*, that the adjustments pursuant to clauses (i), (ii), (iii) and (v) above shall be made only if and to the extent such adjustments are deemed necessary or appropriate by the Board to reflect the relative economic interests of the Members. The Carrying Value of any asset of the Partnership distributed to any Member shall be adjusted immediately

prior to such distribution to equal its fair market value and depreciation shall be calculated by reference to Carrying Value, instead of tax basis, once Carrying Value differs from tax basis. The Carrying Value of any asset contributed (or deemed contributed under Treasury Regulations section 1.704-1(b)(1)(iv)) by a Member to the Partnership will be the fair market value of such asset at the date of its contribution thereto. Upon an adjustment to Carrying Value of any asset pursuant to this definition of Carryi ng Value, the amount of the adjustment shall be included as gain or loss in computing book income or loss for purposes of maintaining Capital Accounts hereunder. For the avoidance of doubt, the initial Carrying Value of assets acquired pursuant to the Master Formation and Equity Interest Purchase Agreement shall be equal to the amount allocated to such asset pursuant to Section 10.3(f) of the Master Formation and Equity Interest Purchase Agreement;

"**Cause**" means any of the following causes:

(a) the Director is prohibited by law from holding office or any other position of responsibility within a limited liability partnership or body corporate;

(b) the Director becomes bankrupt or makes any arrangement or composition with his creditors;

(c) the Director is, or may be, suffering from a mental disorder and either:

(i) he is admitted to a hospital in pursuance of an application for admission to treatment under the Mental Health Act 1983 (or, in Scotland, an application for admission for treatment under the Mental Health (Scotland) Act 1960) or under any comparable Applicable Law outside the United Kingdom; or

(ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs;

(a) the Director resigns his office by notice to the Partnership;

(b) the Director shall for more than six consecutive months have been absent (without permission of the other Directors) from meetings of Directors held during that period and the Directors resolve that his office be vacated; or

(c) the Director is prohibited by any Governmental Body from holding office in relation to the Business;

"**Closing**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time, or any successor statute;

"**Commodity**" shall have the meaning assigned to such term in the United States Commodity Exchange Act as in effect on the date of this Agreement;

"**Commodity Transaction**" means (i) spot, forward, futures, option, deposit, consignment, loan, lease, swap, exchange, sale, purchase and repurchase (including reverse repurchase and prepaid forward transactions) transactions, hedge transactions, allocated transactions, unallocated transactions, forward rate agreements, cap agreements, floor agreements, collar agreements, or any combination thereof or option or derivative thereon or similar transaction, in any case involving any Commodity or indices on, or comprised of, any Commodity; (ii) dealing, market-making, clearing, brokering, trading, marketing, buying, selling or distributing Commodities or transactions of the type described in clause (i) of this definition; and (iii) refining, processing, blending, tolling, otherwise altering, producing, marketing, distributing (at wholesale and retail), stor ing, shipping, transporting and generating Commodities through agreements with third parties;

"**Commodities Trading Activities Master Agreement**" has the meaning provided in the recitals hereto;

"**Companies Act**" means the United Kingdom Companies Act 1985 (as applied by the LLP Regulations in relation to limited liability partnerships), as amended from time to time;

"**Confidential Information**" has the meaning provided in Clause 17.1;

"**Contract**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Contribution**" means any money or assets paid or contributed into the account of or transferred into the ownership of the Partnership by a Member;

"**Designated Members**" means those persons specified as Designated Members in the Incorporation Document and Persons who subsequently become Designated Members pursuant to Clause 4.2, in each case, who have not ceased to be Members;

"**Directors**" means the individuals appointed as directors of the Partnership pursuant to Clause 12.1.1, with respect to the directors appointed on the date hereof, or Clause 12.1.2, thereafter;

"**Dollars**" and the symbol "**$**" each means lawful money of the United States of America;

"**Escrowed Amount**" has the meaning provided in Clause 7.3.3(i);

"**Estimated Buyback Consideration**" has the meaning provided in Clause 13.1.3(ii);

"**Exit**" means the closing of any purchase pursuant to Clause 13.1.3;

"**Exit Price Cap**" means (i) in the Financial Year in which the Restricted Period terminates, an amount equal to $3,500,000,000 *plus* the amount by which the Sempra Adjusted Contribution Amount exceeds $1,600,000,000 on the date of the relevant Outside Transfer Notice and (ii) for each year thereafter, an amount equal to the amount specified in clause (i) increased at a rate of 2.5% per annum, compounded annually; *provided* that, in no case shall the Exit Price Cap exceed $4,000,000,000 *plus* the amount by which the Sempra Adjusted Contribution Amount exceeds $1,600,000,000 on the date of the relevant Outside Transfer Notice;

"**Final Balance Sheet**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Final Buyback Consideration**" has the meaning provided in Clause 13.1.3(viii);

"**Financial Quarter**" means any quarterly period ending on the last day of March, June, September or December of any Financial Year (or any portion thereof with respect to any Financial Year that does not span four full quarterly periods);

"**Financial Year**" means a year ending on the Year End Date (ignoring, for purposes of this definition, any days prior to the date of the Closing, and, in the year in which the liquidation of the Partnership or an Exit occurs, any days after completion of liquidation of the Partnership or the Exit);

"**Fitch**" means Fitch Ratings Ltd., Fitch, Inc., their subsidiaries, including Derivative Fitch, Inc. and Derivative Fitch Ltd.;

"**FSA**" means the Financial Services Authority of the United Kingdom or any successor body to that entity from time to time;

"**Fund**" has the meaning provided in Clause 15.1.4;

"**GAAP**" means United States generally accepted accounting principles in effect from time to time;

"**Governmental Authorisation**" means any (i) approval, consent, ratification, waiver or other authorisation; (ii) licence, qualification, certificate, franchise, confirmation, registration, clearance or permit; or (iii) preliminary or final order, writ, injunction, judgement, decree, ruling, assessment or arbitration award, in each case, issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Applicable Law;

"**Governmental Body**" means any international, federal, state, local, municipal, foreign or other governmental or quasi-governmental authority or self-regulatory organisation of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental powers) or exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, enforcement, regulatory or taxing authority or power;

"**holding company**" has the meaning provided in the Companies Act;

"**IBA Rules**" has the meaning provided in Clause 19.2.7;

"**IFRS**" means International Financial Reporting Standards promulgated by the International Accounting Standards Board (which includes standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards issued under previous constitutions), together with its pronouncements thereon from time to time, applied on a consistent basis, and in each case, as adopted by the European Union;

"**Incorporation Document**" means the incorporation document of the Partnership lodged with the Registrar pursuant to the Act;

"**Indebtedness**" means with respect to any Person, and without duplication, any obligations of such Person (i) for borrowed money, (ii) evidenced by notes, bonds, debentures or similar instruments, (iii) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business, including in connection with any trades, hedges or other transactions entered into in connection with the SET Group's trading activities), (iv) under capital leases and (v) in the nature of guarantees of the obligations described in clauses (i) through (iv) above of any other Person;

"**Indemnified Person**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Indemnifying Person**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Indication Notice**" has the meaning provided in Clause 16.3.2(ii);

"**Internal Audit Plan**" has the meaning provided in Clause 6.3.1;

"**LIBOR**" means the British Bankers Association Interest Settlement Rate for deposits in US Dollars for a period determined in accordance with Clause 13.2.3 which appears on the relevant Reuters Screen at approximately 11:00 am (London time) two (2) Business Days before the first day of the period specified in respect of which interest (or any amount equivalent to interest) is to be calculated (or in the case of an overnight rate, the value date shall be the same Business Day as the fixing rate with the maturity date falling on the next Business Day), and if no such screen rate is available, the replacement rate or service selected by the Partnership after consultation with the Members;

"**LLP Regulations**" means the United Kingdom Limited Liability Partnerships Regulations 2001;

"**Major Competitor**" has the meaning provided in Clause 15.1.2;

"**Market Price Arrangements**" means any Commodity Transaction between any member of the SET Group, on the one hand, and Sempra Energy, RBS or any of their respective Associated Companies, on the other;

"**Master Formation and Equity Interest Purchase Agreement**" means the Master Formation and Equity Interest Purchase Agreement referenced in Recital (A);

"**Material Capital Imbalance**" means, with respect to any Financial Year, the condition that obtains when (i) the Sempra Adjusted Contribution Amount is less than $800,000,000, (ii) the Total FSA Regulatory Capital Attributed to the RBS Member Group is greater than three (3) times the Sempra Adjusted Contribution Amount and (iii) each of the conditions set forth in clauses (i) and (ii) is satisfied on the first day of such Financial Year (after giving effect to the application of Clause 9.1 for any preceding Financial Year) and was continuing for each of the two full consecutive Financial Years preceding such Financial Year (as determined based on the daily average of the Sempra Adjusted Contribution Amount during such two full consecutive Financial Years);

"**Member**" means any person who became a member of the Partnership on or prior to the date hereof and any person who from time to time becomes a member of the Partnership in accordance with this Agreement and, in each case, who is for the time being a member of the Partnership;

"**Minor Competitor**" has the meaning provided in Clause 15.1.3;

"**Moody's**" means Moody's Investors Service, Inc. or any successor thereto;

"**Name**" means the name from time to time determined in accordance with this Agreement to be the name of the Partnership;

"**Net Trading Revenue**" means, for any period, the total realized gains, unrealized mark-to-market gains and fee and interest income generated by trading activities, net of interest expense and transaction fees and expenses for such period in accordance with IFRS;

"**Non-Public Entity**" means any entity or group of related entities (or assets purchased from such an entity or group of related entities that constitute a line of business) that is not a Public Entity;

"**Non-US Business**" means that part of the Business which does not comprise the US Business;

"**Non-US Members**" means RBS and SEH VII;

"**Non-US Net Income**" means, in respect of any Financial Year, the extent to which the income and gains attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the losses and deductions attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year). Notwithstanding this definition, any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Non-US Net Income;

"**Non-US Net Losses**" means, in respect of any Financial Year, the extent to which the losses and deductions attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the income and gains attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year). Notwithstanding this definition, any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Non-US Net Loss;

"**Non-US Partnership Net Income**" and "**Non-US Partnership Net Loss**" means, for each Financial Year or other period of the Partnership, an amount equal to the Partnership's taxable income or loss for such Financial Year of the Partnership or other period, as applicable, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the adjustments described in Treasury Regulations section 1.704-1(b)(2)(iv) and taking into account only items of income, gain, loss and deduction attributable to the Non-US Business; *provided* that any items that are specifically allocated pursuant to Clause 11.3.3 shall be excluded from the computation of Non-US Partnership Net Income and Non-US Part nership Net Loss. The amount of items of income, gain, loss or deduction available to be specially allocated pursuant to Clause 11.3.3 shall be determined by applying rules analogous to those set forth in this definition;

"**Notice**" has the meaning provided in Clause 18.9.1;

"**Notice of Objection**" has the meaning provided in Clause 13.1.3(viii);

"**Offered Interest**" has the meaning provided in Clause 16.3.2(i);

"**Order**" has the meaning provided in Clause 7.3.2;

"**Out of Pocket and Tax Damages**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Outside Transfer Notice**" has the meaning provided in Clause 16.3.2(i);

"**Partnership**" has the meaning provided in the preamble to this Agreement;

"**Partnership Election**" has the meaning provided in Clause 11.2;

"**Partnership Net Income**" and "**Partnership Net Loss**" means, for each Financial Year or other period of the Partnership, an amount equal to the Partnership's taxable income or loss for such Financial Year of the Partnership or other period, as applicable, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the adjustments described in Treasury Regulations section 1.704-1(b)(2)(iv); *provided* that any items that are specifically allocated pursuant to Clause 11.3.3 shall be excluded from the computation of Partnership Net Income and Partnership Net Loss. The amount of items of income, gain, loss or deduction available to be specially allocated pursuant to Clause 11.3.3 shall be determined by applying rules analogous to those set forth in this definition;

"**Person**" means any natural person, corporation, general partnership, limited partnership, limited liability company, joint venture, trust, union, proprietorship, Governmental Body or other entity, association or organisation of any nature, however and wherever organised or constituted;

"**Pre-Closing Tax Period**" means any taxable period of any member of the SET Group ending before the date of the Closing;

"**Proposed Buyback Consideration**" has the meaning provided in Clause 13.1.3(vii);

"**Prorated**" means, as applied to any number or percentage, to multiply such number or percentage by a fraction, the numerator of which is the number of days elapsed in the applicable Financial Year (whether from the date of the Closing to the end of the Financial Year, as in the case of the Financial Year in which the Closing occurs, or from the first day of the Financial Year to the date of determination) and the denominator of which is 365;

"**Public Entity**" means any entity or group of related entities with a class of equity securities (or whose parent company, if such parent company is not Sempra Energy or RBS, has a class of equity securities) that is listed on a national securities exchange (within the meaning of the United States Securities Exchange Act of 1934) or an internationally recognised securities exchange outside the United States;

"**Purchase Notice**" has the meaning provided in Clause 13.1.3(i);

"**Ratings Agency**" means S&P, Fitch or Moody's (or any successor thereto);

"**Ratings Trigger**" means, with respect to Sempra Energy, Sempra Energy or the ultimate parent company of Sempra Energy (if not Sempra Energy) does not have a current rating for long-term unsecured unsubordinated debt published by any one Ratings Agency that is equivalent to or better than a rating of BBB- from S&P, and with respect to RBS, means RBS does not have a current rating for long-term unsecured unsubordinated debt published by any one Ratings Agency that is equivalent to or better than a rating of A+ from S&P;

"**RBS**" has the meaning provided in the preamble to this Agreement;

"**RBS Adjusted Contribution Amount**" means the amount of capital contributed to the Partnership on Closing by RBS, as set forth in Clause 5.1.1, as such amount may be reduced from time to time pursuant to Clause 8.1 and increased from time to time pursuant to Clause 5.5, 7.3.4 and Clause 9.1 and which amount may be a negative number;

"**RBS Allocation Percentage**" means, in respect of the relevant Financial Year, the aggregate of the amounts allocated to the RBS Member Group pursuant to Clause 7.1, expressed as a percentage of the Adjusted Global Net Income for the relevant Financial Year;

"**RBS Core Transaction**" has the meaning provided in Clause 15.1.3(ii)(a);

"**RBS Covered Areas**" means Commodity supply, offtake and hedging opportunities arising from the global project finance and structured finance businesses of RBS and its Associated Companies;

"**RBS Directors**" means the Directors appointed by RBS pursuant to Clause 12.1.1 or 12.1.2;

"**RBS Group**" means The Royal Bank of Scotland Group plc and its subsidiaries and subsidiary undertakings from time to time;

"**RBS Liquidation Amount**" has the meaning provided in Clause 16.4.1;

"**RBS Maximum Entitlement**" means, in respect of the relevant Financial Year, the RBS Member Group's Unallocated Preferred Return, the RBS Member Group's Preferred Return, the RBS Member Group's Allocation of Tranche 1 and the RBS Member Group's Allocation of Tranche 2; *provided* that, solely for purposes of Clause 9.1, the RBS Maximum Entitlement in any Financial Year shall not include any amounts that are treated as having been distributed pursuant to Clause 7.3.1 or 7.3.2 or that are retained pursuant to Clause 7.3.3 and that would otherwise be included in the RBS Maximum Entitlement for such Financial Year;

"**RBS Member Group**" means RBS, together with any of its Associated Companies which are also Members, collectively the "**RBS Members**" or the "**RBS Member Group**";

"**RBS Member Group's Allocation of Tranche 1**" means, with respect to any Financial Year, thirty percent (30%) of Tranche 1 or, if a Material Capital Imbalance has occurred and was continuing on the first day of such Financial Year, the RBS Regulatory Capital Percentage;

"**RBS Member Group's Allocation of Tranche 2**" means seventy percent (70%) of Tranche 2;

"**RBS Member Group's Preferred Return**" means, in respect of any Financial Year, (i) fifteen percent (15%) (or the Prorated percentage in the case of the Financial Year commencing upon Closing or any other Financial Year that is less than 12 months) of the Total FSA Regulatory Capital Attributed to the RBS Member Group for such Financial Year *minus* (ii) the portion of the Aggregate Transfer Pricing Adjustment attributable to payments made during such Financial Year by any member of the SET Group to any RBS Member or Associated Company thereof;

"**RBS Member Group's Unallocated Preferred Return**" means, in respect of any Financial Year, the aggregate of the RBS Member Group's Preferred Return from any previous Financial Year (if any) in respect of which, as a result of insufficient Adjusted Global Net Income, Adjusted Global Net Income has not previously been allocated to RBS pursuant to Clause 7.1;

"**RBS Permitted Competitive Activities**" means (i) proprietary trading and incidental activities that do not involve market-making, marketing, distributing, dealing or brokering activities; (ii) banking, lending, investment banking, financial asset management, financing (including project finance), sale-leasebacks and similar activities in respect of (a) SET Core Businesses, (b) Commodity producers and Commodity producing, (c) shipping, transportation or generating assets or (d) structured or asset purchase transactions, buyouts and restructurings; (iii) purchase of physical commodities for the RBS Group's own consumption (e.g. the purchase of electricity to operate office facilities); (iv) the activities specified on Schedule 15.1.1 and (v) any activities incidental to those described in clauses (i) through (iv) above;

"**RBS Policies**" means the high level policies and guidelines of RBS generally applicable to members of the Global Banking and Markets division of the RBS Group in effect from time to time;

"**RBS Regulatory Capital Percentage**" means one-hundred percent (100%) *minus* the Sempra Regulatory Capital Percentage;

"**Registered Office**" has the meaning provided in Clause 2.2.2;

"**Registrar**" means the Registrar of Companies in England and Wales;

"**Related Agreement**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Reserved Matters**" has the meaning provided in Clause 12.4.1;

"**Restricted Period**" means the period commencing on the date of this Agreement and ending on the date that is the fourth anniversary of the date of the Closing;

"**Right**" has the meaning provided in Clause 18.8;

"**SC**" has the meaning provided in the preamble to this Agreement;

"**SC Adjusted Contribution Amount**" means the capital contributed on Closing to the Partnership by SC, as set forth in Clause 5.1.2, as such amount may be increased from time to time pursuant to Clauses 5.5, 5.6.2, 7.3.4, 7.4.3, 8.2 and 9.1 and reduced from time to time pursuant to Clause 5.6.3, 7.4.2 and 8.1 and which amount may be a negative number;

"**SEH VII**" has the meaning provided in the preamble to this Agreement;

"**SEH VII Adjusted Contribution Amount**" means the capital contributed on Closing to the Partnership by SEH VII, as set forth in Clause 5.1.2, as such amount may be increased from time to time pursuant to Clauses 5.5, 5.6.3, 7.3.4, 7.4.3, 8.2 and 9.1 and reduced from time to time pursuant to Clause 5.6.2, 7.4.2 and 8.1 and which amount may be a negative number;

"**Sempra Adjusted Contribution Amount**" means the SC Adjusted Contribution Amount *plus* the SEH VII Adjusted Contribution Amount (in each case whether positive or negative);

"**Sempra Allocation Percentage**" means, in respect of the relevant Financial Year, the aggregate of the amounts allocated to the Sempra Member Group pursuant to Clause 7.1, expressed as a percentage of the Adjusted Global Net Income for the relevant Financial Year;

"**Sempra Applicable Level**" has the meaning provided in Clause 9.1;

"**Sempra Core Transaction**" has the meaning provided in Clause 15.2.1;

"**Sempra Covered Units**" means, collectively, the business units of Sempra Energy known, as of the date of this Agreement, as Sempra Generation and Sempra LNG and such business units as in the future may conduct the businesses currently conducted by such units;

"**Sempra Directors**" means the Directors appointed by the Sempra Member Group pursuant to Clause 12.1.1 or 12.1.2;

"**Sempra Energy**" has the meaning provided in the preamble to this Agreement;

"**Sempra Excess Capital**" means, on any day, an amount equal to (i) the Sempra Adjusted Contribution Amount on such day *minus* (ii) the greater of (a) the Total FSA Regulatory Capital Daily Amount on such day and (b) $1,600,000,000; *provided* that, if on any day the Sempra Excess Capital would be less than zero, then such amount shall be deemed to be zero for such day;

"**Sempra Group**" means Sempra Energy and its subsidiaries and subsidiary undertakings from time to time, including SC and SEH VII;

"**Sempra High Water Mark**" means, on any date, the lesser of (i) the highest Sempra Adjusted Contribution Amount at any time on or prior to such date and (ii) $1,700,000,000;

"**Sempra Liquidation Amount**" has the meaning provided in Clause 16.4.1;

"**Sempra Maximum Entitlement**" means, in respect of the relevant Financial Year, the Sempra Member Group's Unallocated Preferred Return, the Sempra Member Group's Preferred Return, the Sempra Member Group's Allocation of Tranche 1 and the Sempra Member Group's Allocation of Tranche 2; *provided* that, solely for purposes of Clause 9.1, the Sempra Maximum Entitlement in any Financial Year shall not include any amounts that are treated as having been distributed pursuant to Clause 7.3.1 or 7.3.2 or that are retained pursuant to Clause 7.3.3 and that would otherwise be included in the Sempra Maximum Entitlement for such Financial Year;

"**Sempra Member**" means each of SC and SEH VII, together with any of their Associated Companies that are also Members, which are collectively the "**Sempra Members**" or the "**Sempra Member Group**";

"**Sempra Member Group's Allocation of Tranche 1**" means, with respect to any Financial Year, seventy percent (70%) of Tranche 1 or, if a Material Capital Imbalance has occurred and was continuing on the first day of such Financial Year, the Sempra Regulatory Capital Percentage;

"**Sempra Member Group's Allocation of Tranche 2**" means thirty percent (30%) of Tranche 2;

"**Sempra Member Group's Preferred Return**" means, in respect of any Financial Year, (x) the sum of (i) fifteen percent (15%) (or the Prorated percentage in the case of the Financial Year commencing upon Closing or any other Financial Year that is less than twelve (12) months) of the sum of (a) the Total FSA Regulatory Capital Attributed to the Sempra Member Group for such Financial Year and (b) the daily average, for such Financial Year, of distributions payable to any Sempra Member pursuant to Clause 7.2 or 7.3.4 with respect to any prior Financial Year that have not been distributed by the Partnership to such Sempra Member (other than distributions that are treated as having been distributed pursuant to Clause 7.3.1, 7.3.2 or 9.1 or that are retained pursuant to Clause 7.3.3) (for the purposes of this clause (x)(i)(b), such distributions sha ll be deemed to be payable beginning on the first day of the relevant Financial Year), (ii) (a) the daily average, for such Financial Year, of the Sempra Excess Capital *multiplied by* (b) LIBOR plus fifty (50) basis points, (iii) (a) the daily average, for such Financial Year, of the Sempra Undistributed Tax Payments *multiplied by* (b) LIBOR plus fifty (50) basis points and (iv) on and after the date that is the one year anniversary of the date of the Closing, any Excess Reserve Amount (as such term is defined in the Master Formation and Equity Interest Purchase Agreement) payable to any Sempra Member pursuant to Section 2.7 of the Master Formation and Equity Interest Purchase Agreement during such Financial Year *minus* (y) the portion of the Aggregate Transfer Pricing Adjustment attributable to payments made during such Financial Year by any member of the SET Group to any Sempra Member or Associated Company thereof;

"**Sempra Member Group's Unallocated Preferred Return**" means, in respect of any Financial Year, the aggregate of the Sempra Member Group's Preferred Return from any previous Financial Year (if any) in respect of which, as a result of insufficient Adjusted Global Net Income, Adjusted Global Net Income has not previously been allocated to any Sempra Member pursuant to Clause 7.1;

"**Sempra Regulatory Capital Percentage**" means, in respect of any Financial Year, the greater of (i) the product of (x) the percentage determined by *dividing* the daily average, for such Financial Year, of the Sempra Adjusted Contribution Amount *by* $1,600,000,000 and (y) seventy percent (70%) and (ii) thirty percent (30%);

"**Sempra Undistributed Tax Payment**" has the meaning provided in Clause 7.7.4;

"**Sempra Utilities**" means the entities listed on Schedule 3 and each of their respective subsidiaries or successors;

"**SET Business**" means engaging in the SET Core Businesses, the SET Non-Exclusive Businesses and other related activities, in each case, by the members of the SET Group (other than the Partnership);

"**SET Companies**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**SET Core Businesses**" means Commodity Transactions with respect to oil (and by-products thereof), electricity, natural gas, liquefied natural gas, base metals, coal, liquefied petroleum gas, biofuels, carbon credits and emissions credits;

"**SET Group**" means the Partnership and its subsidiaries and subsidiary undertakings from time to time, including, for the avoidance of doubt, each of the SET Companies;

"**SET Non-Exclusive Businesses**" means the following:

(a) Commodity Transactions other than the SET Core Businesses;

(b) investment of cash and other cash equivalents of the SET Group;

(c) financing of, or providing advisory or similar services in respect of, (i) Commodities, (ii) Commodity producers, (iii) Commodity producing, shipping, transportation or generating assets, and (iv) structured or asset purchase transactions, buyouts and restructurings with respect to any of the above items specified in clauses (i) through (iii), but excluding project finance, leveraged finance and corporate lending (but for the avoidance of doubt, not excluding SET Core Businesses or activities constituting SET Non-Exclusive Businesses of the type described in clause (a), (b), (d), (e) or (f) of this definition, even if such activities have a similar economic effect);

(d) transactions in currencies, interest rates, credit, freight and similar derivatives (provided that, in respect of such currency and interest rate business, transactions will be entered into only to hedge the exposures created by activities of the SET Group, as is otherwise incidental to the SET Business or as part of proprietary trading);

(e) trading equity securities and derivative instruments, the value of which is determined by reference to equity securities; and

(f) all other activities incidental to the foregoing activities;

"**S&P**" means Standard & Poor's Ratings Services or any successor thereto;

"**Straddle Period**" means any taxable period that begins before and ends after the date of the Closing;

"**subsidiary**" has the meaning provided in the Companies Act;

"**subsidiary undertaking**" has the meaning provided in the Companies Act;

"**Successor Exit Price Cap**" means (i) in the Financial Year in which the third anniversary of the relevant Successor Member's admission to the Partnership occurs, an amount equal to the price paid by such Successor Member in respect of its interest in the Partnership *plus* the amount by which such Successor Member's Adjusted Contribution Amount exceeds, on the date of the relevant Outside Transfer Notice, the greater of (a) $1,600,000,000 and (b) the balance of the Adjusted Contribution Amount of the Sempra Member from which such Successor Member purchased its interest in the Partnership (or, if such Successor Member purchased the entire interest of the Sempra Member Group, the balance of the Sempra Adjusted Contribution Amount) immediately prior to the closing of such purchase and (ii) for each year thereafter, an amount equal to the a mount specified in clause (i) increased at a rate of 2.5% per annum, compounded annually;

"**Successor Member**" has the meaning provided in Clause 16.3.3;

"**Tax**" means any income, capital gains, corporate, gross receipts, license, payroll, employment, excise, severance, stamp, stamp duty reserve tax, occupation, premium, property, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, documentary, value added, alternative, add on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever or however described and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body or payable under any tax sharing agreement or any other Contract;

"**Tax Return**" means any return (including any information return), report, statement, schedule, notice, form, declaration or claim for refund (including any amended return, report, statement, schedule, notice, form, declaration or claim for refund) filed with or submitted to, or required to be filed with or submitted to, any Governmental Body with respect to Taxes;

"**Third Party Commodities Trading Organisation**" means Goldman Sachs Group, Inc., Merrill Lynch & Co., Inc., Morgan Stanley, any subsidiary or affiliate of the foregoing or any other financial institution, hedge fund or other similar organisation whose primary business is engaging in Commodity Transactions, and which entity is not affiliated with RBS, Sempra Energy or any of their respective subsidiaries or subsidiary undertakings;

"**Total FSA Regulatory Capital**" means, in respect of any Financial Year, the daily average of the Total FSA Regulatory Capital Daily Amount during such Financial Year;

"**Total FSA Regulatory Capital Daily Amount**" means, on any day, the total regulatory capital required to be maintained for such day by the RBS Group with respect to the Business, as indicated by the Capital Model (which shall include, for the avoidance of doubt, any goodwill);

"**Total FSA Regulatory Capital Attributed to the RBS Member Group**" means, in respect of any Financial Year, the greater of (i) the Total FSA Regulatory Capital for such Financial Year *minus* the Total FSA Regulatory Capital Attributed to the Sempra Member Group for such Financial Year and (ii) zero;

"**Total FSA Regulatory Capital Attributed to the Sempra Member Group**" means, in respect of any Financial Year, the daily average of the Total FSA Regulatory Capital Attributed to the Sempra Member Group Daily Amount during such Financial Year;

"**Total FSA Regulatory Capital Attributed to the Sempra Member Group Daily Amount**" means the following:

(i) on any day during which the Total FSA Regulatory Capital Daily Amount is greater than or equal to both the Sempra Adjusted Contribution Amount on such day and $1,600,000,000, the Sempra Adjusted Contribution Amount on such day;

(ii) on any day during which the Total FSA Regulatory Capital Daily Amount is less than the Sempra Adjusted Contribution Amount but greater than or equal to $1,600,000,000, the Total FSA Regulatory Capital Daily Amount for such day; and

(iii) on any day during which the Total FSA Regulatory Capital Daily Amount is less than $1,600,000,000, the lesser of the Sempra Adjusted Contribution Amount on such day and $1,600,000,000;

provided that, if the Total FSA Regulatory Capital Attributed to the Sempra Member Group Daily Amount would be less than zero, such amount shall be deemed to be zero;

"**Trademark Licence Agreements**" means the Trademark Licence Agreement, dated as of the date hereof, between Sempra Energy and the Partnership and the Trademark License Agreement, dated as of the date hereof, between RBS and the Partnership, in each case, in such form as the parties hereto shall agree;

"**Trading Agreement**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Tranche 1**" means, in respect of any Financial Year, an amount equal to the lesser of (i) $500,000,000 and (ii) the Adjusted Global Net Income for such Financial Year less the sum of (w) the Sempra Member Group's Unallocated Preferred Return, *plus* (x) the RBS Member Group's Unallocated Preferred Return, *plus* (y) the Sempra Member Group's Preferred Return, *plus* (z) the RBS Member Group's Preferred Return; *provided* that, with respect to any Financial Year that is less than twelve (12) calendar months (including for purposes of calculations pursuant to Clause 13.1.3 or 16.3), the amount set forth in clause (i) of this definition shall be Prorated;

"**Tranche 2**" means, in respect of any Financial Year in which Tranche 1 is $500,000,000 (or, with respect to any Financial Year for which Tranche 1 is Prorated, such Prorated amount), the Adjusted Global Net Income less the sum of (i) the Sempra Member Group's Unallocated Preferred Return, *plus* (ii) the RBS Member Group's Unallocated Preferred Return, *plus* (iii) the Sempra Member Group's Preferred Return, *plus* (iv) the RBS Member Group's Preferred Return, *plus* (v) Tranche 1, and in respect of any Financial Year in which Tranche 1 is less than $500,000,000 (or, with respect to any Financial Year for which Tranche 1 is Prorated, such Prorated amount), $0;

"**Transfer**" has the meaning provided in Clause 4.6;

"**Transferred Company Interests**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Treasury Regulations**" means the United States federal income tax regulations promulgated under the Code, as such Treasury Regulations may be amended from time to time (it being understood that all reference herein to specific sections of the Treasury Regulations shall be deemed also to refer to any corresponding provision of succeeding Treasury Regulations);

"**US Business**" means that part of the Business conducted, directly or indirectly, by any member of the SET Group that is an entity organized under the laws of the United States, any state thereof or the District of Columbia, and including, in the case of a business conducted on a global trading book basis, only that amount allocated to such entity;

"**US Member**" means SC;

"**US Net Income**" means, in respect of any Financial Year, the extent to which the income and gains attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the losses and deductions attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year); *provided* that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of US Net Income;

"**US Net Losses**" means, in respect of any Financial Year, the extent to which the losses and deductions attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the income and gains attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year); provided that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of US Net Loss;

"**US Partnership Net Income**" and "**US Partnership Net Loss**" means, for each Financial Year or other period of the Partnership, an amount equal to the Partnership's taxable income or loss for such Financial Year of the Partnership or other period, as applicable, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the adjustments described in Treasury Regulations section 1.704-1(b)(2)(iv), and taking into account only items of income, gain, loss and deduction attributable to the US Business; *provided* that any items that are specifically allocated pursuant to Clause 11.3.3 shall be excluded from US Partnership Net Income and US Partnership Net Loss. The amount of items of income, gain, loss or deduction available to be specially allocated pursuant to Clause 11.3.3 shall be determined by applying rules analogous to those set forth in this definition;

"**VAT**" means value added, sales and use tax, as well as any similar tax, imposed by any Governmental Body, including the United Kingdom;

"**Year End Date**" means 31 December or such other date as may be determined in accordance with the provisions of this Agreement.

a.1 Subordinate Legislation

References to a statutory provision include any subordinate legislation made from time to time under that provision.

a.2 Interpretation Act 1978

The Interpretation Act 1978 shall apply to this Agreement in the same way as it applies to an enactment, so that, *inter alia*, unless the contrary intention appears, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine.

a.3 Modification etc. of Statutes

References to a statutory provision include that provision as from time to time modified or re-enacted whether before or after the date of this Agreement.

a.4 Recitals, Clauses etc.

References to this Agreement include its Schedules and this Agreement as from time to time amended and references to Clauses, Recitals and Schedules are to Clauses of and Recitals and Schedules to, this Agreement.

a.5 Headings and explanatory notes

Headings shall be ignored in construing this Agreement.

a.6 Information

Any references to books, records or other information means books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

a.7 Rules concerning Lists

In this Agreement, unless the context requires otherwise:

a.7.1 lists of examples shall be non-exhaustive and words such as 'including' and 'in particular' shall not be construed as limiting a wider class of things; and

a.7.2 where general words follow an enumeration of particular things, such general words shall be construed as having their natural and larger meaning and shall not be restricted to things of the same class as those previously enumerated. The *ejusdem generis* rule shall accordingly not apply.

a.8 Delivery on a Business Day

If any party to this Agreement, or any Associated Company or affiliate thereof, would otherwise be required to deliver any document or make any payment to any other party to this Agreement, or any Associated Company or affiliate thereof, on a day that is not a Business Day, such Person shall deliver such document or make such payment on the next succeeding Business Day. For the avoidance of doubt, this Clause 1.9 shall not apply to any notice required to be delivered pursuant to Clause 12.1.6 or 12.4.2.

a.9 Time of day

References to time of day are to London time unless otherwise stated.

a.10 Winding-up

References to the winding-up (or words of similar import) of a Person include the amalgamation, reconstruction, reorganisation, administration, dissolution, liquidation, merger or consolidation of such Person and any equivalent or analogous procedure under the law of any jurisdiction in which that Person is incorporated, domiciled or resident or carries on business or has assets.

2 Constitution and other matters

2.1 Formation

RBS and the Sempra Members acknowledge and agree that the Partnership commenced on the date of incorporation specified in Recital (B) and shall continue unless and until wound up pursuant to Clause 16 or otherwise in accordance with the mandatory provisions of the Act and the LLP Regulations.

2.2 Name and Registered Office

2.2.1 The Name of the Partnership shall be RBS Sempra Commodities LLP or such other name as the Board (with the consent of at least one of the Sempra Directors) shall from time to time determine.

2.2.2 The "**Registered Office**" of the Partnership shall be 24/25 St. Andrew Square, Edinburgh EH2 1AF, UK or such other place within the United Kingdom as the Board may from time to time determine.

2.2.3 Upon any change in the Name/and or the Registered Office it shall be the responsibility of the Designated Members to notify the Registrar of any such change in accordance with the Act.

2.2.4 RBS and Sempra Energy have licensed to the Partnership (on behalf of the SET Group) the right to use certain marks pertaining to each of RBS and Sempra Energy on the terms set out in the Trademark Licence Agreements.

3 Business

3.1 The "**Business**" of the Partnership shall be to carry on the business of (i) acting as a holding vehicle for the other members of the SET Group and (ii) making its capital available to RBS, and assuming the risk of loss, in connection with the SET Business. The parties intend that the members of the SET Group (other than the Partnership) will engage in the SET Business primarily as agent on behalf of RBS (or, in the case of employees of Sempra Metals Limited and Sempra Energy Europe Limited, as representatives of RBS) pursuant to the Commodities Trading Activities Master Agreement, but the parties acknowledge that the members of the SET Group (other than the Partnership) may engage in the SET Business as principal in connection with (a) certain agreements relating to trading activities prior to the date of the Closing that have not been novated or terminated pri or to Closing and (b) ongoing trading activities for which the SET Group is better situated, in light of economic, legal or regulatory considerations, than RBS to act as principal.

3.2 The Members shall (so far as they lawfully can) ensure that the Partnership complies with all of its obligations under this Agreement.

3.3

The Members acknowledge that it is their intention that the Partnership shall provide a means to operate, develop and generate income from the SET Business to their mutual advantage, and to this end, they agree that they will conduct their dealings in relation to the Partnership and all its affairs in a way which is fair and conscionable between the Members at all times.

3.4 The Business shall be conducted in a manner that allows the Members to satisfy their tax and legal obligations in the various jurisdictions in which the Partnership operates, including any obligation for income and other taxes in such jurisdictions.

4 Members

4.1 The initial Members of the Partnership, which were Roboscot 64 Limited and RBS, shall be the Persons specified in the Incorporation Document who are each Designated Members.

4.2 Any Member who is a Designated Member may cease to be such by giving notice to the Partnership, such notice to take effect immediately or, if later, at such date specified in the notice; *provided* that, if there would be only one Designated Member then remaining, such notice shall not take effect until such time as the Board shall have specified a replacement Designated Member. The Designated Members of the Partnership shall at all times be members of the RBS Group.

4.3 The Designated Members shall be responsible for ensuring compliance with all registration and other requirements of the Act and the LLP Regulations. Subject thereto, the Members shall have no right or authority to act for the Partnership or to take part in the management of the Partnership or to vote on matters relating to the Partnership other than as set out in this Agreement. The Designated Members shall not, merely by virtue of being Designated Members, be entitled to any share of the income or capital of the Partnership.

4.4 With effect from the time of becoming a Member, a Person shall be bound by, and entitled to the benefit of, this Agreement as if a party hereto. SC and SEH VII shall, by executing this Agreement, become Members as of the date hereof.

4.5 The liabilities of each Member in a winding up of the Partnership shall be limited to the aggregate prior Contributions (for the avoidance of doubt, including Contributions made pursuant to Clause 16.4.4) that they have made to the Partnership and in no circumstances shall any Member be liable to contribute to the assets of the Partnership or accept any additional liability whatsoever.

4.6 Save as provided in Clauses 4.7 and 16.3, no Member may sell, assign, transfer, exchange, pledge, encumber, gift or otherwise dispose of its interest (each, a "**Transfer**") in the Partnership (or any part thereof) or any equity interest therein (including (i) any security interest in respect of such interests in the Partnership or securities thereof, (ii) puts, calls, options, stock appreciation rights or warrants in respect of, or securities convertible into, interests in the Partnership or securities thereof, (iii) rights with an exercise or conversion privilege at a price related to interests in the Partnership or securities thereof, (iv) derivatives contracts that have the effect of transferring the economic benefits and/or burdens of the ownership of the interests in the Partnership to a third party or (v) other rights or options to buy or sell interests in the Partne rship or securities thereof).

4.7 Any Member may transfer all, but not part only, of its interest in the Partnership to a wholly-owned subsidiary of RBS (in the case of RBS) or Sempra Energy (in the case of SC or SEH VII) (whether by sale, assignment or otherwise or in connection with any merger, consolidation or amalgamation of, with or into such Member) without the consent of any other Member; *provided*, *however*, that no transfer under this Clause 4.7 shall be permitted if, solely as a result of such transfer, the Partnership would become subject to and bound by any laws, rules, regulations, directives, treaties, judgements, decrees or orders of any governmental or regulatory authority that would have an adverse effect on the Partnership's ability to conduct the Business or would result in a more-than-insignificant increase in the Taxes owed by the Partnership or any of the non-transferring Members. & nbsp;No transfer under this Clause 4.7 shall be effective unless:

4.7.1 the transferor and transferee perform such actions as are required by Clause 4.8; and

4.7.2 the transferee undertakes to the Partnership that if it is proposed that the transferee should cease to be a subsidiary of RBS or Sempra Energy (as the case may be), then immediately prior to such cessation it shall transfer its entire interest in the Partnership back to RBS or Sempra Energy (as the case may be) or one of their respective Associated Companies.

4.8 Any Person to whom any Member Transfers such Member's interest in the Partnership (other than by means of a pledge of, or encumbrance on, the distributions payable in connection therewith) in accordance with the provisions of this Agreement shall become a Member of the Partnership and succeed to all of the rights and obligations of such Member, and the Partnership shall continue to exist under this Agreement *mutatis mutandis*; *provided*, *however*, that no such Transfer shall be effective unless:

4.8.1 the transferor provides written notice to the Board and each other Member of such transfer prior to or simultaneously with the effectiveness of such transfer;

4.8.2 the transferee delivers to the Board a duly executed Accession Deed; and

4.8.3 the transferor resigns from this Agreement.

5 Capital Contributions

5.1 On the date hereof in accordance with the terms of the Master Formation and Equity Interest Purchase Agreement:

5.1.1 RBS has made a Contribution to the Partnership of $1,665,000,000 of cash and cash equivalents, which amount is equal to the RBS Adjusted Contribution Amount as of the date hereof after giving effect to such Contribution;

5.1.2 SC has made a Contribution to the Partnership of $1,240,000,000 of cash and cash equivalents and SEH VII has made a Contribution to the Partnership of $360,000,000 of cash and cash equivalents, which amounts are equal to the SC Adjusted Contribution Amount and the SEH VII Adjusted Contribution Amount, respectively, as of the date hereof after giving effect to such Contribution; and

5.1.3

the Partnership has purchased the Transferred Company Interests from Sempra Energy or Associated Companies thereof, as applicable.

5.2 The Sempra Adjusted Contribution Amount shall not be adjusted as a result of any payment by the Partnership to Sempra Energy or any payment by Sempra Energy to the Partnership pursuant to any post-Closing adjustment of the Partnership's purchase of the SET Companies pursuant to Section 2.6 of the Master Formation and Equity Interest Purchase Agreement.

5.3 Other than on liquidation, no Member shall be entitled to call for the return to it of any capital.

5.4 Neither Sempra Member shall be under any obligation to make further Contributions to the Partnership except in accordance with Clause 16.4.4. Each Sempra Member shall have the right, but not the obligation (other than as provided in Clause 16.4.4), to make further Contributions only to the extent expressly provided by this Agreement.

5.5 Each of the Sempra Members and the RBS Members shall have the right to make additional Contributions as set forth in Clause 5.5.1 and Clause 5.5.2.

5.5.1 At any time that the Sempra Adjusted Contribution Amount is less than $1,600,000,000, each Sempra Member shall have the right, but not an obligation, to make cash Contributions to the Partnership in such amounts as it may determine in its sole discretion; *provided* that in no case shall any amount Contributed pursuant to this Clause 5.5.1 exceed an amount equal to $1,600,000,000 *minus* the Sempra Adjusted Contribution Amount on the date of such Contribution (before giving effect to such Contribution). At any time within twenty (20) Business Days of the date on which any Sempra Member makes a Contribution pursuant to this Clause 5.5.1, the RBS Members shall have the right to make a Contribution to the Partnership of equal value.

5.5.2 Within thirty (30) days following the delivery of Accounts to the Members pursuant to Clause 6.2.3(i), if the Total FSA Regulatory Capital for the most recently ended Financial Year is greater than or equal to $3,265,000,000, the Sempra Adjusted Contribution Amount is less than $1,700,000,000 and RBS requests that the Sempra Members make additional Contributions, the Sempra Members shall have the right, but not an obligation, to make cash Contributions to the Partnership in such amounts as they may determine in their discretion; *provided* that no amount Contributed by the Sempra Members pursuant to this Clause 5.5.2 shall exceed the lesser of (i) an amount equal to $1,700,000,000 *minus* the Sempra Adjusted Contribution Amount on the date of such Contribution (before giving effect to such Contribution) and (ii) fifty percent (50%) of the amount by which the Total FSA Regulatory Capital for the most recently ended Financial Year exceeds $3,265,000,000. At any time within twenty (20) Business Days of the date on which any Sempra Member makes a Contribution pursuant to this Clause 5.5.2, the RBS Member shall have the right to make a Contribution to the Partnership of equal value.

5.5.3 Upon receipt by the Partnership of a Contribution referred to in Clause 5.5.1 or 5.5.2 from the Sempra Member Group, the SC Adjusted Contribution Amount or the SEH VII Adjusted Contribution Amount, as applicable, shall be increased by an amount equal to the amount of such Contribution. Upon receipt by the Partnership of a Contribution referred to in Clause 5.5.1 or 5.5.2 from the RBS Member, the RBS Adjusted Contribution Amount shall be increased by an amount equal to the amount of such Contribution.

5.6 Rebalancing of Adjusted Contribution Amounts

5.6.1 The Board shall, on an annual basis, review the relative performance and capital needs of the US Business and the Non-US Business.

5.6.2 If the Board determines that the Non-US Business has, during the relevant year, contracted relative to growing US Business, the Board may approve that the Partnership shall distribute to SEH VII an amount equal to the capital that the Board determines to be unnecessary in the operation of the Non-US Business, and the SEH VII Adjusted Contribution Amount shall be reduced by such amount. If the Partnership makes such a distribution, SC shall simultaneously make a cash Contribution to the Partnership in the same amount, and the SC Adjusted Contribution Amount shall be increased by such amount.

5.6.3 If the Board determines that the US Business has, during the relevant year, contracted relative to growing Non-US Business, the Board may approve that the Partnership shall distribute to SC an amount equal to the capital that the Board determines to be unnecessary in the operation of the US Business, and the SC Adjusted Contribution Amount shall be reduced by such amount. If the Partnership makes such a distribution, SEH VII shall simultaneously make a cash Contribution to the Partnership in the same amount, and the SEH VII Adjusted Contribution Amount shall be increased by such amount.

6 Financial Year, Accounts, Financial Information and Books and Records

6.1 Year End Date

The Board shall be entitled at its discretion to alter the Year End Date; *provided* that the Partnership shall provide at least three (3) months prior written notice of such alteration to the Sempra Members.

6.2 Financial Information, Reportable Events and Accounts

6.2.1 The Partnership shall use reasonable endeavours to procure that, within ten (10) Business Days of the end of each calendar month, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, management accounts of the SET Group in respect of such month comprising (i) a consolidated balance sheet, (ii) a consolidated statement of income for such month and for the period commencing on the first day of the Financial Year and ending on the last day of such month (showing the same periods from the previous Financial Year and variations from budget) and (iii) other customary information regarding the Business, not less detailed than that information historically furnished by the SET Companies.

6.2.2 The Partnership shall use reasonable endeavours to procure that:

(i) Within ten (10) Business Days of the end of any Financial Quarter, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, preliminary management accounts of the SET Group in

respect of such Financial Quarter comprising (a) a consolidated balance sheet and (b) a consolidated statement of income and cash flow for such Financial Quarter (showing the same period from the previous Financial Year and, with respect to such consolidated statement of income only, variations from budget).

(ii) Within ten (10) Business Days of the earlier of (x) delivery of the preliminary management accounts described in clause (i) in respect of any Financial Quarter and (y) the date on which such delivery is due, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, final management accounts in respect of such Financial Quarter containing the information required by clause (i), which shall be in such format, and include such notes and other information, as any Member may reasonably require (and has requested in writing) to comply with its public reporting obligations, including disclosure obligations of the Members or their Associated Companies pursuant to the rules and regulations of the United States Securities and Exchange Commission.

6.2.3 The Partnership shall use reasonable endeavours to procure that:

(i) Within thirty (30) days of the Year End Date in any Financial Year, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, annual financial statements of the SET Group in respect of the preceding Financial Year in accordance with the requirements of the Act, including (a) a consolidated balance sheet of all the assets and liabilities of the SET Group as at the Year End Date and (b) a consolidated statement of income and cash flow for such Financial Year (the "**Accounts**"), in such format and giving such information, notes and disclosure of the interests therein of the Members as may be required by the Act.

(ii) Within ten (10) days of the earlier of (x) delivery of the unaudited Accounts described in clause (i) in respect of any preceding Financial Year and (y) the date on which such delivery is due, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, Accounts (in such format and giving such information, notes and disclosure of the interests therein of the Members as may be required by the Act) that have been audited by the Auditors in accordance with IFRS and certified by the Auditors as giving a true and fair view of the SET Group's affairs and profit and loss in the preceding Financial Year.

(iii) Within fifteen (15) Business Days of the Year End Date in any Financial Year, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, a preliminary statement showing the estimated calculation of Adjusted Global Net Income, Adjusted Global Net Loss, Non-US Net Income, Non-US Net Losses, US Net Income and US Net Losses. Within thirty (30) days of the Year End Date in any Financial Year, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, a final statement showing the calculation of Adjusted Global Net Income, Adjusted Global Net Loss, Non-US Net Income, Non-US Net Losses, US Net Income and US Net Losses.

6.2.4 The Accounts shall be delivered to all Members and filed with the Registrar as required by the Act.

6.2.5 The Designated Members shall not approve the Accounts for purposes of the Companies Act without the consent of at least one of the Sempra Members.

6.2.6 To the extent that the Board, RBS, Sempra Energy, any Member, the Partnership or any other member of the SET Group prepares periodic (including daily) profit and loss accounts or value at risk reports with respect to the Business, the Partnership shall, or shall procure that the relevant member of the SET Group, promptly deliver them to RBS and the Sempra Members. In addition, the Partnership shall, and shall cause each other member of the SET Group to, promptly furnish to the Sempra Members (i) copies of any information or documents that the Partnership delivers or has delivered to RBS relating to audits or investigations of the Partnership or the Business by any Governmental Body, (ii) any budgets, forecasts and other planning data developed, prepared or adopted by the Board, the Partnership or any other member of the SET Group and (iii) solely to the extent requested with reason able specificity by any such Member, copies of any information or documents that the Partnership delivers or has delivered to RBS as a Member and not included in clauses (i) or (ii) above.

6.2.7 The Partnership shall use reasonable endeavours to procure that:

(i) Each of the financial statements described in Clauses 6.2.2 and 6.2.3 above shall be in such format and include such notes and other information as any Member may reasonably require (and has requested in writing) to comply with its public reporting obligations, including disclosure obligations of the Members or their Associated Companies pursuant to the rules and regulations of the United States Securities and Exchange Commission including, to the extent required by such obligations, a reconciliation of IFRS to GAAP, as in effect from time to time; and

(ii) The Auditors shall perform limited review procedures with respect to the quarterly financial statements of the Partnership as required by rules and regulation of the United States Securities and Exchange Commission.

6.2.8 Notwithstanding the foregoing, solely with respect to financial statements delivered pursuant to this Clause 6.2 that pertain to the Financial Year in which the Closing occurs (or any period thereof), where the Partnership would otherwise be required to include in such financial statements a comparison to a previous Financial Year (or any period thereof), the Partnership shall not be required to include such comparison.

6.3 Audits; Books and Records; Auditors

6.3.1 Within thirty (30) days prior to the end of each Financial Year, the Partnership shall prepare, or procure that there shall be prepared, a plan providing for an internal audit of the SET Group during the following Financial Year (the "**Internal Audit Plan**"); *provided* that, for the Financial Year in which the Closing occurs, the Board shall prepare, or procure that there shall be prepared, an Internal Audit Plan within thirty (30) days after the date of the Closing. Once prepared, the Partnership shall promptly notify the Sempra Members of such Internal Audit Plan, and such Members shall have a period of fifteen (15) days during which to propose reasonable additions to the scope of, or procedures performed in connection with, the Internal Audit Plan, which proposals shall not be unreasonably rejected by the Partnership. Promptly following the completion of such

comment period, the Internal Audit Plan shall be adopted by a resolution of the Board. The Partnership shall pay all costs and expenses incurred in connection with the preparation and conduct of the Internal Audit Plan. Copies of any documents, reports, data or other information resulting from or created in connection with the conduct of the Internal Audit Plan shall be contemporaneously delivered to each of RBS and the Sempra Members.

6.3.2 At any reasonable time during normal business hours, in a manner so as not to interfere with the normal operations of the Business and in all events with at least three (3) Business Days prior notice, the Partnership shall, and shall cause each of the other members of the SET Group to, permit any Member or authorised representative thereof to, subject to the requirements of Clause 17, and for the purpose of confirming information provided in financial statements or as a result of a good faith dispute of any financial matter relating to the SET Group:

(i) visit and inspect any of the SET Group's locations or assets (which visitation and inspection, in the case of shared facilities, shall be limited to the portion of such locations used in connection with the Business);

(ii) review and make copies of the financial and accounting records, books, journals, orders, receipts and any correspondence and other data of the SET Group relating to the Business and activities of each member of the SET Group;

(iii) discuss the affairs, finances and accounts of each member of the SET Group with the officers and independent certified public accountants of each member of the SET Group; and

(iv) authorise any independent accountants or auditors, at such Member's sole expense, to take any of the actions described in clauses (i) through (iii) above and to examine and audit the financial and accounting records and other books and records of the SET Group relating to the Business and activities of each member of the SET Group; *provided* that such Member shall be permitted to so authorise its independent accountants or auditors not more frequently than once every two years or more frequently if such Member has a reasonable basis to believe that a material error exists in the financial statements of the SET Group.

Each Member and its authorised representatives (including, with respect to clause (iv), its independent accountants or auditors) shall comply with reasonable safety and security instructions from the Partnership and undertake reasonable efforts to minimise disruption to the SET Group. Any Member conducting such an examination shall pay any out of pocket expenses incurred by such Member in connection therewith.

6.3.3 The Partnership shall, and shall cause each of the other members of the SET Group to, keep and maintain in all material respects proper, complete and accurate books of record and account, in which entries in conformity with IFRS and otherwise in compliance with Applicable Law shall be made of all dealings and financial transactions and the assets and business of the Partnership and each other member of the SET Group in relation to their respective businesses and activities. Such books and records shall comply in all material respects with any and all applicable tax and legal requirements of the various jurisdictions in which the Partnership operates and shall include such information and be in such form as is necessary to compute the Partnership and Members' liability for income and other taxes (taking into account any transfer pricing requirements) in each such jurisdiction. The Partnership shall cause such books of record and account, the Accounts, all financial statements prepared in accordance with Clause 6.2 and all other financial reports and calculations to be denominated in Dollars, except as otherwise required by Applicable Law or IFRS.

6.3.4 The Partnership shall, and shall cause each other member of the SET Group to, subject to the requirements of Clause 17, furnish to each Member such documents, certificates and other information, and provide reasonable access to management, as such Member may reasonably request for purposes of complying with Applicable Laws, including laws regulating U.S. publicly traded companies and companies that are Associated Companies with respect to regulated utilities, and the Affiliate Conduct Rules and Plans.

6.3.5 RBS shall, and shall cause each of its Associated Companies to, subject to the requirements of Clause 17, furnish to each Member such documents, certificates and other information, and provide reasonable access to management, as such Member may reasonably require (and has requested in writing) for purposes of complying with Applicable Laws, including laws regulating U.S. publicly traded companies, and the Affiliate Conduct Rules and Plans; *provided* that the obligations of RBS under this Clause 6.3.5 shall be limited to (i) documents, certificates and other information pertaining to the Business or otherwise reasonably relating to the Partnership and its Associated Companies and (ii) communication with members of management that pertains to the Business or otherwise reasonably relates to the SET Group.

6.3.6 The Sempra Members shall, and shall cause each of their Associated Companies, subject to the requirements of Clause 17, to furnish to the Partnership and each other Member such documents, certificates and other information, and provide reasonable access to management, as the Partnership or such Member may reasonably require (and has requested in writing) for purposes of complying with Applicable Laws, including laws regulating U.S. publicly traded companies, and the Affiliate Conduct Rules and Plans; *provided* that the obligations of the Sempra Members under this Clause 6.3.6 shall be limited to (i) documents, certificates and other information pertaining to the Business or otherwise reasonably relating to the Partnership and its Associated Companies and (ii) communication with members of management that pertains to the Business or otherwise reasonably re lates to the SET Group.

6.3.7 If, as a result of any internal audit, examination or discussion conducted in connection with Clause 6.3.1 or 6.3.2, any Member believes that any financial statement or report prepared in connection with Clause 6.2.1, 6.2.2 or 6.2.3 should be amended, such Member shall promptly notify the other Members and the Partnership. Upon receipt of such notice, the Partnership shall convene an audit committee consisting of one RBS Director and one Sempra Director, and the committee shall determine whether to amend such financial statement or report. If the audit committee is unable to agree on a determination, the Auditors shall be consulted, and the determination of the Auditors shall be binding on the Members with respect to the noticed matter.

6.3.8

The Designated Members shall select the Auditors of the Partnership from among the "big four" international accounting firms or such firms as are then remaining at the time of such selection. The Auditors so chosen may also act as independent auditor of one or more of the Members.

7 Distributions

7.1 Calculation of Allocation Percentages

Within two (2) weeks from completion of the audit of the Accounts in any Financial Year and provided that the Accounts show an Adjusted Global Net Income for such Financial Year, the Partnership shall calculate the Allocation Percentages for that Financial Year (the date of such calculation, the "**Allocation Percentage Calculation Date**"). For the purposes of calculating the Allocation Percentages for any Financial Year, the Adjusted Global Net Income, if any, for that Financial Year shall be allocated notionally as between the RBS Member Group and the Sempra Member Group in the following priority to the extent of such available income:

7.1.1 first, to the Sempra Member Group, the Sempra Member Group's Unallocated Preferred Return, if any, as provided in Clause 7.6.1;

7.1.2 second, to the Sempra Member Group, the Sempra Member Group's Preferred Return;

7.1.3 third, to the RBS Member Group, the RBS Member Group's Unallocated Preferred Return, if any, as provided in Clause 7.6.2;

7.1.4 fourth, to the RBS Member Group, the RBS Member Group's Preferred Return;

7.1.5 fifth, to the Sempra Member Group, the Sempra Member Group's Allocation of Tranche 1;

7.1.6 sixth, to the RBS Member Group, the RBS Member Group's Allocation of Tranche 1;

7.1.7 seventh, to the Sempra Member Group, the Sempra Member Group's Allocation of Tranche 2; and

7.1.8 eighth, to the RBS Member Group, the RBS Member Group's Allocation of Tranche 2.

7.2 Application of Allocation Percentages and Payment of Distributions

In respect of each Financial Year, following the calculation of the Allocation Percentages in accordance with Clause 7.1:

7.2.1 Simultaneously, (i) the Sempra Allocation Percentage shall be applied to the US Net Income for such Financial Year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to SC and (ii) the RBS Allocation Percentage shall be applied to the US Net Income for such Financial year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to RBS; and

7.2.2 Simultaneously, (i) the Sempra Allocation Percentage shall be applied to the Non-US Net Income for such Financial Year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to SEH VII and (ii) the RBS Allocation Percentage shall be applied to the Non-US Net Income for such Financial Year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to RBS.

7.3 Payment of Out of Pocket and Tax Damages

7.3.1 Where Out of Pocket and Tax Damages are payable by an Indemnifying Person to an Indemnified Person pursuant to Article IX of the Master Formation and Equity Interest Purchase Agreement, the Indemnifying Person shall have the right to elect, by irrevocable notice in writing to the Partnership, for the relevant Out of Pocket and Tax Damages, to the extent not reasonably likely to exceed the amount of distributions payable to the Indemnifying Person or its Associated Companies on the next succeeding date on which distributions are paid pursuant to Clause 7.2, to be set off against such distributions and for the amount so set off to be distributed by the Partnership to the nominated Sempra Member (where the Indemnified Person is a member of the Sempra Group) or to a nominated member of the RBS Member Group (where the Indemnified Person is a member of the RBS Group other than the Partner ship) or, where the Indemnified Person is the Partnership, applied by the Partnership in accordance with Clause 7.3.4 or, if Clause 7.3.4 is not applicable, to fund the payment (or reimburse the Partnership for the payment) of the related Out of Pocket and Tax Damages. On the next date on which distributions are paid pursuant to Clause 7.2 following receipt of such irrevocable notice by the Partnership, the amounts shall be set off as set forth in such notice and the amount so set off shall be deemed for all other purposes under this Agreement to have been distributed to the Indemnifying Person. No such election to set off Out of Pocket and Tax Damages against distributions shall affect the obligations of the Indemnifying Person under the Master Formation and Equity Interest Purchase Agreement to pay Out of Pocket and Tax Damages except to the extent such setoff actually occurs.

7.3.2 If (a) a claim for Out of Pocket and Tax Damages has been made pursuant to Article IX of the Master Formation and Equity Interest Purchase Agreement and the amount of such Out of Pocket and Tax Damages is reasonably certain and (b) the Indemnifying Person is no longer contesting in good faith such claim for Out of Pocket and Tax Damages or a Governmental Body has issued a binding, final and non-appealable order, writ or similar instrument (each an "**Order**") with respect to such claim for Out of Pocket and Tax Damages, then, in each case, on the next succeeding date on which distributions are paid, the Partnership shall set off the relevant Out of Pocket and Tax Damages against the distributions otherwise payable to the Indemnifying Person or its Associated Companies pursuant to Clause 7.2, and the amount so set off shall be distributed by the Partnership to the nominated Sempra Member (where the Indemnified Person is a member of the Sempra Group) or to a nominated member of the RBS Member Group (where the Indemnified Person is a member of the RBS Group other than the Partnership) or, where the Indemnified Person is the Partnership, applied by the Partnership in accordance with Clause 7.3.4 or, if Clause 7.3.4 is not applicable, to fund the payment (or reimburse the Partnership for the payment) of the related Out of Pocket

and Tax Damages. The amount so set off shall be deemed for all other purposes under this Agreement to have been distributed to the Indemnifying Person.

7.3.3 If (a) a claim for Out of Pocket and Tax Damages has been made pursuant to Article IX of the Master Formation and Equity Interest Purchase Agreement (other than a claim covered by Clauses 7.3.1 or 7.3.2) and remains unsatisfied prior to a distribution date, (b) the Indemnifying Person has suffered a Ratings Trigger and (c) the Indemnified Person is complying, to the extent applicable, with Section 10.5 of the Master Formation and Equity Interest Purchase Agreement, then:

(i) the Partnership shall withhold from the next distribution otherwise payable to the Indemnifying Person pursuant to Clause 7.2 the lesser of (x) the amount of the Out of Pocket and Tax Damages remaining unsatisfied in respect of such claim and (y) the amount otherwise required to be distributed to the Indemnifying Person (the "**Escrowed Amount**"); and

(ii) the Escrowed Amount with respect to any claim for Out of Pocket and Tax Damages shall be distributed after the Indemnifying Person is no longer contesting in good faith such claim for Out of Pocket and Tax Damages or an Order has been entered with respect to such claim: (a) in full to the Indemnifying Person, if the Indemnifying Person is not obligated to pay any such Out of Pocket and Tax Damages or pays such Out of Pocket and Tax Damages in full, (b) in full to the Indemnified Person, if the Out of Pocket and Tax Damages payable to the Indemnified Person are greater than or equal to the Escrowed Amount or (c) if the Out of Pocket and Tax Damages payable to the Indemnified Person are less than the Escrowed Amount, (x) first, to the Indemnified Person, an amount equal to such Out of Pocket and Tax Damages and (y) second, to the Indemnifying Person, an amount equal to the remaining Escro wed Amount with respect to such Out of Pocket and Tax Damages after the amounts in clause (x) above are distributed (in each case, such amounts shall be distributed together with interest accrued thereon at an annual rate of nine percent (9%), compounded annually and calculated on the basis of a 365 day year and the actual number of days elapsed, from and including the date of such withholding to but excluding the date of distribution of such Escrowed Amount); *provided* that any amounts that would be distributed to the partnership pursuant to this Clause 7.3.3 (inclusive of accrued interest) shall be retained by the Partnership.

7.3.4 Notwithstanding anything herein to the contrary, where the Partnership is the Indemnified Person, if any Out of Pocket and Tax Damages are paid, set off against distributions pursuant to Clause 7.3.1 or released from escrow pursuant to Clause 7.3.3(ii)(b) or (c)(x) in a Financial Year (the "**current Financial Year**") later than the Financial Year in which the Partnership recorded charges arising from such Out of Pocket and Tax Damages (the "**earlier Financial Year**"), an amount equal to the amount so paid, set off or released shall be applied *pro forma* to the post-Tax consolidated income of the SET Group (determined in accordance with the definition of Adjusted Gross Net Income) in respect of the earlier Financial Year and the Allocation Percentages and related distributions to Members for such year shall be calculated *pro forma* (incl uding for purposes of this calculation, adjustments in respect of compensation expense for the current Financial Year that are attributable to the activities that resulted in the Out of Pocket and Tax Damages in the earlier Financial Year that was payable on a basis related to performance in the earlier Financial Year). If such *pro forma* calculation results in an increase in distributions payable to any Member in respect of the earlier Financial Year, the Partnership shall, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.4 and 9, cause an amount equal to such increase, promptly after its identification, to be distributed in the form of a special distribution, payable to such Members in the current Financial Year in such amounts determined on the basis of the pro forma calculations (and such payments and the offset amounts shall be disregarded in the calculation of Adjusted Global Net Income or Adjusted Global Net Loss for the current Financial Year). If su ch *pro forma* calculation results in a reduction in Adjusted Global Net Loss in respect of the earlier Financial Year, the applicable Adjusted Contribution Amounts in the aggregate shall be increased by the amount of such reduction in the manner set out in Clause 8.1 as applied to the attribution of Net Losses.

7.4 Maximum Entitlements

7.4.1 Where in any Financial Year there is Adjusted Global Net Income but there is either a US Net Loss or a Non-US Net Loss, the Partnership shall, subject to Clause 9, only distribute the Sempra Maximum Entitlement to SC (in the case of a Non-US Net Loss) or the Sempra Maximum Entitlement to SEH VII (in the case of a US Net Loss), and shall, subject to Clause 9, only distribute the RBS Maximum Entitlement to RBS.

7.4.2 Where in any Financial Year there is Adjusted Global Net Income but there is either a US Net Loss or a Non-US Net Loss, then an amount equal to the product of the Sempra Allocation Percentage and the US Net Loss or the Non-US Net Loss (as appropriate) shall be deducted from the SC Adjusted Contribution Amount (in the case of a US Net Loss) or from the SEH VII Adjusted Contribution Amount (in the case of a Non-US Net Loss).

7.4.3 Where in any Financial Year there is Adjusted Global Net Income but there is either a US Net Loss or a Non-US Net Loss, then an amount equal to the product of the Sempra Allocation Percentage and the US Net Loss or the Non-US Net Loss (as appropriate) shall be added to the SC Adjusted Contribution Amount (in the case of a Non-US Net Loss) or to the SEH VII Adjusted Contribution Amount (in the case of a US Net Loss).

7.5 Board approval for distributions

7.5.1 The payment of distributions to Members shall be subject to a resolution of the Board approving the relevant distribution.

7.5.2 The parties intend that the Partnership will distribute, as soon as practicable following the Allocation Percentage Calculation Date and in accordance with Clause 7.2, all Adjusted Global Net Income for such Financial Year.

7.5.3 The parties intend that the Partnership will distribute the amounts described in Clause 7.7.1 at the times set forth therein. Prior to the end of each Financial Year, the Board shall consider including provisions for such distributions in the budget for the following Financial Year, and if the Board determines to make such budget provisions, such distributions shall be made in such

following Financial Year without further approval of the Board; *provided* that the Board may, at any time prior to the making of any such distribution, revoke any prior authorization for such distribution. If, with respect to any Financial Year, the Board has made provisions in the budget for the distributions described in Clause 7.7.1, any distribution during such Financial Year under such Clause in excess of the amount so budgeted shall require the approval of the Board in accorda nce with Clause 7.5.1.

7.6 Preferred Return

7.6.1 To the extent that, in any Financial Year, the Sempra Member Group's Unallocated Preferred Return is greater than zero, such Sempra Member Group's Unallocated Preferred Return shall be applied in the calculation of the Allocation Percentages in accordance with Clause 7.1.1 in such Financial Year.

7.6.2 To the extent that, in any Financial Year, the RBS Member Group's Unallocated Preferred Return is greater than zero, such RBS Member Group's Unallocated Preferred Return shall be applied in the calculation of the Allocation Percentages in accordance with Clause 7.1.3 in such Financial Year.

7.7 Tax Payment Distributions

7.7.1 Subject to Clause 7.5, distributions shall be made to the US Member and the Non-US Members on a quarterly basis, to be made, for each Financial Quarter, no later than one (1) week before any estimated tax payment is due by SC, in an aggregate amount determined by multiplying the estimated net income attributable to the US Business for that Financial Quarter (in the case of each of the US Member and RBS) and the estimated net income attributable to the Non-US Business for that Financial Quarter (in the case of the Non-US Member and RBS) by an assumed effective tax rate reasonably determined by the Board. Such effective tax rate will be the highest of the marginal tax rates of any of RBS, SC and SEH VII for such Financial Year, calculated by taking into account all applicable U.S. federal, state, local and foreign statutory tax rates for each such Member.

7.7.2 Any amounts distributed to a Member pursuant to this Clause 7.7 in respect of any quarter will be treated as if such amounts had been distributed to such Member pursuant to Clause 7.2 for the Financial Year in which such quarter occurs, and thus will reduce, dollar for dollar, the amounts otherwise distributable to such Member pursuant to Clause 7.2.

7.7.3 If the aggregate amount distributed to any Member under this Clause 7.7 during any Financial Year exceeds the amount (determined without regard to Clause 7.5) to be distributed to such Member under Clause 7.2 in respect of such Financial Year, such Member shall promptly repay such excess to the Partnership.

7.7.4 If, in respect of any Financial Quarter, the Partnership fails to make any distribution to any Sempra Member under Clause 7.7.1 on or prior to the date required therein and such Sempra Member is required to make an estimated tax payment, the amount of such estimated tax payment shall be deemed a "**Sempra Undistributed Tax Payment**" from the last day of such Financial Quarter until the earlier of (i) the Year End Date of the Financial Year in which such Financial Quarter occurs and (ii) the date on which such distribution is made to the relevant Sempra Member.

7.8 Special Distributions

7.8.1 Whenever any member of the SET Group receives any refund of Taxes that have not been taken into account in the Final Balance Sheet attributable to a Pre-Closing Tax Period or attributable to the portion of any Straddle Period ending on the date of the Closing, the cash amount of the refund shall be distributed by the Partnership to SC (in the case of a refund of Taxes attributable to the US Business) or to SEH VII (in the case of a refund of Taxes attributable to the Non-US Business), within one (1) week from completion of the audit of the Accounts in any Financial Year, in each case net of all Taxes, costs and other expenses incurred as a result of the receipt of, or payment or distribution of, such refund.

7.8.2 Whenever any member of the SET Group receives any amount attributable to the resolution of any UK tax refund litigation (including, for the avoidance of doubt, advance corporation tax matters) attributable to a dispute over Taxes attributable to a Pre-Closing Tax Period or attributable to the portion of any Straddle Period ending on the date of the Closing, the amount received in excess of the amount reflected on the Final Balance Sheet for such litigation shall be distributed by the Partnership to SC (in the case of an amount attributable to the US Business) or to SEH VII (in the case of an amount attributable to the Non-US Business), within one (1) week from completion of the audit of the Accounts in any Financial Year, in each case, net of all Taxes, costs and other expenses incurred by RBS or the Partnership (but offset by any Tax benefit to which RBS or the Partnership is or will be come entitled as a result) as a result of the receipt of, or payment or distribution of, such refund.

7.8.3 If there is any gain recognised under U.S. federal income tax law by any member of the Sempra Group on a sale to the Partnership (whether deemed or otherwise) of any intangible attributable to the SET Business in connection with the transactions undertaken pursuant to the Master Formation and Equity Interest Purchase Agreement (other than any gain attributable to intangibles other than goodwill and goodwill up to the maximum of $350,000,000), then in each Financial Year a cash amount equal to the product of (x) the amount of any deduction attributable to the basis of such intangible allocated to RBS pursuant to Clause 11.3 *multiplied by* (y) the highest of the marginal U.S., state and local tax rates (calculated by taking into account all applicable U.S. federal, state and local tax taxes) imposed on RBS due to the activities of the Partnership for such Financial Year, shall b e distributed to SC or SEH VII (as selected by Sempra Energy) within one (1) week from completion of the audit of the Accounts in such Financial Year. If any member of the Sempra Group is required to recognise gain under U.S. federal income tax law on a sale to the Partnership (whether deemed or otherwise) of any intangible attributable to the SET Business in connection with the transactions undertaken pursuant to the Master Formation and Equity Interest Purchase Agreement pursuant to a determination by any Governmental Body in a Financial Year other than the Financial Year of the closing of the transactions undertaken pursuant to the Master Formation and Equity Interest Purchase Agreement, then SC or SEH VII, as appropriate, shall be entitled to a cash distribution equal to the sum of the amounts that would have been distributed to them in all Financial Years prior to the Financial Year of such determination pursuant to the immediately preceding sentence (each such amount increased by an appropriate r ate of interest) as soon as reasonably practicable after such determination by such Governmental Body.

7.9 Withholding

The Partnership shall deduct and withhold from any amounts distributed to any Member such amounts required to be deducted and withheld by any applicable Tax law, as reasonably determined by the tax matters partner. Any amounts so deducted and withheld shall be treated for all purposes as having been distributed to the Member from which such amounts were deducted or withheld by the Partnership, and such amounts shall be delivered by the Partnership to the applicable Governmental Body. If the Partnership was obligated to withhold from amounts distributed or allocated to any Member and the partnership did not withhold as obligated, then such Member shall be obligated to pay to the Partnership the liability imposed on the Partnership by the relevant Governmental Body due to its failure to withhold such amounts (including any interest and penalties imposed on amounts determined to be due).

8 Operating Losses

8.1 Attribution of Net Losses

8.1.1 In any Financial Year in which the Accounts do not show Adjusted Global Net Income, fifty percent (50%) of US Net Losses shall be attributable to SC, and an amount equal to the amount of such losses shall be deducted from the SC Adjusted Contribution Amount, which may cause the SC Adjusted Contribution Amount to be negative.

8.1.2 In any Financial Year in which the Accounts do not show Adjusted Global Net Income, fifty percent (50%) of Non-US Net Losses shall be attributable to SEH VII, and an amount equal to the amount of such losses shall be deducted from the SEH VII Adjusted Contribution Amount, which may cause the SEH VII Adjusted Contribution Amount to be negative.

8.1.3 In any Financial Year in which the Accounts show an Adjusted Global Net Loss, fifty percent (50%) of the Adjusted Global Net Losses shall be attributable to the RBS Member Group, and an amount equal to the amount of such losses shall be deducted from the RBS Adjusted Contribution Amount, which may cause the RBS Adjusted Contribution Amount to be negative.

8.2 Adjustments to Adjusted Contribution Amounts

In any Financial Year in which the Accounts do not show Adjusted Global Net Income, and there is either US Net Income or Non-US Net Income, then an amount equal to fifty percent (50%) of the US Net Income or Non-US Net Income, as appropriate, shall be added to the SC Adjusted Contribution Amount (where there is US Net Income) or to the SEH VII Adjusted Contribution Amount (where there is Non-US Net Income).

9 Application of Distributions to the Adjusted Contribution Amounts

9.1 To the extent that, on the last day of any Financial Year, the Sempra Adjusted Contribution Amount (after giving effect to any contributions made pursuant to Clause 5.5) is less than the amount of both the Sempra High Water Mark and the Total FSA Regulatory Capital (the lesser of such two amounts, the "**Sempra Applicable Level**"), if the Board so directs in writing no later than five (5) Business Days following the Allocation Percentage Calculation Date for such Financial Year, (i) an amount shall be added to the Sempra Adjusted Contribution Amount equal to the lesser of (a) the S Maximum Entitlement for such Financial Year and (b) the excess, if any, of the Sempra Applicable Level over the Sempra Adjusted Contribution Amount (before giving effect to the operation of this Clause 9.1 in such Financial Year) and (ii) an amount shall be added to the RBS Adjusted Con tribution Amount equal to the lesser of (a) the amount added to the Sempra Adjusted Contribution Amount pursuant to clause (i) and (b) the RBS Maximum Entitlement for such Financial Year. Where any amount has been added to the Sempra Adjusted Contribution Amount or the RBS Adjusted Contribution Amount, as the case may be, pursuant to the immediately preceding sentence, the amount so added shall be treated as having been distributed to the applicable Member for the purposes of this Agreement. Concurrently with the additions described above, RBS shall make a Contribution to the Partnership in an amount equal to the excess, if any, of (i) the amount credited to the Sempra Adjusted Contribution Amount pursuant to the second preceding sentence over (ii) the RBS Maximum Entitlement for such Financial Year.

9.2 Any amount added to the Adjusted Contribution Amounts of the Sempra Members pursuant to Clause 9.1 shall be added to such Adjusted Contribution Amounts in proportion to the distributions that would otherwise have been received by such Members pursuant to Clause 7.2.

10 United Kingdom Tax Matters

10.1 For the purposes of United Kingdom corporation tax, any Adjusted Global Net Income shall be allocated to the Members in accordance with Clause 7 and any Adjusted Global Net Losses shall be allocated in accordance with Clause 8.

10.2 Surrender of Losses

10.2.1 To the extent that losses arising in the Partnership or any subsidiary of the Partnership cannot be surrendered by way of a claim pursuant to s.402(2) Income and Corporation Taxes Act 1988, the Partnership shall, and shall procure that a subsidiary of the Partnership shall, surrender to RBS (or any other company in the RBS group by or to which a surrender is permitted by s406 and Part X Chapter IV Income and Corporation Taxes Act 1988) any group relief which may be surrendered by way of a consortium claim pursuant to s.402(3) Income and Corporation Taxes Act 1988 and which arises from the activities of the Partnership or any subsidiary for a consideration in accordance with Clause 10.2.2 below.

10.2.2 The consideration mentioned in Clause 10.2.1 shall be equal to the amount of relief which is surrendered, multiplied by the then prevailing rate of UK corporation tax which applies for the accounting period of the entity in which the relief arises (ignoring any lower rate of corporation tax which is levied on companies with lower levels of taxable profits), or such other amount as may be agreed between the Members from time to time. Where there is more than one rate of corporation tax for the accounting period in question, the rate shall be determined by using the rate applicable to the relevant portion of the accounting period. Such consideration is payable at the later of the date the surrender is made or twelve (12) months after the end of the accounting period of the entity in which the relief arises.

10.3 For the purposes of United Kingdom corporation tax, insofar as profits of any member of the SET Group are taken into account in determining the Adjusted Global Net Income for a Financial Year and a dividend is paid to the Partnership representing such profits in a subsequent Financial Year, such dividend shall be shared between the Members by the application of the Allocation Percentage calculated in respect of the Financial Year in which the profits were taken into account.

10.4 RBS shall be entitled to make an application to treat any member of the SET Group as a member of The Royal Bank of Scotland Group plc VAT group. If RBS determines to make such application, RBS shall indemnify the SET Group and the Sempra Members against any additional VAT liabilities for which any member of the SET Group or any Sempra Member is secondarily liable as a consequence of such VAT grouping but which is primarily the liability of a Person not belonging to the SET Group.

11 U.S. Tax Matters and Permanent Establishment Tax Matters

11.1 To the extent permitted by Applicable Law, the Sempra Members will decline to serve as, and RBS will agree to serve as, the "tax matters partner" for purposes of section 6231(a)(7) of the Code. To the extent permitted by Applicable Law, all Members agree to accept RBS as the tax matters partner. The tax matters partner shall have all of the rights, powers and obligations provided for in section 6221 through 6231 of the Code with respect to the Partnership. The Board shall take any steps necessary pursuant to Code Section 6223(a) to designate each Member as a "notice partner" (as defined in Code Section 6231(a)(8)). In addition, nothing in this Agreement is intended to waive any rights, including rights to participate in administrative and judicial proceedings, that a Member may have under Code Sections 6221 through 6233, inclusive.

11.2 The Partnership shall elect to be classified as a partnership for US federal income tax purposes by filing an election on Internal Revenue Service Form 8832 (or any successor form) and the Partnership shall also timely make all corresponding elections for US state and US local tax purposes (collectively, the "**Partnership Election**"). The Partnership Election shall be made no later than thirty (30) days after formation of the Partnership and such election shall be effective as of the date of formation. The Partnership Election may be signed by any Director of the Partnership who is authorised by the Board to sign on behalf of the Partnership, and each party to this Agreement who must sign the Internal Revenue Service Form 8832 (or any successor form) for it to be valid, and each party to this Agreement which has an affiliate that must sign the Internal Revenue Service Form 8832 (or any successor form) for it to be valid, shall sign the Internal Revenue Service Form 8832 (or any successor form) or cause it to be signed within a reasonable amount of time in order for the Partnership to comply with this Clause 11.2. The Partnership shall not revoke or alter this election without the unanimous consent of its Members.

11.3 Capital Accounts; Book Allocations

11.3.1 There shall be established for each Member on the books of the Partnership as of the date hereof, or such later date on which such Member is admitted to the Partnership, a capital account (each being a "**Capital Account**"). The Capital Account of each Member shall be credited with the amount of any initial capital contribution made by such Member (as set forth in Clause 5.1), increased by any allocation of US Partnership Net Income, Non-US Partnership Net Income, any items in the nature of income or gain which are specifically allocated pursuant to Clause 11.3.2 or 11.3.3 and by any additional capital contributions by that Member and shall be reduced by any distribution, allocation of US Partnership Net Loss, Non-US Partnership Net Loss, and any items in the nature of expenses or losses specifically allocated pursuant to Clause 11.3.2 or 11.3.3 to that Member. C apital Accounts shall be appropriately adjusted to reflect transfers of part (but not all) of a Member's interest in the Partnership (or shall be dissolved and terminated in the case of a transfer of all of such Member's interest in the Partnership). The initial Capital Account balance of each Member shall be as set forth in Schedule 11.3.1. In all respects, the Members' Capital Accounts shall be determined in accordance with the detailed capital account rules set forth in Treasury Regulations Section 1.704-1(b)(2)(iv).

11.3.2 General Allocations

(i) After making the allocations as required in Clause 11.3.3 and subject to Clause 11.3.2(ii), Partnership Net Income or Partnership Net Loss shall be allocated to RBS, SC and SEH VII in a manner such that each of their Capital Accounts, immediately after making such allocation, is, as nearly as possible, equal (proportionately) to the distributions that each would receive if the Partnership were dissolved, its affairs wound up and its assets sold for cash equal to their fair market value (as determined under U.S. federal income tax principles) and such cash were actually distributed in accordance with the priorities of distribution set forth in Clause 16.4.1, *minus* (A) each Member's share of the Partnership's "partnership minimum gain" as that term is defined in Treasury Regulations Section 1.704-2(b)(2) and 1.704-2(d) and (B) the amount, with res pect to the partner nonrecourse debt of a Member (as that term is defined in Treasury Regulations Section 1.704-2(b)(4)) equal to the partnership minimum gain that would result if such nonrecourse debt were treated as a nonrecourse liability, determined in accordance with Treasury Regulations section 1.704-2(i)(3).

(ii) In making the allocations provided for in Clause 11.3.2(i), SC shall receive solely allocations of US Partnership Net Income or US Partnership Net Loss, as the case may be, and SEH VII shall receive solely allocations of Non-US Partnership Net Income or Non-US Partnership Net Loss, as the case may be. All items making up US Partnership Net Income or US Partnership Net Loss, as the case may be, shall be allocated between RBS and SC in the same proportion as Partnership Net Income or Partnership Net Loss, as applicable, is allocated between RBS, on the one hand, and the Sempra Members, on the other hand, pursuant to Clause 11.3.2(i). All items of Non-US Partnership Net Income or Non-US Partnership Net Loss, as the case may be, shall be allocated between RBS and SEH VII in the same proportion as Partnership Net Income or Partnership Net Loss, as applicable, is allocat ed between RBS, on the one hand, and the Sempra Members, on the other hand, pursuant to Clause 11.3.2(i).

(iii) To the extent not otherwise taken into account in this Clause 11.3.2 or Clause 11.3.3, if any amount is distributed to any Member pursuant to Clause 7.3.4, an amount of US Partnership Net Income (if SC received the distribution), Non-US Partnership Net Income (if SEH VII received the distribution), or Partnership Net Income determined in accordance with Code section 703(a) (if RBS received the distribution) equal to the amount distributed to such Member shall be allocated

to such Member, and an amount of items of loss or deduction equal to the amount of the Out of Pocket and Tax Damages paid, set off against distributions pursuant to Clause 7.3.1 or released from escrow pursuant to Clause 7.3.3(ii)(b) or (c)(x) shall be allocated to such Member who is the Indemnifying Person.

11.3.3 Special Allocations

(i) If the Partnership incurs any item of loss or deduction, where the Partnership is entitled to indemnification pursuant to Section 9.2 of the Master Formation and Equity Interest Purchase Agreement for such loss or deduction, then the item of loss or deduction shall be allocated to SC (if the item of loss or deduction is attributable to the US Business) or shall be allocated to SEH VII (if the item of loss or deduction is attributable to the Non-US Business).

(ii) Any deduction arising from the amortization or impairment of any goodwill, up to an amount equal to $350,000,000, shall be allocated fifty percent (50%) to SC and fifty percent (50%) to RBS.

(iii) Clause 11 is intended to comply with Section 704(b) of the Code and the Treasury Regulations thereunder, including the "alternative test for economic effect" under Treasury Regulations Section 1.704-1(b)(ii)(d). Notwithstanding Clause 11.3.2, the Partnership shall make any allocations required by such Treasury Regulations, including "qualified income offset" and "minimum gain chargeback" allocations and allocations relating to any nonrecourse debt of the Partnership, prior to making the allocations set forth in Clause 11.3.2 or in Clause 11.3.3(i) or (ii).

(iv) In the event any Member has a deficit Capital Account at the end of any Fiscal Year which is in excess of the sum of (a) the amount such Member is obligated to restore, if any, pursuant to any provision of this Agreement and (b) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Clause 11.3.3(iv) shall be made only if and to the extent that a Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Clause 11 have been tentatively made as if the second sentence in Clause 11.3.3(iii) and this Clause 11.3.3(iv) wer e not in this Agreement.

11.4 For U.S. federal, state and local income tax purposes, the income, gains, losses and deductions of the Partnership shall, for each taxable period, be allocated among the Members in the same manner and in the same proportion that such items have been allocated among the Members' respective Capital Accounts; *provided*, *however*, that in accordance with Section 704(c) of the Code and the Treasury Regulations thereunder, (i) income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Partnership for U.S. federal income tax purposes and its initial Carrying Value, and (ii) in the event the Carrying Value of any Partnership asset is adjusted as a result of any revaluations as set forth in the definition of the term "Carrying Value" in this Agreement, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take into account any variation between the adjusted basis of such asset for U.S. federal income tax purposes and its Carrying Value, in each case using any method or methods permitted under Section 704(c) of the Code and the Treasury Regulations thereunder as determined by the Board.

11.5 Unless otherwise required (x) as the result of a change in Applicable Law occurring after the date hereof and with respect to which the Partnership has received an opinion from counsel, which counsel shall be reasonably acceptable to each of the Members, stating that there is no reasonable basis for continuing to treat the Partnership in the manner described below (it being agreed that Sullivan & Cromwell LLP, Simpson Thacher & Bartlett LLP and Pricewaterhouse Coopers LLP are deemed, for this purpose, to be acceptable counsel) or (y) pursuant to a "determination" pursuant to Section 1313(a) of the Code or other Applicable Law, the parties hereto agree to treat, for all U.S. federal, state, and local income tax purposes (including, without limitation, for purposes of any position taken by any party hereto on any U.S. federal, state or local income Tax Return), (i) the Partnership as a partnership and (ii) the Partnership as the owner of the trades arising from the performance of the Trading Activities (as this term is defined in the Commodities Trading Activities Master Agreement). Unless otherwise required pursuant to a "determination" pursuant to Section 1313(a) of the Code or other Applicable Law, the parties hereto agree to act in accordance with this Clause 11.5 in the filing of all U.S. federal, state or local income Tax Returns and in the course of any U.S. federal, state or local income Tax audit, U.S. federal, state or local income Tax review or U.S. federal, state or local income Tax litigation related thereto, and the parties hereto agree to take no position or action inconsistent with such treatment for any U.S. income Tax purposes. Notwithstanding any other provisions of this Agreement, the provisions of this Clause 11.5 shall survive the dissolution of the Partnership or the termination of any Member 6;s interest in the Partnership and shall remain binding on all Members for a period of time necessary to resolve with the U.S. Internal Revenue Service or any applicable state or local taxing authority all matters (including litigation) regarding the U.S. federal, state and local income taxation, as the case may be, of the Partnership or any Member with respect to the Partnership.

11.6 Permanent Establishment

11.6.1 Sempra Energy and the Sempra Members agree with RBS that the Sempra Members and RBS shall use all reasonable endeavours to take such steps as are necessary to file any returns or declarations or make any registrations in respect of Taxes as may be necessary or appropriate, in any jurisdictions in which either the Partnership or any Member is or is treated under any applicable law relating to Tax as carrying on business, on the basis that either (i) the Partnership is or (ii) both SEH VII and RBS are carrying on business in that jurisdiction whether or not through a permanent establishment.

11.6.2 If RBS or any Sempra Member is charged or subjected to Tax in any Financial Year in respect of its permanent establishment in the relevant jurisdiction on an amount of Adjusted Global Net Income which is greater than the amount of Adjusted Global Net Income it would have been charged or subjected to Tax on if the Partnership had been treated as having a permanent establishment in the relevant jurisdiction, the parties will work together jointly to minimize such Tax and also take all reasonable steps to ensure that each party, SC, SEH VII and RBS, will be charged or subjected to Tax, through direct reimbursement payments among the Members, equal to the amount that would be incurred if they received their Allocation Percentages of

income in respect of such jurisdiction and will, if necessary, share in any additional Tax imposed upon them as a group in excess of such amounts on a proportion ate basis using the Allocation Percentages for that Financial Year.

11.6.3 Notwithstanding any other provision in this Clause 11.6, the Members shall reasonably cooperate and take commercially reasonable steps so as to minimize situations where either RBS or an Sempra Member is charged or subjected to Tax in respect of its permanent establishment in a jurisdiction on an amount of Adjusted Global Net Income which is greater than the amount of Adjusted Global Net Income calculated as attributable to such Member in accordance with the Allocation Percentage for the relevant Financial Year.

12 Board, Member Meetings and Reserved Matters

12.1 Board Constitution and Meetings

12.1.1 The initial RBS Directors shall be Symon Drake-Brockman, Peter Nielsen, Robert McKillip and Brian Crowe. The initial Sempra Directors shall be Donald E. Felsinger, Neal E. Schmale and Mark A. Snell.

12.1.2 The number of Directors shall at all times be seven (7) unless otherwise agreed between RBS and the Sempra Members. RBS may by written notice to the Board appoint up to four (4) Directors and the Sempra Members may by written notice to the Board appoint up to three (3) Directors. If, at any time, the Members determine, with the consent of at least one Sempra Member, to add a representative of the SET Group's management to the Board as a Director, the number of Directors shall be increased by two (2), including such representative of the SET Group's management and such additional Director as RBS may by written notice to the Board appoint, and the number of Directors that the Sempra Members are entitled to appoint shall not be affected. The Directors may, by notice to the Board in writing, appoint a proxy (whether or not a Director) to attend and vote at meetings of the Boa rd on their behalf.

12.1.3 The Board can, by majority vote and on ten (10) days prior written notice to the party that appointed the relevant Director, resolve to remove an RBS Director or an Sempra Director from the Board for Cause; *provided* that such removal shall not prejudice the right of such Director's appointor(s) to appoint a replacement Director (who may not be the same person as the removed Director).

12.1.4 Without prejudice to reimbursement of expenses and unless otherwise agreed by the Board, the Directors shall not have any rights to remuneration by the Partnership.

12.1.5 The Board shall meet as and when required, but no less than once every three months. Any Director may convene a meeting of the Board upon the provision of reasonable written notice to the other Directors.

12.1.6 The quorum for Board meetings shall be not less than three Directors, comprising at least two RBS Directors and one Sempra Director, present in person or by audio or by video conferencing. The chairman of any Board meeting shall be determined by the Directors appointed by RBS amongst themselves at the commencement of each such meeting. If a quorum is not present within an hour of the time appointed for the meeting or ceases to be present, the Director(s) present shall adjourn the meeting to the same location at a time being 48 hours from the point at which the original scheduled meeting was not quorate. Notice of the first adjourned meeting shall be given, to the extent practicable, by the Board to each of the Directors. The quorum at any such adjourned meeting shall be at least three RBS Directors.

12.1.7 At every Board meeting, every Director present shall have one vote. All decisions of the Board shall, unless otherwise specified, be determined by a majority of the Directors present from time to time voting in favour; *provided* always that none of the Reserved Matters may be determined by the Board without the consent of at least one of the Sempra Directors. No member of the Board shall be entitled to a second or casting vote. A resolution in writing circulated to all Directors and subsequently signed as approved by all of the Directors unanimously from time to time shall be as valid and effective as a resolution passed at such a meeting. All or any of the members of the Board may participate in a meeting of the Board by means of any communication equipment which allows all persons participating in the meeting to hear each other and to address all of the other participants simulta neously. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to be counted towards the quorum and to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is present.

12.2 Management of the SET Group

12.2.1 Subject to the provisions of this Agreement and any applicable legislation, including the Act, the Board shall have exclusive responsibility for the management and control of the Business and the affairs of the Partnership on behalf of the Members and shall have the power and authority to delegate any of its powers to one or more committees of the Board (each of which shall include at least one Sempra Director, and at least one Sempra Director for every two RBS Directors on such committee) and to do all things necessary to carry out the purpose of the Partnership and shall carry on and manage the same with the assistance from time to time of the Members and of agents, servants or other employees of the Partnership as it shall deem necessary.

12.2.2 Subject to Clause 12.2.6, the Board shall have full power and authority on behalf of and at the cost of the Partnership and with the power to bind the Partnership thereby to deal with and/or to engage on behalf of the Partnership such Person (including, for the avoidance of doubt, any Person associated with a Member) as the Board shall deem desirable to deal with all Tax affairs of the Partnership including, without limitation, the preparation and submission of any Tax Returns required to be submitted by the Partnership and the preparation of all documentation and the handling of all matters (including correspondence) and disputes relating to such Tax affairs with any relevant Tax authority; *provided* that the Board shall be obliged (i) to provide each Member with copies of any correspondence or documents relevant to that Member received by the Partnership from any Tax authority or similar agency promptly upon receipt and (ii) to provide the Members with notice of all scheduled administrative proceedings or audits, including meetings with agents or representatives of any Tax authorities, technical advice conferences and appellate hearings as soon as possible after receiving notice of the scheduling of proceedings; *provided*, *however*, that nothing in this

Clause shall entitle a Member to receive information or documents that relate solely to the Tax position of other Members. Each Member shall provide all assistance as is necessary to enable the Board and any Person engaged by the Board to deal with and manage the Tax affairs of the Partnership in accordance with this Clause.

12.2.3 Following the end of each Financial Year, the Board shall use reasonable endeavours to cause the Partnership to prepare and send, or cause to be prepared and sent, within ninety (90) days of the completion of the audit for such Financial Year by the Auditors, to each Person who was a Member at any time during such Financial Year, copies of such information as may be required for applicable Tax reporting purposes, including, without limitation, such information as a Member may reasonably request for the purpose of applying for refunds of withholding taxes.

12.2.4 The day-to-day management of the SET Group shall be conducted by management appointed by the Board for such purpose and shall comply with Board directives and applicable RBS Policies and shall at all times be governed and operated in a manner consistent with this Agreement and the government and operation of other members of the RBS integrated group. RBS shall provide the Directors with copies of, or reasonable access to, the RBS Policies and any revisions thereto.

12.2.5 The following matters shall be reserved to the Board:

(i) the declaration and payment of distributions; and

(ii) each of the Reserved Matters.

12.2.6 With respect to any income or direct Tax Return of the Partnership or any other member of the SET Group, the preparation of which is controlled by the Partnership pursuant to Section 10.3(c) of the Master Formation and Equity Interest Purchase Agreement, which relates in any way to the portion of any Straddle Period for the Partnership or any other member of the SET Group which ends on the date of the Closing, the Board shall circulate to the Sempra Member Group for their review and approval a draft of such Tax Return at least thirty (30) days before such Tax Return is to be filed, and the Sempra Member Group shall provide any comments on such Tax Return to the Board at least fifteen (15) days before such Tax Return is to be filed. The Board shall not file any such Tax Return without the approval of the Sempra Member Group, which approval shall not be unreasonably withheld or delayed. If either Sempra Member objects to any items on the Tax Return which affect the Taxes of the Partnership or any other member of the SET Group relating to a Pre-Closing Tax Period or to the portion of any Straddle Period for the Partnership or any other member of the SET Group which ends on the date of the Closing, then the Board must adopt the position of such Sempra Member unless such position may cause a material adverse Tax consequence to the Partnership or RBS. If such position may cause a material adverse Tax consequence to the Partnership or RBS but an opinion of suitable independent tax counsel, concluding that such Sempra Member's position is more likely to succeed than not, is obtained in the relevant jurisdiction at Sempra Energy's expense, then the position of such Sempra Member must be adopted by the Board.

12.2.7 Unless otherwise required (x) as the result of a change in Applicable Law occurring after the date hereof and with respect to which the Partnership has received an opinion from counsel, which counsel shall be reasonably acceptable to each of the Members, stating that there is no reasonable basis for continuing to report receipts in the manner described below (it being agreed that Sullivan & Cromwell LLP, Simpson Thacher & Bartlett LLP and PricewaterhouseCoopers LLP are deemed, for this purpose, to be acceptable counsel) or (y) pursuant to a "determination" pursuant to Section 1313(a) of the Code or other Applicable Law, the Partnership shall report receipts from physical commodities trading activities on a gross basis in preparing all U.S. federal, state and local income Tax Returns (including but not limited to U.S. Internal Revenue Form 1065, California inco me tax form 565, and any Schedules K-1 issued by the Partnership to any Member).

12.3 Member Meetings

12.3.1 Without prejudice to Clause 12.2.1 above, if the Board resolves that any decision of the Partnership should be taken at a general meeting of the Members, then it shall have the power to call such meeting at no less than seven (7) clear days' notice.

12.3.2 All Members shall be entitled to attend any general meeting of Members, but only RBS and the Sempra Members (or their permitted assignees from time to time) shall be entitled to vote. Decisions shall be made by them on a show of hands by a simple majority and, other than in relation to Reserved Matters, RBS (or its permitted assignee) shall have one more vote than the Sempra Members. No resolution concerning a Reserved Matter shall be approved without the consent of at least one of the Sempra Members.

12.3.3 The chairman and the secretary of any Member meeting shall be determined by the Board at the time such meeting is called (if called by the Board). The secretary shall record the number of votes cast in favour of or against each resolution, and such record, along with a declaration by the chairman certifying the accuracy of such record, shall be conclusive evidence of the adoption of such resolution.

12.3.4 Any consent required of a Member under this Agreement, other than any consent under Clause 12.3.2, may be given by such Member in writing, without a meeting of the Members.

12.4 Reserved Matters

12.4.1 The following shall be "**Reserved Matters**", and unless at least one of the Sempra Directors (in the case of an action by the Board) or at least one of the Sempra Members (in the case of an action by the Members) shall have consented, the Partnership shall not, and shall not permit its subsidiaries, subject to Clause 12.4.2, to:

(i) amend, alter or waive the terms of this Agreement, the Members' interest in the Partnership or the constitutional documents of any material subsidiary of the Partnership;

(ii) wind-up or liquidate the Partnership or adopt a plan to effect any of the foregoing;

(iii)

wind-up, sell, pledge, lease, assign or otherwise dispose of all or substantially all of the equity or assets of any material subsidiary of the Partnership (other than any merger, consolidation or amalgamation of, or similar transaction relating to, a wholly owned subsidiary of the Partnership with or into another wholly owned subsidiary of the Partnership that would not have an adverse Tax effect on any Member);

(iv) issue securities in respect of the Members' interests in the Partnership, including (a) puts, calls, options, stock appreciation rights or warrants in respect of, or securities convertible into, interests in the Partnership or securities thereof, (b) rights with an exercise or conversion privilege at a price related to interests in the Partnership or securities thereof, (c) derivatives contracts that have the effect of transferring the economic benefits and/or burdens of the ownership of the interests in the Partnership to a third party or (d) other rights or options to buy or sell interests in the Partnership or securities thereof;

(v) except for (a) agreements or arrangements entered into in the ordinary course of Business, (b) agreements or arrangements entered into as agent for RBS under the Commodities Trading Activities Master Agreement and (c) Trading Agreements, purchase or otherwise acquire (including by transfer from any Associated Company), other than in the ordinary course of the trading businesses of any subsidiary of the Partnership, any stock or equity interests in or of any other Person or any assets of any other Person, or any business (or a substantial part of a business), whether in one transaction or a series of related transactions, (x) for an aggregate purchase price exceeding $10,000,000, or (y) that would represent a material new line of business;

(vi) cease to operate or materially reduce the scope of the business carried on as at the date hereof by the four (4) principal business units of the SET Group, being Gas, Power, Oil and Metals, except to the extent that such cessation or reduction is the result of adverse changes in market conditions or historical performance;

(vii) incur any Indebtedness other than (a) Indebtedness that is incurred in order to operate the Business or pay distributions owing to RBS, Sempra Energy or any of their respective Associated Companies or (b) Indebtedness that is incurred in order to operate the Business and (x) is Indebtedness of the type not provided by RBS and its Associated Companies, (y) is required under Applicable Law to be incurred from Persons other than RBS and its Associated Companies or (z) prior to the Partnership incurring such Indebtedness, RBS has agreed with the Partnership or the third party from which such Indebtedness is incurred that RBS will pay the interest accruing in respect of such Indebtedness to the extent exceeding LIBOR plus fifty (50) basis points and, in the case of this clause (z), the aggregate amount of Indebtedness of the Partnership owing to Persons other than RBS and its Associated Comp anies does not exceed $100,000,000 at any time outstanding;

(viii) issue any guarantees, letters of credit or other forms of credit support (other than in the ordinary course of the SET Business);

(ix) amend, alter, terminate, grant waivers or consents, fail to enforce its rights (after receipt of notice with reasonable specificity thereof from the Sempra Members) under or enter into any new agreements with respect to (a) matters substantially similar to any of the Related Agreements (other than Related Agreements to which Sempra Energy or any of its Associated Companies is a party) or (b) except to the extent such action is consistent with Clause 13.3, any material arrangement for the provision of services to the Partnership or any subsidiary of the Partnership by, or for the purchase by the Partnership or any subsidiary of the Partnership of material goods or services from, RBS or any subsidiary or affiliate of RBS;

(x) conduct any activities or business other than the SET Core Businesses and the SET Non-Exclusive Businesses;

(xi) enter into any agreement or arrangement having a term longer than two (2) years or providing for actual or potential aggregate payments by the Partnership or any subsidiary of the Partnership in excess of $10,000,000, except for (a) agreements or arrangements entered into in the ordinary course of the Business, (b) agreements or arrangements entered into as agent for RBS under the Commodities Trading Activities Master Agreement and (c) Trading Agreements;

(xii) enter into any agreement that imposes a material restriction on the conduct by the Partnership or its subsidiaries of the Business;

(xiii) cause any member of the SET Group that is not an entity organised under United States federal or state law to engage in any trade or business in the United States, to own any assets located in the United States, or to hold or acquire "United States property" as defined in Code Section 956(c);

(xiv) make any determination or distribute any amounts to the Members under Clause 5.6;

(xv) take any action with regard to the matters described in this Agreement that require the consent of at least one of the Sempra Members or Sempra Directors; or

(xvi) enter into, assume or become bound by any contract to take any action in furtherance of the above specified Reserved Matters, or otherwise attempt to take any action in furtherance of the above specified Reserved Matters, either directly or indirectly.

12.4.2 If the Partnership or RBS is compelled to take any action or engage in activity that constitutes a Reserved Matter in order to comply with Applicable Laws, and the consent of at least one of the Sempra Members has not been obtained, then, before taking any such action or engaging in any such activity, RBS or the Partnership shall provide the Sempra Members with notice as soon as is reasonably practicable of its intent to take such action or engage in such conduct (which notice shall, if reasonably practicable, be in writing). If, upon receipt of such notice, at least one Sempra Member does not consent to the taking of such action or the engaging in such conduct, then the Partnership or RBS, as applicable, shall, to the extent reasonably practicable, consult in good faith with the Sempra Members in order to determine whether compliance with such Applicable Law can be achieved by cur ing any fact or circumstance that is then existing, or taking any other course of action, rather than by taking

action or engaging in any activity that constitutes a Reserved Matter. Notwithstanding the foregoing, neither RBS nor the Partnership shall be deemed to be in breach of this Clause 12.4 if, as a result of Applicable Law, RBS or the Partnership, as the case may be, is unable to either provide the notice or engage in the consultation required above because the time delay required to provide such notice or engage in such consultation would pose an immediate and significant risk to RBS or the Partnership, respectively. The Partnership or RBS, as applicable, shall provide written notice to the Sempra Members of any action taken pursuant to the preceding sentence concurrently with or immediately following the taking of any such action.

12.5 Notice Matters

12.5.1 The Partnership shall not, and shall not permit any subsidiary of the Partnership to, do any of the following without first providing notice and a reasonable opportunity to consult to the Sempra Member Group (*provided* that such requirement shall be deemed satisfied with respect to any matter that has been presented to the Board):

(i) sell, transfer, assign, hypothecate, encumber, license or sublicense any of the Partnership's or any of its subsidiary's trading models, licenses, copyrights, works that are the subject matter of copyrights, trademarks, tradenames, trade styles, trademark applications or any rights under any of the foregoing; any extensions, renewals, reissues, or configurations of the same; any trade secrets, formulae, processes, or any trade secrets or contract rights relating to computer hardware or software programs;

(ii) except as has been provided for in a capital budget approved by the Partnership and previously distributed to the Sempra Member Group, make or commit to make capital expenditures in excess of (x) $5,000,000 with respect to any individual expenditure or (y) $10,000,000 in the aggregate during any Financial Year;

(iii) enter into, materially amend or terminate any agreement with respect to a Commodity Transaction that (a) has a term longer than five (5) years and provides for aggregate payments, based on then-current prices, by or to the Partnership or any subsidiary of the Partnership in excess of $1,000,000,000 or (b) provides for aggregate payments, based on then-current prices, by or to the Partnership or any subsidiary of the Partnership in excess of $5,000,000,000. For purposes of this clause (iii), "then-current prices" means current prices determined at the time the parties thereto enter into such agreement and in the case of (1) a physical Commodity Transaction that provides for a fixed purchase or sales price, the Dollar present value of such price; (2) a physical Commodity Transaction that provides for an index purchase or sales price, the Dollar pre sent value of the forward prices for such index during the term of such transaction that are utilized by the relevant SET Group member to determine the mark-to-market valuation for such transaction; and (3) a Commodity Transaction that is a derivative, the net settlement amount for each settlement date during the term of such transaction, based on the Dollar present value of the applicable forward prices during the term of such transaction that are utilized by the relevant SET Group member to determine the mark-to-market valuation for such transaction;

(iv) compromise or settle any litigation or claim involving an amount in excess of $10,000,000 or any governmental audit or investigation involving an amount in excess of $1,000,000;

(v) hire, discharge or materially alter the total annual compensation of any employee who (a) was, in the most recently completed Financial Year, entitled to (x) a twenty-five percent (25%) or greater share of the Net Trading Revenue (or other revenue, income or margin metric) generated by such employee (directly or through the results of a group of employees) or (y) guaranteed total annual compensation in excess of $2,000,000 or (b) is a Senior Managing Director or an employee equivalent in stature to an employee holding such title or who, within the preceding twelve (12) months, had been employed at or above the level of Senior Managing Director or an equivalent stature; *provided* that, with regard to the hiring of an employee, the altering of an employee's compensation or the discharge of an employee for cause, the Partnership shall not be obligated, under this Clause 12.5.1, to provide the Sempra Member Group with an opportunity to consult prior to taking such action but shall remain obligated to provide the required notice; or

(vi) cease to operate or materially reduce the scope of, as a result of any adverse change in market conditions or historical performance, the business carried on as at the date hereof by the four (4) principal business units of the SET Group, being Gas, Power, Oil and Metals; *provided* that the Partnership and its subsidiaries shall only be required to provide notice and a reasonable opportunity to consult under this clause (vi) if it is reasonably practicable to do so.

12.5.2 RBS shall provide notice promptly and in no event less than one (1) Business Day following: (i) the resignation of the Auditors (or receipt by RBS or any RBS Director of an indication that the Auditors decline to be considered for re-appointment after completion of the current audit), (ii) the dismissal of the Auditor, (iii) the appointment of a new Auditor, (iv) any disagreement between RBS or the Board, on the one hand, and the Auditors, on the other hand, regarding accounting or auditing matters or (v) the occurrence of any other event that would constitute a reportable event under US Securities and Exchange Commission Form 8-K if the Partnership were required to file such reports.

12.6 Duties of the RBS Directors and the Sempra Directors

In taking any action, making any decision or exercising any discretion with respect to the Partnership:

12.6.1 each RBS Director and each Sempra Director shall be entitled to consider such interests and factors as such Director deems appropriate, including the interests of the Member(s) entitled to appoint such Director;

12.6.2 no RBS Director nor Sempra Director shall have any duty or obligation to give any consideration to the interests of, or factors affecting, the Partnership, the Members other than the Member(s) entitled to appoint such Director; and

12.6.3 no RBS Director or Sempra Director shall have any duty or obligation, except as explicitly required herein, to abstain from participating in any vote or other action of the Partnership or any of its subsidiaries.

No RBS Director or Sempra Director shall have breached any duty or obligation to the Partnership or the Members solely as a result of any of the foregoing.

12.7 Rights Following Certain Transfers

In the event that either SC or SEH VII, but not both, has Transferred its interest in the Partnership pursuant to Clause 16.3.2 to a Person other than RBS or an Associated Company of RBS, then the references to "Sempra Members", "Sempra Member Group" and "Sempra Director" in this Clause 12, and the rights of the Sempra Members to appoint such directors and otherwise to exercise rights under this Clause 12, shall reside with the Member or Members that continue to be part of the Sempra Member Group. The Successor Member of the last Sempra Member to sell its interest in the Partnership shall succeed to all such rights.

13 Funding of Ongoing Operations, Cost of Funds and Agreements with Affiliates

13.1 Funding of Ongoing Operations

13.1.1 RBS covenants and agrees with the Partnership and the Sempra Members that it shall lend cash and other working capital to the SET Group as necessary to fund all of the SET Group's ongoing operating expenses, including in all events sufficient funds to pay all of the SET Group's obligations to its employees. In addition, RBS hereby affirms its intention to provide capital to the Partnership (i) to support the trading activities of the SET Group (including transactions entered into on RBS's books under the Commodities Trading Activities Master Agreement) at a minimum as reasonably necessary to support the SET Group's trading activities at the level prevailing as of the date of the Closing, (ii) to fund the then-current business plan of the Partnership and (iii) as required to support available Partnership business opportunities, in each case with th e objective of supporting the reasonable growth of the SET Business (and, in each case, taking into consideration adverse changes in market conditions, historical performance and future prospects of the SET Business).

13.1.2 If RBS has materially failed to provide capital to the Partnership for any material period in accordance with the covenants or intentions set forth in Clause 13.1.1, then the Sempra Member Group may notify RBS, and RBS shall have ten (10) Business Days to cure such failure or reach agreement with the Sempra Member Group regarding such failure.

13.1.3 If (x) RBS has failed to provide capital to the Partnership for any material period in accordance with the covenants or intentions set forth in Clause 13.1.1 and has received notice thereof pursuant to Section 13.1.2 and RBS does not cure such failure or RBS and the Sempra Member Group are unable to reach agreement within the period specified in Clause 13.1.2 or (y) except in connection with a cessation or reduction of the scope of the business carried on as of the date hereof by the four (4) principal business units of the SET Group to the extent undertaken pursuant to Clause 12.4.1(vi) or to which the Sempra Member Group consented, RBS has suspended a material portion of the authority of the SET Group or its representatives under the Commodities Trading Activities Master Agreement (whether by suspension pursuant to Section 7.2 thereof or by any action or series of actions having a similar effect) for a period of time that has a material and adverse effect on the Business, then the Sempra Member Group shall have the following remedy (which shall be the Sempra Member Group's sole right with respect to such failure or suspension):

(i) The Sempra Member Group shall have the option, in its sole discretion, to deliver to RBS a "**Purchase Notice**" within ninety (90) days of the Sempra Member Group's notification to RBS under Clause 13.1.2.

(ii) Upon delivery of such Purchase Notice, the Sempra Member Group shall be obligated to purchase, and the RBS Member Group shall be obligated to sell, the RBS Member Group's entire ownership interest in the Partnership for a cash price equal to (a) the consolidated membership equity of the Partnership (including any goodwill on the books of the Partnership) *plus*, without duplication, the net book value of any trading positions remaining on the books of RBS relating to the SET Business, in each case, on the closing date of the purchase and after giving effect to the termination of all contracts between RBS and the Partnership and the transfer of trading positions on the books of RBS pertaining to the SET Business, as provided in Clause 13.1.3(iv), *minus* (b) the sum of (x) the Sempra Adjusted Contribution Amount immediately prior to such purchase *plus* (y) to the extent included in the consolidated membership equity of the Partnership, any distributions payable to any Sempra Member pursuant to Clause 7.2 that have not been distributed by the Partnership to such Sempra Member (excluding distributions that have been withheld or retained pursuant to Clause 7.3 or 9.1) *plus* (c) to the extent not included in the consolidated membership equity of the Partnership, any distributions payable to the RBS Member Group pursuant to Clause 7.2 that have not been distributed by the Partnership to RBS (excluding distributions that have been withheld or retained pursuant to Clause 7.3 or 9.1) (collectively, the "**Buyback Consideration**"). The closing date of such purchase shall occur on the last day of a month, and unless otherwise stated, each amount in the preceding sentence shall be determined as of such day as though such day were the end of the Financial Year (for purposes, among others, of calculating the Allocation Percentages). The RBS Member Group will prepare an estimated consolidated and combined balance sheet of the Partnership as of the closing date of such purchase and a statement setting forth the estimated Buyback Consideration (the "**Estimated Buyback Consideration**") and deliver such balance sheet and such statement to the Sempra Members five (5) days prior to the closing date of such purchase. Any financial statements or calculations made pursuant to this Clause 13.1.3 shall be prepared in accordance with IFRS in a manner consistent with that used to prepare the Accounts.

Subject to the provisions of the next sentences, the Buyback Consideration shall not, in any event, exceed $5,000,000,000. The provisions of the foregoing sentence are for the benefit of the RBS Member Group alone and may, within thirty (30) days of receipt of a Purchase Notice, be waived by RBS at its sole discretion (whether entirely or subject to a higher cap determined by RBS). To the extent that, at the time of such waiver, RBS or any of its holding companies remains subject to laws or regulations requiring transactions above a certain size to be approved by RBS's, or such holding company's, as the case may be, shareholders before such transactions are implemented, such waiver shall only be effective to the extent that either: (x) the waiver does not result in such a requirement being triggered or (y) the waiver does trigger such a requirement but the relevant s hareholder approval is obtained within sixty (60) days of the waiver (and the receipt of such approval or, in its absence, the expiry of such sixty (60) day period shall be a condition to the completion of such purchase). If RBS does not waive such limit on the Buyback Consideration or is

unable to obtain shareholder approval for such waiver (or RBS waives such limit subject to a higher cap) and the calculation of the Buyback Consideration in accordance with the foregoing provisions of this Clause 13.1.3(ii) produces a figure which is in excess of $5,000,000,000 (or such higher cap, as applicable), the RBS Member Group shall nonetheless be obligated to sell the RBS Member Group's entire interest in the Partnership to the Sempra Member Group for a cash price equal to $5,000,000,000 (or such higher cap, as applicable).

(iii) Such purchase shall be subject to the following conditions to closing: (a) the RBS Member Group shall represent and warrant that it has unencumbered title to its interests in the Partnership, (b) all necessary regulatory approvals for such purchase shall have been obtained, (c) the closing date of such purchase shall occur not later than 120 days following the date of the Purchase Notice (unless a longer period is required (x) for the Sempra Member Group to obtain necessary financing to consummate the purchase, arrange for the transfer of trading positions on the books of RBS relating to the SET Business or arrange for credit support in favour of RBS with respect to any trading position that cannot be transferred or liquidated, (y) to obtain necessary regulatory approvals or (z) as a result of any failure by RBS to cooperate in good faith to complete such p urchase, which longer period shall not, in the case of clauses (x) and (y) only, exceed 210 days following the date of the Purchase Notice) and (d) all actions and conditions required by Clause 13.1.3(iv) to have been taken or satisfied no later than the closing date of such purchase shall have been satisfied.

(iv) Following the receipt of a Purchase Notice and prior to the closing of the purchase, the Sempra Member Group and RBS Member Group shall take such actions as are necessary to, no later than the closing date of such purchase, (x) terminate the Commodities Trading Activities Master Agreement and any contracts between the SET Group and RBS or its affiliates and Associated Companies, (y) arrange for the repayment or refinancing of all outstanding loans between RBS, or any of its Associated Companies, and any member of the SET Group and (z) with respect to all trading positions and Trading Agreements relating to the SET Business, including those that are recorded on the books of RBS:

(a) First, provide for the assignment to or assumption by the SET Group of such trading positions and Trading Agreements and provide for the release of any guarantees or credit support provided by RBS or its Associated Companies with respect to such trading positions and Trading Agreements;

(b) Second, to the extent the assignment or assumption and release described in clause (a) is not reasonably practicable, cooperate to (i) enter into one or more mirror trades, total return swaps or other similar agreements between RBS, or any applicable Associated Company thereof, and the applicable members of the SET Group (whose obligations under such mirror trades, total return swaps or other agreements shall be supported by the credit of Sempra Energy), in a form reasonably acceptable to RBS and Sempra Energy, to (A) provide that all the economics of any such remaining trading positions and Trading Agreements are transferred to the SET Group and (B) pay a rate of return to RBS of LIBOR plus fifty (50) basis points (calculated in accordance with Clause 13.2) on the mark-to-market value of such trading positions and Trading Agreements and (ii) cause Sempra Ener gy and the Sempra Member Group to provide and maintain appropriate third party credit support in favour of RBS or any applicable Associated Company thereof, in a form reasonably acceptable to RBS and Sempra Energy, from a counterparty with a credit rating from a Ratings Agency at least equal to the then-current rating of the long-term unsecured unsubordinated debt of RBS with respect to the obligations of counterparties under such trading positions and Trading Agreements; *provided* that, for the avoidance of doubt, RBS may, at its election, cause the SET Group to liquidate any trading positions or Trading Agreements in the manner provided in clause (c) below at any time prior to the establishment of the arrangements described in this clause (b); and

(c) Third, to the extent the assignment or assumption and release described in clause (a) is not reasonably practicable and the credit support described in clause (b) cannot reasonably be provided, liquidate any such trading positions and Trading Agreements; *provided* that any aggregate net loss resulting from such liquidations shall be allocated equally between the Sempra Member Group and the RBS Member Group and any aggregate net gain resulting from liquidations shall be allocated to the Members in accordance with Clause 7.1 as though such gain were Adjusted Global Net Income, and the Buyback Consideration shall be adjusted accordingly.

If the Sempra Member Group provides third party credit support in respect of any trading positions or Trading Agreements pursuant to clause (b) above, the Sempra Member Group shall use commercially reasonable efforts to procure, as soon as is practicable following the closing of such purchase, and in any event, shall procure within one (1) year following the closing date of such purchase, that the obligations of RBS, or its Associated Companies, as the case may be, with respect to such trading positions or Trading Agreements are assumed by the SET Group and that RBS, or its Associated Companies, as the case may be, are released therefrom, or that such trading positions or Trading Agreements are liquidated. If, at any time after the closing of such purchase, trading positions or Trading Agreements remain outstanding and RBS notifies Sempra Energy that there have been material changes in RBS's credit exposure to Sempra Energy (as a result of changes in the amount of the exposure or the credit rating of Sempra Energy) under the mirror trades, swaps and other agreements described in clause (iv)(b)(i) above, Sempra Energy and RBS shall cooperate to enter into arrangements to reduce such exposure to the level existing at the closing of such purchase and shall discuss how the cost of managing such exposure will be divided among them.

(v) Following the receipt of a Purchase Notice and prior to the closing of the purchase, the RBS Member Group and the Sempra Member Group shall cooperate to arrange such transitional arrangements as may be reasonably available to effect an orderly transition of the Business and to further the purpose of this Clause 13.1.3.

(vi) On the closing date of such purchase, the Sempra Member Group shall pay to RBS the Estimated Buyback Consideration, and RBS shall sell, assign, transfer and deliver to the Sempra Member Group all of RBS's interest in the Partnership.

(vii) As promptly as practicable after the closing date of such purchase, but no later than ninety (90) days thereafter, the Sempra Member Group shall prepare and deliver (with assistance as requested from the Partnership and the RBS Member Group) to RBS, a statement setting forth the proposed Buyback Consideration (the "**Proposed Buyback Consideration**"), which shall be prepared as of 12:01 a.m. Eastern Standard Time on the closing date of such purchase.

(viii) RBS will have twenty (20) Business Days following delivery of the statement setting forth the Proposed Buyback Consideration during which to notify the Partnership and the Sempra Member Group in writing (the "**Notice of Objection**") of any objections to the preparation of the statement setting forth the Proposed Buyback Consideration or the calculation thereof, setting forth in reasonable detail the basis of its objections and, if practical, the U.S. dollar amount of each objection. In reviewing the statement of Proposed Buyback Consideration, RBS shall be entitled to reasonable access to all relevant books, records and personnel of the Partnership and its representatives to the extent RBS reasonably requests such information and reasonable access to complete its review of the Proposed Buyback Consideration. If RBS fails to deliver a Notice of Objection in acc ordance with this Clause 13.1.3(viii), the Proposed Buyback Consideration, together with the Sempra Member Group's calculation thereof, shall be conclusive and binding on all parties and it shall become the "**Final Buyback Consideration**". If RBS submits a Notice of Objection, then (a) for twenty (20) Business Days after the date the Sempra Member Group receives the Notice of Objection, the Sempra Member Group and RBS will use their commercially reasonable efforts to agree on the calculation of the Final Buyback Consideration and (b) failing such agreement within twenty (20) Business Days of such Notice of Objection, the matter will be resolved in accordance with Clause 13.1.3(ix) below.

(ix) If RBS and the Sempra Member Group have not agreed on the Final Buyback Consideration within twenty (20) Business Days after delivery of a Notice of Objection, then the Sempra Member Group and RBS shall each have the right to deliver notice to the other party (the "**Accounting Dispute Notice**") of its intent to refer the matter for resolution to PricewaterhouseCoopers LLP (or such other internationally recognised accounting firm as the Members may agree in writing) (the "**Accounting Expert**"). Within ten (10) Business Days of the delivery of the Accounting Dispute Notice (or, if later, the date on which the Members select an Accounting Expert other than that named above), RBS and the Sempra Member Group will each deliver to the other and to the Accounting Expert a notice setting forth in reasonable detail their calculation of the Final Buyback Conside ration. The Members shall procure that, within fifteen (15) Business Days after receipt thereof, the Accounting Expert will determine its best estimate of the calculation of the Final Buyback Consideration and provide a written description of the basis for such determination; *provided* that, if the Accounting Expert requests a hearing before making a determination, such hearing shall be held within twenty (20) Business Days of the parties' delivery of their respective calculation notices and the determination of the Final Buyback Consideration shall be made within ten (10) Business Days of such hearing. The fees and expenses of the Accounting Expert shall be paid pro rata by RBS and the Sempra Member Group in accordance with the percentage of the disputed amounts awarded to the other party (or its subsidiaries, which for these purposes shall include the Partnership and its subsidiaries as a subsidiary of the Sempra Member Group) as a result of the Accounting Expert's decision. &nb sp;Each Party will bear the costs of its own counsel, witnesses (if any) and employees.

(x) If the Final Buyback Consideration exceeds the Estimated Buyback Consideration, the Sempra Member Group shall pay (within two (2) Business Days of determination of the Final Buyback Consideration) an amount equal to such excess by wire transfer in immediately available funds to the RBS Member Group to an account specified by the RBS Member Group. If the Final Buyback Consideration is less than the Estimated Buyback Consideration, the RBS Member Group shall pay, within two (2) Business Days of determination of the Final Buyback Consideration, an amount equal to such deficit to the Sempra Member Group by wire transfer in immediately available funds to an account specified by the Sempra Member Group.

13.1.4 RBS shall, and shall cause the SET Group to, use reasonable endeavours to make the most efficient use of the capital maintained in respect of the Business for the purposes of satisfying the requirements of the FSA and to minimize the Total FSA Regulatory Capital (to the extent possible without restricting the growth of the Business).

13.2 Cost of Funds

13.2.1 Any funding provided by RBS in respect of the SET Business (including funding provided for activities conducted on the balance sheet of RBS as principal in respect of the SET Business) in excess of the Total FSA Regulatory Capital Attributed to the RBS Member Group (whether or not such amount has been reflected in the RBS Adjusted Contribution Amount) shall have a rate of return or bear interest at, as the case may be, a rate not to exceed LIBOR plus fifty (50) basis points. To the extent any such interest or return payable by the Partnership pursuant to this Clause 13.2.1 is paid to RBS pursuant to the Commodities Trading Activities Master Agreement or offset against fees otherwise payable to the Partnership thereunder, the Partnership shall not be obligated to make any other provision for the payment of such amounts.

13.2.2 Any amount loaned to or deposited with RBS or any of its Associated Companies by any member of the SET Group shall bear interest (i) to the extent such amount, together with all other amounts loaned to or deposited with RBS or any of its Associated Companies by any member of the SET Group, does not exceed the aggregate amount of funds loaned to, or provided for the benefit of, members of the SET Group by RBS and its Associated Companies, at a rate not to exceed LIBOR plus fifty (50) basis points and (ii) to the extent that such amount, together with all other amounts loaned to or deposited with RBS or any of its Associated Companies by any member of the SET Group, exceeds the aggregate amount of funds loaned to members of the SET Group by RBS and its Associated Companies, at a commercially reasonable rate.

13.2.3 The maturity of LIBOR for purposes of this Agreement shall be determined as follows:

(i) RBS shall use reasonable endeavours to manage the liquidity of the SET Group in accordance with the RBS Group Liquidity Policy and in compliance with the regulatory requirements of the FSA. In connection with such liquidity

management, RBS shall determine, in its commercially reasonable judgement, the maturity with respect to which the relevant LIBOR shall be calculated for purposes of this Agreement. The Members intend that RBS should not, in the ordinary course, realize a net profit from borrowings and deposits in respect of the Business or the SET Business as a result of RBS's ability to determine the LIBOR maturity hereunder.

(ii) Notwithstanding clause (i), the maturity of LIBOR for purposes of clause (ii)(b) of the definition of Sempra Member Group's Preferred Return shall be overnight.

13.3 Agreements with Affiliates

No Member shall, nor shall it permit any of its respective affiliates or Associated Companies to, provide or agree to provide any goods or services to or for the benefit of any member of the SET Group, unless (i) the price to be paid by such member of the SET Group in respect of such goods or services does not exceed the cost to such Member or Associated Company of providing such goods or services, calculated on the basis set out in Schedule 13.3 and (ii) the other terms applicable thereto are generally no less favourable to such member of the SET Group than the terms on which such Member provides similar goods or services to its other similarly situated Associated Companies. Clause (i) shall not apply to any Market Price Arrangements, and neither clause (i) nor clause (ii) shall apply to the Commodities Trading Activities Master Agreement, any transactions contemplated by or entered into under the Commodities Trading Activities Master Agreement, the Transition Services Agreement or any transaction that the Board, with the consent of at least one of the Sempra Directors, has exempted from this provision. If any Governmental Body determines that the provision of any good or service by any Member (or any affiliate or Associated Company thereof) in any particular jurisdiction at the price required by clause (i) does not comply with applicable transfer pricing and similar rules, such Member (or affiliate or Associated Company thereof) shall be permitted to provide such good or service in such jurisdiction at such greater or lesser price as will cause it to be in compliance with such rules, but such excess or shortfall shall be added to or subtracted from, as applicable, the Aggregate Transfer Pricing Adjustment for the relevant period.

14 Indemnification

14.1 Indemnity for Directors

14.1.1 Subject to the provisions of this Clause 14, the Partnership agrees to indemnify each of the Directors out of its own funds (or out of the proceeds of any insurance policy maintained by the Partnership in respect of such liabilities) against any expenses (including reasonable attorneys' fees), judgements, fines and amounts paid in settlement actually and reasonably incurred by such Director on or after the date of this Agreement as a result of such Director being made or threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director or is or was serving at the request of the Partnership as a director of another member of the SET Group.

14.1.2 Subject to the provisions of this Clause 14, the Partnership further agrees to indemnify each of the Directors in respect of out of pocket expenses reasonably incurred by such Director:

(i) in the ordinary and proper discharge of such Director's duties in relation to the conduct of the business of the Partnership; and

(ii) in or about anything necessarily done for the preservation of the business or property of the Partnership.

14.1.3 This indemnity shall only extend to such costs and expenses incurred by the Director in relation to the matters in respect of which he is entitled to be indemnified in this Clause 14.1.

14.2 Limitations on indemnity for Directors

14.2.1 Without prejudice to any other rights or remedies which may be available to the Director, the indemnity granted by the Partnership to the Director in Clause 14.1 shall not extend to any liability (including any costs and expenses) incurred by, or attaching to, the Director:

(i) owing to any member of the SET Group or any Members, including liabilities resulting from any claim brought against such Director by such Persons; *provided* that the Director shall be entitled to reasonable expenses (including attorneys' fees) incurred in connection with the defence of any such claim if such Director is not adjudged liable;

(ii) to pay a fine imposed in criminal proceedings or to pay a penalty imposed by any regulatory authority;

(iii) in connection with or in defending any criminal action or proceedings in which he is convicted, where such conviction is final; or

(iv) resulting from such Director's wilful misconduct.

14.2.2 The Partnership shall not be required to pay any amounts under this Clause 14 in advance of a final disposition of the relevant action, suit or proceeding unless the Partnership determines in its sole discretion (as provided in Clause 14.2.3) that such advance is reasonable and appropriate and the Director claiming indemnification has provided an undertaking to repay such amounts if the Partnership ultimately determines that such Director is not entitled to be indemnified by the Partnership.

14.2.3 Any determination by the Partnership regarding the matters described in this Clause 14 shall be made by a committee of the Board consisting of the Directors who (i) are not subject to the action, suit or proceeding giving rise to the liability for which indemnification is sought and (ii) do not otherwise have any conflict of interest. If there are no such Directors, such determination shall be made by the Members, with the consent of at least one of the Sempra Members.

14.2.4 Furthermore, the indemnity provided for in this Clause 14 shall not apply to the extent that it is prohibited by, or inconsistent with, Applicable Laws.

14.2.5 Notwithstanding anything herein to the contrary, the Partnership shall be relieved of its obligation to indemnify any Director to the extent that any loss could have been mitigated had such Director taken reasonable and apparent mitigating steps.

15 Competition with the Partnership

15.1 RBS Non-compete

15.1.1 Except for RBS Permitted Competitive Activities and except as provided in Clause 15.1.3 or 15.1.4, RBS shall not, and shall procure that its Associated Companies do not, for the duration of the Restricted Period, directly or indirectly through partnerships, joint ventures or otherwise, conduct or engage in activities comprising SET Core Businesses (including any activities resulting directly or indirectly from any investment, acquisition or merger in which RBS, or its relevant Associated Company, is the surviving entity other than any such transaction that is subject to Clause 15.1.2 or 15.1.3) unless the Sempra Member Group has granted its prior written consent. Notwithstanding the foregoing, if RBS and its Associated Companies have made good faith efforts to comply with this Clause 15.1.1, RBS and its Associated Companies shall not be deemed to have breached this C lause 15.1.1 in any Financial Year if the aggregate Net Trading Revenue of RBS and its Associated Companies during such Financial Year attributable to activities comprising SET Core Businesses is less than $5,000,000; *provided* that, if in any Financial Year the aggregate Net Trading Revenue of RBS and its Associated Companies during such Financial Year attributable to activities comprising SET Core Businesses equals or exceeds $5,000,000, RBS shall, and shall cause its Associated Companies to, payover any Net Trading Revenue in excess of $5,000,000 to the Partnership promptly following the last day of such Financial Year, and such excess shall be treated as income of the Partnership for the purposes of calculating Adjusted Global Net Loss and Adjusted Global Net Income.

15.1.2 For the duration of the Restricted Period, RBS shall not, and shall not permit any Associated Company to, directly or indirectly, own or acquire an equity interest of more than twenty-five percent (25%) in any entity (or group of related entities or assets constituting a line of business) that, together with its subsidiaries, engages in trading activities that constitute SET Core Businesses if the Average Net Trading Revenue attributable to such trading activities represent fifty percent (50%) or more of the Average Net Trading Revenue of such entity (or group of related entities or line of business) and its subsidiaries (such entity, group of related entities or line of business, a "**Major Competitor**").

15.1.3 For the duration of the Restricted Period, in the event that RBS or any Associated Company of RBS, directly or indirectly, acquires (x) an equity interest of more than thirty-three percent (33%) in a Public Entity, (y) an equity interest of more than forty-five percent (45%) in a Non-Public Entity or (z) the right or ability (by voting power, contract or otherwise) to elect or designate for election a majority of the board of directors (or analogous body) of a Public Entity or Non-Public Entity (or the parent company of any such entity), in each case that engages in trading activities that constitute or are competitive with the SET Core Businesses but that is not a Major Competitor (a "**Minor Competitor**"), then:

(i) RBS and Sempra Energy shall negotiate in good faith to combine such Minor Competitor's activities with the activities of the SET Group. Such negotiations shall include the structure of the combination, the amount of additional capital, if any, to be Contributed by the Members in connection with such combination and the adjustment of the allocation of distributions to Members hereunder in order to reflect the value of such Minor Competitor; and

(ii) if RBS is unable to combine such activities with those of the SET Group, or if RBS and Sempra Energy, acting in good faith, are unable to agree to the terms of any such combination, within a period of six months from the date of the consummation of such acquisition or investment by RBS or such Associated Company, then:

(a) prior to entering into any transaction or series of related transactions with, or directing any corporate opportunity to, such Minor Competitor within the RBS Covered Areas that constitutes or is competitive with the SET Core Businesses (each such transaction, series of related transactions or corporate opportunity, an "**RBS Core Transaction**"), RBS shall, and shall procure that its Associated Companies, make a good faith effort to notify the Partnership of such RBS Core Transaction and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit an offer to RBS or such Associated Company with respect to such RBS Core Transaction; *provided* that RBS and its Associated Companies shall be free to accept or reject any offer made by the Partnership hereunder; and

(b) if, subsequent to rejecting an offer made by the Partnership pursuant to the preceding clause, RBS determines to engage in such RBS Core Transaction with such Minor Competitor on terms more favourable to such Minor Competitor than those specified in the Partnership's offer, RBS shall, or shall cause such Associated Company to, make a good faith effort to notify the Partnership of such terms and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit a revised offer to RBS or such Associated Company with respect to such RBS Core Transaction; *provided* that RBS and its Associated Companies shall be free to accept or reject any revised offer made by the Partnership hereunder; *provided further* that, if RBS or such Associated Company rejects such revised offer, neither RBS nor such Associated Company may enter into such RB S Core Transaction with such Minor Competitor on terms that are identical in all material respects to, or more favourable to such Minor Competitor than, the terms specified in the Partnership's revised offer.

Notwithstanding the foregoing, RBS and its Associated Companies shall only be required to comply with this Clause 15.1.3(ii) with respect to any RBS Core Transaction that is reasonably expected at the time of execution to result in gross purchases and sales of at least $100,000,000 in aggregate, and only with respect to 75% of such RBS Core Transactions executed in any Financial Year.

15.1.4 Notwithstanding any other provision of this Clause 15.1, (i) RBS and its Associated Companies shall be permitted to sponsor, manage and advise private equity, hedge and other types of funds and investment vehicles (collectively, "**Funds**"), (ii) any such Fund shall be permitted to own portfolio companies or securities of other portfolio investments that engage in SET Core

Businesses (whether or not competitive with the SET Group) and (iii) RBS and its Associated Companies may own general partner, managing member and other ownership interests in such Funds and the portfolio companies and other portfolio investments thereof (including without limitation through so-called "co-investment" and similar arrangements in connection with such Funds); *provided*, in each case, that at all times (x) such Fund is a bona fide investment vehicle formed to ma ke multiple investments and (y) at least two-thirds of the capital of any such Fund is invested by Persons other than RBS and its affiliates or Associated Companies.

15.1.5 For the purposes of this Clause 15.1, the SET Core Businesses shall not include Commodity Transactions in currencies and interest rates.

15.2 Sempra Non-compete

15.2.1 The parties acknowledge that Sempra Energy and its Associated Companies have in the past engaged in Commodity Transactions, including Commodity Transactions comprising SET Core Businesses, and will, in a manner consistent with this Clause 15.2.1, continue to engage in such Commodity Transactions on and after the date hereof. During the Restricted Period, prior to entering into any transaction or series of related transactions, executed by or on behalf of any of the Sempra Covered Units and comprising SET Core Businesses (each such transaction or series of related transactions, a "**Sempra Core Transaction**"), with any Third Party Commodities Trading Organisation, Sempra Energy shall, and shall procure that any relevant Associated Company of Sempra Energy shall, if feasible, make a good faith effort to notify the Partnership of (i) such Sempra Core Tran saction and (ii) the terms Sempra Energy or such Associated Company has negotiated or reasonably expects to negotiate with respect to such Sempra Core Transaction; *provided*, *however*, that this covenant shall bind Sempra Energy only with respect to any Sempra Core Transaction that is reasonably expected at the time of execution to result in gross purchases and sales of at least $100 million in aggregate, and only with respect to 75% of such Sempra Core Transactions executed in any Financial Year. The Partnership, within a reasonable time of receipt of such notice, shall have the right to engage in such Sempra Core Transaction with Sempra Energy or such Associated Company on terms identical in all material respects to, or more favourable to Sempra Energy or such Associated Company than, those set forth in such notice. The Partnership shall exercise such right by promptly notifying Sempra Energy or such Associated Company and taking such further actions as are required to evidence such engagement and perform the terms thereof. If the Partnership fails to promptly exercise such right or, following exercise of such right, fails to promptly perform such actions as are required hereunder, neither Sempra Energy nor such Associated Company shall have any further obligation to the Partnership with regard to such transaction or series of related transactions. Notwithstanding the foregoing, neither Sempra Energy nor any Associated Company thereof shall have any obligation to comply with this Clause 15.2.1 if any resulting transaction would or is reasonably likely to violate or conflict with Sempra Energy's or such Associated Company's policies and practices concerning concentration of credit or risk exposure, which shall be determined by Sempra Energy or such Associated Company in its reasonable discretion.

15.2.2 For the duration of the Restricted Period, Sempra Energy shall not, and shall not permit any Associated Company to, directly or indirectly, own or acquire an equity interest of more than twenty-five percent (25%) in a Major Competitor.

15.2.3 For the duration of the Restricted Period, in the event that Sempra Energy or any Associated Company of Sempra Energy, directly or indirectly, acquires (x) an equity interest of more than thirty-three percent (33%) in a Public Entity, (y) an equity interest of more than forty-five percent (45%) in a Non-Public Entity or (z) the right or ability (by voting power, contract or otherwise) to elect or designate for election a majority of the board of directors of a Public Entity or Non-Public Entity (or the parent company of any such entity), in each case, that is a Minor Competitor, then:

(i) Sempra Energy and RBS shall negotiate in good faith to combine such Minor Competitor's activities with the activities of the SET Group. Such negotiations shall include the structure of the combination, the amount of additional capital, if any, to be Contributed by the Members in connection with such combination and the adjustment of the allocation of distributions to Members hereunder in order to reflect the value of such Minor Competitor; and

(ii) if Sempra Energy is unable to combine such activities with those of the SET Group, or if Sempra Energy and RBS, acting in good faith, are unable to agree to the terms of any such combination, within a period of six months from the date of the consummation of such acquisition or investment by Sempra Energy or such Associated Company, then:

(a) prior to entering into any Sempra Core Transaction with such Minor Competitor, Sempra Energy shall, and shall procure that its Associated Companies, make a good faith effort to notify the Partnership of such Sempra Core Transaction and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit an offer to Sempra Energy or such Associated Company with respect to such Sempra Core Transaction; *provided* that Sempra Energy and its Associated Companies shall be free to accept or reject any offer made by the Partnership hereunder; and

(b) if, subsequent to rejecting an offer made by the Partnership pursuant to the preceding clause, Sempra Energy determines to enter into such Sempra Core Transaction with such Minor Competitor on terms more favourable to such Minor Competitor than those specified in the Partnership's offer, Sempra Energy shall, or shall cause such Associated Company to, make a good faith effort to notify the Partnership of such terms and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit a revised offer to Sempra Energy or such Associated Company with respect to such Sempra Core Transaction; *provided* that Sempra Energy and its Associated Companies shall be free to accept or reject any revised offer made by the Partnership hereunder; *provided*, *further*, that, if Sempra Energy or such Associated Company rejects such revised offer, nei ther Sempra Energy nor such Associated Company may enter into such Sempra Core Transaction with such Minor Competitor on terms that are identical in all material respects to, or more favourable to such Minor Competitor than, the terms specified in the Partnership's revised offer.

Notwithstanding the foregoing, Sempra Energy and its Associated Companies shall only be required to comply with this Clause 15.2.3(ii) with respect to any Sempra Core Transaction that is reasonably expected at the time of execution to result in gross purchases and sales of at least $100,000,000 in aggregate, and only with respect to 75% of such Sempra Core Transactions executed in any Financial Year.

15.2.4 For the avoidance of doubt, and notwithstanding any provision of this Clause 15.2 to the contrary, this Clause 15.2 shall not apply to any Sempra Utilities or any other Person now owned by Sempra Energy or any of its Associated Companies or hereafter acquired, that is subject to cost-based rate regulation and regulation as to service by any state, federal or foreign governmental regulation and owns or operates facilities used for (i) the generation, transmission, or distribution of electric energy for sale, (ii) the distribution of natural or manufactured gas for heat, light, or power or (iii) the collection, treatment and distribution of water for sale.

15.2.5 For the purposes of this Clause 15.2, the SET Core Businesses shall not include Commodity Transactions in currencies and interest rates.

15.3 Termination of Noncompetition Covenants.

In the event that either RBS or Sempra Energy is acquired by another Person, which other Person was not, prior to such acquisition, an Associated Company of such Person, the provisions of Clauses 15.1 and 15.2 shall cease to apply to both RBS and the Sempra Members.

15.4 Disputes

In the event that a dispute arises among the Members concerning whether any Member has breached the terms of Clause 15.1 or 15.2, as applicable, the parties shall resolve such dispute in accordance with the procedures set forth in Clause 19.2. If a Member admits that it has, or is determined pursuant to such procedures to have, breached the provisions of Clause 15.1 or 15.2, as applicable, such Member shall cease any such activities or operations or dispose of such activities or operations as promptly as commercially practicable and shall pay over the profits it has earned in connection with such activities or operations to the Partnership, and such Member shall have no further liability hereunder for such breach.

15.5 No Hire

15.5.1 The Sempra Members agree that they will not, at any time while any Sempra Member or Associated Company of Sempra Energy has any ownership interest in the Partnership and for a period of one year from the date on which the Sempra Member Group ceases to have any membership interest in the Partnership, solicit, endeavour to entice away, employ or offer to employ any person who is, at such time, or has been during the prior twelve (12) months, an employee, officer or manager of any member of the SET Group; *provided* that this Clause 15.5.1 shall not, except with respect to employees at or above the level of vice president (or who, within the preceding twelve (12) months, had been employed at or above the level of vice president), prohibit the general advertisement of employment opportunities not specifically targeting any employee, officer or manager of any member of the SET Group , or any resulting employment or offer of employment.

15.5.2 RBS (on behalf of the RBS Group) agrees that it will not, at any time while RBS or any Associated Company of RBS has any ownership interest in the Partnership and for a period of one year from the date on which the RBS Group ceases to have any membership interest in the Partnership, directly or indirectly, solicit, endeavour to entice away, employ or offer to employ any person who is, at such time, or has been during the prior twelve (12) months, an employee, officer or manager of any member of the SET Group; *provided* that this Clause 15.5.2 shall not, except with respect to employees at or above the level of vice president (or who, within the preceding twelve (12) months, had been employed at or above the level of vice president), prohibit the general advertisement of employment opportunities not specifically targeting any employee, officer or manager of any member of the SE T Group, or any resulting employment or offer of employment.

15.6 Invalidity

15.6.1 Each of the restrictions set forth in this Clause 15 is an entirely separate and independent restriction on each party and the validity of one restriction shall not be affected by the validity or unenforceability of another.

15.6.2 Each party considers the restrictions in this Clause 15 to be reasonable and necessary for the protection of the interests of the Business. If any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall apply with such deletion or modification as may be necessary to make it valid and enforceable.

16 Term and Termination

16.1 Duration

Subject to the other provisions of this Agreement, this Agreement shall continue in full force and effect without limit in point of time until the parties agree in writing to terminate this Agreement. Neither RBS nor the Sempra Members shall be permitted to resign from the Partnership except as expressly provided in this Agreement, and the resignation and replacement from time to time of a Designated Member shall not affect the continuity of the Partnership between the remaining Members.

16.2 Termination

16.2.1 Termination of this Agreement shall not release a party from any liability which at the time of termination has already accrued to the other party or which thereafter may accrue in respect of any act or omission prior to such termination.

16.2.2 Clauses 1 and 17 to 19 shall survive termination of this Agreement.

16.3 Exit Rights and Tag-Along Rights

16.3.1

For the duration of the Restricted Period, no Member may Transfer its interest in the Partnership except (i) as provided in Clause 4.7 and (ii) pursuant to a bona fide pledge of or encumbrance on all or any portion of the distributions payable in connection with such interest securing any Indebtedness of such Member to an unaffiliated third party that is incurred for a purpose other than effecting the Transfer of such Member's interest in the Partnership or any part thereof.

16.3.2 In addition to each Member's right to Transfer its interest in the Partnership in accordance with Clause 16.3.1, at any time following the termination of the Restricted Period, any Sempra Member may Transfer all, but not part, of its interest in the Partnership as follows:

(i) Such Sempra Member shall notify RBS in writing (the "**Outside Transfer Notice**") of its intention to Transfer its interest in the Partnership (the "**Offered Interest**"); *provided* that, if such Sempra Member has previously delivered an Outside Transfer Notice, it may not deliver a subsequent Outside Transfer Notice for a period of two (2) years following the date on which the most recently delivered Outside Transfer Notice was delivered.

(ii) Within 180 days of receipt of the Outside Transfer Notice, RBS shall notify such Sempra Member in writing as to whether RBS desires to purchase the Offered Interest (an "**Indication Notice**"). Unless RBS has notified such Sempra Member that RBS does not desire to purchase the Offered Interest, such Sempra Member and RBS shall endeavour, during such period of 180 days, to negotiate a purchase price for the Offered Interest, which price shall not exceed an amount equal to the Exit Price Cap *plus* the amount of any distributions payable to such Sempra Member pursuant to Clause 7.2 or 7.3.4 that have not been distributed by the Partnership to such Sempra Member (other than distributions that are treated as having been distributed pursuant to Clause 7.3.1, 7.3.2 or 9.1 or that are retained pursuant to Clause 7.3.3). If at any time such Sempra Member determine s not to Transfer the Offered Interest, such Sempra Member may withdraw the Outside Transfer Notice, and thereafter, such Sempra Member shall not have any obligation to RBS under this Clause 16.3.2 unless such Sempra Member delivers a subsequent Outside Transfer Notice; *provided* that, if such Sempra Member withdraws such Outside Transfer Notice, such Sempra Member shall not be permitted to Transfer the Offered Interest pursuant to this Clause 16.3.2 unless such Sempra Member once again delivers an Outside Transfer Notice.

(iii) If RBS and such Sempra Member determine, at any time during the period specified in clause (ii), that they will not be able to agree to a purchase price, or RBS and such Sempra Member have failed to agree to a purchase price within the period specified in clause (ii), then RBS and such Sempra Member may agree to submit to binding arbitration under Clause 19.2 (without giving effect to the sixty (60) day negotiation period described in Clause 19.2.1). If RBS is unwilling to proceed to arbitration at such time, RBS shall be deemed to have delivered an Indication Notice stating that RBS does not desire to purchase the Offered Interest. If, at the end of the period specified in clause (ii), RBS delivers a written notice to such Sempra Member stating that RBS is willing to proceed to arbitration, then such Sempra Member shall either consent to such arbitr ation or shall be deemed to have withdrawn the Outside Transfer Notice pursuant to the last sentence of clause (ii). If RBS and such Sempra Member agree to submit to arbitration, such submission shall be deemed to be a binding commitment by RBS to purchase the Offered Interest at the price determined by the arbitration panel and such arbitration shall be conducted in a manner consistent with this Clause 16.3.2(iii) and Clause 19.2; *provided* that:

(a) The arbitration panel shall be instructed to determine solely the purchase price of the Offered Interest. Such purchase price shall reflect the amount that a willing buyer not under compulsion to buy would agree with a willing seller not under compulsion to sell in an arm's length transaction and shall not include any discount or premium in respect of control.

(b) Each of RBS and such Sempra Member shall propose to the arbitration panel a purchase price for the Offered Interest not greater than the Exit Price Cap.

(c) The arbitration panel shall determine the purchase price of the Offered Interest by selecting either the proposal of RBS or the proposal of such Sempra Member and shall not consider the existence of the Exit Price Cap in making such determination. The arbitration panel shall also determine the amount of any distributions payable to such Sempra Member pursuant to Clause 7.2 or 7.3.4 that have not been distributed by the Partnership to such Sempra Member (other than distributions that are treated as having been distributed pursuant to Clause 7.3.1, 7.3.2 or 9.1 or that are retained pursuant to Clause 7.3.3), and without regard for the Exit Price Cap, such amount shall be added to the purchase price proposal selected by the arbitration panel in accordance with the preceding sentence.

(d) The arbitration panel shall render its decision no later than 180 days following the date on which RBS delivered the Arbitration Demand.

(iv) If RBS delivers an Indication Notice stating that RBS desires to purchase the Offered Interest within the period specified in clause (ii) and RBS and such Sempra Member agree to a purchase price during such period, then RBS and such Sempra Member shall use reasonable endeavours to cause such Transfer of the Offered Interest to close within 365 days of the date of such Indication Notice. If RBS and such Sempra Member agree to submit to arbitration under clause (iii), RBS shall, promptly following the rendering of a final decision by the arbitration panel, enter into a binding agreement with such Sempra Member to purchase the Offered Interest at the price determined by the arbitration panel and RBS and such Sempra Member shall use reasonable endeavours to cause such Transfer of the Offered Interest to close within 180 days of the rendering of a final decision by the arbitr ation panel.

(v) If RBS (a) does not deliver an Indication Notice within the period specified in clause (ii) (except in the case that RBS and such Sempra Member agree to submit to arbitration under clause (iii)), (b) delivers an Indication Notice stating that RBS does not desire to purchase the Offered Interest (or is deemed to have done so under clause (iii)) or (c) to the extent

applicable, fails to promptly perform such actions as are required by clause (iv), then such Sempra Member shall be permitted, subject to clauses (vi) and (vii), for a period of 270 days from the earlier of the date by which RBS was required to deliver an Indication Notice and the date on which RBS delivered (or was deemed to have delivered) an Indication Notice stating that RBS does not desire to purchase the Offered Interest, to enter into a binding contract to Transfer the Offered Interest to any Person on such terms and conditions as such Sempra Member may negotiate.

(vi) Promptly upon such Sempra Member becoming entitled to Transfer the Offered Interest to a third party pursuant to clause (v), such Sempra Member shall deliver a notice to RBS setting forth the most favourable terms and conditions on which such Sempra Member was willing to Transfer the Offered Interest to RBS. If such Sempra Member determines to Transfer the Offered Interest to a third party in accordance with clause (v) on terms and conditions more favourable to such third party than the terms and conditions set forth in the notice delivered pursuant to the preceding sentence, such Sempra Member shall, prior to Transferring the Offered Interest to such third party, notify RBS in writing of the terms and conditions on which such Sempra Member proposes to Transfer the Offered Interest to such third party. RBS, within thirty (30) days of receipt of such notice, shall h ave the right to purchase the Offered Interest on terms and conditions identical in all material respects to, or more favourable to such Sempra Member than, the terms and conditions on which such Sempra Member was willing to Transfer the Offered Interest to such third party. RBS shall exercise such right by notifying such Sempra Member in writing and taking such further actions as are required to close such Transfer within 180 days of the date on with RBS exercises such right. If RBS fails to exercise such right within the thirty (30) day period specified above or, following exercise of such right, fails to promptly perform such actions as are required hereunder, such Sempra Member shall have no further obligation to RBS with regard to such Transfer and may Transfer the Offered Interest to such third party in accordance with clause (v) on terms and conditions identical in all material respects to, or no more favourable to such third party than, the terms and conditions specified in the notic e described above. Notwithstanding the foregoing, if such Sempra Member became entitled to Transfer the Offered Interest to a third party pursuant to clause (v)(c), then such Sempra Member shall not be required to comply with this clause (vi).

(vii) If such Sempra Member determines to Transfer the Offered Interest to a third party in accordance with clause (v) and such third party (i) is a bank, bank holding company, registered broker-dealer or Associated Company of any of the foregoing, (ii) is a hedge fund controlled by, or whose holding company is, either a bank, bank holding company or registered broker-dealer or (iii) has a credit rating from a Ratings Agency lower than the then-current rating of the long-term unsecured unsubordinated debt of Sempra Energy, then such third party must be acceptable to RBS, in RBS's sole discretion.

(viii) If such Sempra Member determines to Transfer the Offered Interest to a third party in accordance with clause (v), RBS and the Partnership shall, and shall cause their Associated Companies to, provide reasonable access to all relevant books, records and personnel of the Partnership and its representatives to the extent such Sempra Member or such third party reasonably requests such information and access; *provided* that RBS and the Partnership may require, prior to providing such access, that such third party agree to maintain the confidentiality of such information on terms consistent with Clause 17.

(ix) Notwithstanding any provision of this Clause 16.3.2 to the contrary:

(a) Subject to the provisions of the next sentences, if RBS agrees to purchase the Offered Interest pursuant to this Clause 16.3.2, the purchase price for such Offered Interest shall not, in any event, exceed $5,000,000,000. The provisions of the foregoing sentence are for the benefit of the RBS Member Group alone and may, within thirty (30) days of receipt of an Outside Transfer Notice or a notice pursuant to clause (vi), be waived by RBS at its sole discretion (whether entirely or subject to a higher cap determined by RBS). To the extent that, at the time of such waiver, RBS or any of its holding companies remains subject to laws or regulations requiring transactions above a certain size to be approved by RBS's, or such holding company's, as the case may be, shareholders before such transactions are implemented, such waiver shall only be effective to the extent that ei ther: (x) the waiver does not result in such a requirement being triggered or (y) the waiver does trigger such a requirement but the relevant shareholder approval is obtained within sixty (60) days of the waiver (and the receipt of such approval or, in its absence, the expiry of such sixty (60) day period shall be a condition to the completion of such purchase).

(b) Clause (ix)(a) shall not in any manner restrict such Sempra Member's right to value and negotiate for the sale of the Offered Interest at such purchase price as such Sempra Member, in its sole discretion, may determine. If as a result of clause (ix)(a), RBS (or its holding company) is required, as a condition to completing a purchase of the Offered Interest, seek approval from its shareholders, (x) RBS shall, or shall procure that its holding company, if applicable, recommend such transaction to its shareholders and (y) if such shareholder approval is not obtained within the period of time set forth in clause (ix)(a), (A) RBS shall be deemed to have delivered an Indication Notice, on the date that such failure to satisfy the closing condition caused such purchase not to close, stating that RBS does not desire to purchase the Offered Interest, and the 270-day period specified in clause (v) shall be deemed to start (or restart) on such date and (B) all restrictions under this Agreement on any Sempra Member's (or successor's) ability to Transfer any interest in the Partnership shall cease to be applicable.

16.3.3 Any third party who purchases an interest in the Partnership from any Sempra Member (the "**Successor Member**") shall be subject to the following restrictions on Transfer of such Successor Member's interest in the Partnership.

(i) For a period of three (3) years following such Successor Member's admission to the Partnership, such Successor Member shall not be permitted to Transfer its interest in the Partnership except (i) as provided in Clause 4.7 and (ii) pursuant to a bona fide pledge of or encumbrance on all or any portion of the distributions payable in connection with such interest securing any Indebtedness of such Successor Member to an unaffiliated third party that is incurred for a purpose other than effecting the Transfer of such Successor Member's interest in the Partnership or any part thereof.

(ii) Such Successor Member shall be subject to the provisions of Clause 16.3.2, with the following modifications:

(a) each reference to a Sempra Member shall be deemed to be a reference to such Successor Member;

(b) the words "at any time following the termination of the Restricted Period" shall be deemed to be replaced with the words "at any time following the third anniversary of a Successor Member's admission to the Partnership;"

(c) any reference to Clause 16.3.1 shall be deemed to be a reference to Clause 16.3.3(i); and

(d) each reference to the Exit Price Cap shall be deemed to be a reference to the Successor Exit Price Cap.

(iii) The effectiveness of this Clause 16.3 shall cease at such time as neither RBS nor any Associated Company thereof is a Member.

16.3.4 In addition to each Member's right to Transfer its interest in the Partnership in accordance with Clause 16.3.1, at any time following the termination of the Restricted Period, RBS or any RBS Member may Transfer all, but not part, of its interest in the Partnership to a third party (the "**Acquiror**") as follows:

(i) RBS shall notify each Sempra Member of RBS's intention to Transfer such interest, and each Sempra Member shall have the right to submit to RBS an offer, within thirty (30) days, to purchase such Partnership interest. RBS shall be free to accept or reject any offer made by any Sempra Member hereunder; *provided*, *however*, that, if RBS rejects such offer, RBS may only Transfer its interest in the Partnership to any Acquiror on terms and conditions that are no more favourable to such Acquiror than the terms and conditions specified in such Sempra Member's offer. RBS shall be permitted, for a period of 270 days from the date on which RBS notifies the Sempra Members of its intention to Transfer such Partnership Interest, to enter into a binding contract to Transfer such Partnership Interest to any Person who is reasonably acceptable to the Sempra Members on such terms and conditions as such RBS may negotiate.

(ii) RBS shall provide the Sempra Member Group with not less than thirty (30) days prior written notice of any proposed sale to an Acquiror, including the identity of the Acquiror and all of the material terms and conditions thereof. RBS shall procure that, upon receipt of such notice, the Sempra Member Group shall have the right (subject to compliance with Applicable Laws), but not the obligation, to Transfer its interest in the Partnership to the Acquiror on the same terms and conditions (to the extent reasonably applicable), and at the same time, as those on which RBS is Transferring its interest; *provided* that no Sempra Member shall be required to cause any Sempra Utility to take any action that is restricted under Applicable Law in order for the Sempra Member Group to exercise its right under this clause (ii). If the Sempra Member Group elects to Transfer its int erest in the Partnership to the Acquiror pursuant to this Clause 16.3.4(ii), the purchase price paid by such Acquiror shall be divided among the Members as follows:

first, each Member shall receive an amount equal to the book value of any trading positions relating to the SET Business that are on the books of RBS or the SET Group, but only to the extent (x) of any funding in respect of the Business or SET Business provided by such Member to the SET Group (other than the Adjusted Contribution Amounts) and (y) such funding was not assumed by the Acquiror in connection with the purchase of the Partnership;

second, each Member shall receive a portion of the purchase price equal to such Member's Adjusted Contribution Amount (or, if the purchase price is less than the aggregate Adjusted Contribution Amounts of the Members, then each Member shall receive a portion of the purchase price proportionate to such Member's Adjusted Contribution Amount as a percentage of the aggregate Adjusted Contribution Amounts of the Members);

third, any amount of the purchase price remaining shall be divided among the Members in proportion to the average, over the preceding two (2) full Financial Years, of the Sempra Maximum Entitlement or the RBS Maximum Entitlement, as applicable, as a percentage of the average, over such period, of the sum of the Sempra Maximum Entitlement and the RBS Maximum Entitlement;

in each case, determined as of the last day of the most recently completed month, as though such month end were the end of the Financial Year.

If the Sempra Member Group chooses to exercise such right, it shall provide written notice to the Acquiror and to RBS within twenty (20) days of receipt of the notice informing them of such sale and, upon receipt, all parties shall be deemed to have consented to such Transfers.

16.3.5 If, at any time, one but not both of the Sempra Members (or any Successor Member) determines to Transfer its interest in the Partnership pursuant to Clause 16.3.2 (or 16.3.3), the Sempra Members (or such Successor Member) and RBS shall negotiate in good faith to make such changes to this Agreement, and in particular to the provisions of Clause 16.3.2 (or 16.3.3), as may be necessary or desirable to (i) accommodate such Transfer by a single Sempra Member (or such Successor Member), (ii) provide for, if applicable, the admission of an additional Member that is not an Associated Company of either Sempra Energy (or, if applicable, such Successor Member) or RBS and (iii) equitably allocate any aggregate limitations applicable to the Sempra Member Group (or such Successor Member) to the individual Sempra Members (or any Successor Member).

16.4 Liquidation of the Partnership

16.4.1 The "**Sempra Liquidation Amount**" and the "**RBS Liquidation Amount**" shall equal the amounts that the Sempra Members (in the aggregate) and RBS, respectively, would receive if the Partnership were to, hypothetically, liquidate and distribute its assets in the manner set forth below.

(i) First, the Partnership shall calculate the amount of assets that would be distributed to each Member as if the following priority applied to determine how the assets of the Partnership are to be applied:

(a) first, to provide for the payment of all liabilities of the Partnership;

(b) second, to distribute to each Member any distributions payable to such Member pursuant to Clause 7.2 that have not been distributed by the Partnership to such Member (excluding distributions that have been withheld or retained pursuant to Clause 7.3 or 9.1);

(c) third, to return to each Member with a positive Adjusted Contribution Amount an amount equal to the Adjusted Contribution Amount of such Member; and

(d) fourth, to allocate (in accordance with Clause 7.1) and distribute (in accordance with Clause 7.2) to each Member as though the fair market value of such assets were Adjusted Global Net Income.

(ii) Second, if any Member has a negative Adjusted Contribution Amount immediately prior to the liquidation of the Partnership:

(a) the Partnership shall retain from any distributions otherwise payable to such Member pursuant to clause (i) assets with a fair market value equal to the lesser of (a) the absolute value of such negative Adjusted Contribution Amount and (b) the total amount of distributions otherwise payable to such Member pursuant to clause (i); and

(b) following the distribution of the other assets of the Partnership in accordance with clause (i)(a) through (d), any assets retained pursuant to clause (ii)(a) shall then be allocated (in accordance with Clause 7.1) and distributed (in accordance with Clause 7.2) to each Member, without regard to the balance of any Member's Adjusted Contribution Amount as though the fair market value of such assets were Adjusted Global Net Income.

16.4.2 On liquidation of the Partnership, the Partnership shall calculate the Sempra Liquidation Amount and the RBS Liquidation Amount in accordance with Clause 16.4.1 and then apply the assets of the Partnership in the following priority:

(i) first, to provide for the payment of all liabilities of the Partnership;

(ii) second, to distribute, simultaneously, (a) the RBS Liquidation Amount to RBS and (b) the Sempra Liquidation Amount to SC and SEH VII, pro rata in proportion to their respective positive Capital Accounts.

16.4.3 On liquidation of the Partnership, the Partnership shall, to the extent available on such date, distribute only assets used in the US Business, cash or both to SC, and shall, to the extent available on such date, distribute only assets used in the Non-US Business, cash or both to SEH VII.

16.4.4 If either Sempra Member has a negative Capital Account on liquidation, then such Sempra Member shall have an unconditional obligation to Contribute to the Partnership (on the date on which liquidation payments are made to the Members pursuant to Clause 16.4.2(ii)) an amount of cash equal to the lesser of (i) the absolute value of such Sempra Member's Capital Account, (ii) the value of the other Sempra Member's Capital Account, if such value is equal to or greater than zero, or (iii) zero, if the other Sempra Member's Capital Account is less than zero.

17 Confidentiality

17.1 Confidential Information

Subject to Clause 17.2, each party to this Agreement (including, for purposes of this Clause 17, Sempra Energy) shall use all reasonable endeavours to keep confidential and to ensure that its Associated Companies and officers, employees, agents and professional and other advisers keep confidential any information (the "**Confidential Information**"):

17.1.1 relating to the Buyback Consideration (and related amounts), the Exit Price Cap or any bid, offer, term, condition, amount or notice to which Clause 16.3 refers;

17.1.2 relating to the terms or existence of any bid, notice or offer made in connection with Clause 15.1.3, 15.2.1 or 15.2.3;

17.1.3 relating to the Business and the SET Group and their respective clients, customers, assets or affairs which such party may have or acquire as Members of the Partnership;

17.1.4 relating to the clients, customers, business, assets or affairs of the other parties or any affiliate of such other parties which such party may have or acquire through being a Member or making appointments to the Board or through the exercise of such party's rights or performance of its obligations under this Agreement; or

17.1.5 which relates to the contents of the Master Formation and Equity Interest Purchase Agreement, the Commodities Trading Activities Master Agreement, this Agreement, the other Related Agreements or any agreement or arrangement entered into pursuant to those agreements.

17.2 Restrictions

17.2.1 No party may use for its own business purposes or disclose to any third party any Confidential Information without the consent of the other parties.

17.2.2 This Clause 17 does not apply to:

(i) information which is or becomes publicly available (other than as a result of a breach of this Clause);

(ii) information which is independently developed by the relevant party;

(iii) information which becomes available to or is acquired by the relevant party (as can be demonstrated by that party's written records or other reasonable evidence) from (a) a source which is not known by the relevant party to be bound by any obligation of confidentiality in relation to such information and (b) which has not improperly obtained it;

(iv) the disclosure by a party of Confidential Information to its directors or employees or to those of its Associated Companies who need to know that Confidential Information in its reasonable opinion for purposes relating to this

Agreement but those directors and employees shall not use that Confidential Information for any other purpose;

(v) the disclosure of information to the extent required to be disclosed by Applicable Law (including Affiliate Conduct Rules and Plans) or any court of competent jurisdiction, any governmental official or regulatory authority (including the FSA, the London Stock Exchange, the New York Stock Exchange and the Panel on Takeovers and Mergers), or any binding judgement, order or requirement of any other competent authority provided that, to the extent practicable and lawful, the party required to make such disclosure shall first consult with the other parties and shall take all such action as commercially reasonable to ensure that any disclosed information is treated as confidential to the greatest extent practicable;

(vi) the disclosure of information to any Tax authority to the extent reasonably required for the purposes of the Tax affairs of the party concerned or any member of its group;

(vii) the disclosure to a party's professional advisers of information reasonably required to be disclosed for purposes relating to this Agreement; and

(viii) information relating to the tax treatment and tax structure of the transactions contemplated by the Master Formation and Equity Interest Purchase Agreement, including without limitation all material provided to any party relating to such tax treatment and tax structure.

17.2.3 Each party shall inform any officer, employee or agent or any professional or other adviser advising it in relation to matters relating to this Agreement, or to whom such party validly provides Confidential Information, that such information is confidential and shall instruct them:

(i) to keep it confidential; and

(ii) not to disclose it to any third party (other than those persons to whom it has already been or may be disclosed in accordance with the terms of this Clause).

17.3 Damages not an adequate remedy

Without prejudice to any other rights or remedies which a party may have, the parties acknowledge and agree that damages would not be an adequate remedy for any breach of this Clause 17 and the remedies of injunction, specific performance and other equitable relief are appropriate for any threatened or actual breach of any such provision and no proof of special damages shall be necessary for the enforcement of the rights under this Clause 17.

17.4 Survival

17.4.1 The disclosing party shall remain responsible for any breach of this Clause by the person to whom that Confidential Information is disclosed.

17.4.2 The provisions of this Clause 17 shall survive the termination of this Agreement.

18 General

18.1 LLP Regulations

The default provisions set out in Part VI of the LLP Regulations (or any other such provisions as are referred to in Section 5(1)(b) of the Act) do not apply to the Partnership.

18.2 Exclusion of Section 459(1) Companies Act

The parties agree that Section 459(1) of the Companies Act shall not apply to the Partnership or this Agreement for the period of one thousand (1000) years from the date of this Agreement.

18.3 Compliance with Applicable Laws and Affiliate Conduct Rules and Plans

18.3.1 The Partnership shall, and shall cause each other member of the SET Group to, take such actions (or forebear from taking such actions) as may be reasonably required in complying with Applicable Laws (both as such laws apply directly to the SET Group and as applicable to the SET Group as a result of the identity of the Members), including laws regulating U.S. publicly traded companies and companies that own regulated businesses, and the Affiliate Conduct Rules and Plans.

18.3.2 The Partnership shall, and shall cause each other member of the SET Group to, reasonably cooperate with each Member in connection with any audit, investigation or inquiry to which such Member is subject and which relates to the Partnership and the Business, including by providing information, documents and access to personnel and facilities in accordance with Clause 6.3. In addition, with respect to any third-party claim that is subject to indemnification by Sempra Energy under Article IX of the Master Formation and Equity Interest Purchase Agreement, the Partnership shall, and shall use reasonable endeavours to procure that the members of the SET Group and the employees thereof, reasonably cooperate with Sempra Energy and each of its applicable affiliates and Associated Companies to defend against such third-party claim, including by providing information and records and appe aring for interviews, depositions and testimony.

18.3.3 If any Governmental Body exercising jurisdiction over any member of the SET Group shall conduct, commence or give notification of intent to conduct or commence any audit or investigation of, or inquiry into the Business or activities of, the Partnership, the Board shall immediately advise the Members thereof and shall promptly provide updates to each Member regarding such audit, investigation or enquiry.

18.3.4 In connection with the Partnership's response to any audit, investigation or inquiry, the Sempra Members shall be provided the reasonable opportunity to review, comment on and propose draft filings and responses to auditors, investigators or Persons performing similar roles, and shall have the right to consult with the Partnership regarding its response to such audit, investigation or inquiry.

18.3.5 The parties acknowledge and agree that, as holders of a minority interest in the Partnership, the Sempra Members do not control the Partnership and, therefore, neither Sempra Energy nor any of its affiliates or subsidiaries is able to ensure, or shall be responsible for ensuring, that the Partnership maintains appropriate control systems, regulatory compliance procedures, controls on accounting or any other compliance procedures necessary to ensure that the Partnership complies with the provisions of this Clause 18.3 or Applicable Law generally.

18.4 No Right of Set-Off

The parties agree that all distributions and other payments owing to any Member under this Agreement shall be paid without set-off, except as expressly provided herein or with the prior written consent of such Member.

18.5 Specific performance

Without prejudice to any other rights or remedies which a party may have under this Agreement, the parties acknowledge and agree that damages may not be an adequate remedy for any breach of this Agreement and the remedies of injunction, specific performance and other non-monetary remedies (in addition to damages) are appropriate for any threatened or actual breach of any provision of this Agreement and no proof of special damage shall be necessary for the enforcement of the rights under this Clause 18.5.

18.6 Variation

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.

18.7 Further assurance

At any time after the date of this Agreement, the parties shall, and shall use all commercially reasonable efforts to procure that any necessary third party shall, at the cost of the relevant party, execute such documents and do such acts and things as that party may reasonably require for the purpose of giving to that party the full benefit of all the provisions of this Agreement.

18.8 Waiver

No failure of either party to exercise, and no delay by it in exercising, any right, power or remedy in connection with this Agreement (each a "**Right**") shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of that Right or the exercise of any other Right. The Rights provided in this Agreement are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of this Agreement shall not be deemed to be a waiver of any subsequent breach.

18.9 Notices

18.9.1 Any notice, claim or demand in connection with this Agreement or with any arbitration under this Agreement shall be in writing in English (each a "**Notice**") and shall be sufficiently given or served if delivered or sent to the address set forth on Schedule 18.9 or, in any case, to such other address or fax number as the relevant party may have notified to the others in accordance with this Clause 18.

18.9.2 Any Notice may be delivered by hand or sent by fax with confirmation receipt followed by first-class mail posted within 24 hours, or by overnight courier. Without prejudice to the foregoing, any Notice shall be deemed to have been received on the next working day in the place to which it is sent, if sent by fax, or 72 hours from the time of posting, if sent by overnight courier, or at the time of delivery, if delivered by hand.

18.10 Third Party Rights

18.10.1 A Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of, or enjoy any benefit under, this Agreement, except to the extent set out in this Clause 18.10.

18.10.2 The Directors from time to time may enforce and rely on Clause 14 to the same extent as if they were a party to this Agreement.

18.10.3 This Agreement may be terminated and any term may be amended or waived without the consent of the persons referred to in Clause 18.10.2 or any other person not a party to this Agreement.

18.11 Invalidity

If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

18.12 Counterparts

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Either party may enter into this Agreement by executing any such counterpart.

18.13 Entire Agreement

This Agreement contains the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, oral or written between the parties with respect to such matters which will terminate on the date of this Agreement and will cease to have effect.

18.14 Time of the essence

Time shall be of the essence of this Agreement, both as regards any dates, times and periods mentioned and as regards any dates, times and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the parties.

18.15 Miscellaneous Undertakings

18.15.1

Sempra Energy covenants and agrees that, during the term of this Agreement, SC, SEH VII and any subsidiary transferee acquiring any interest in the Partnership pursuant to Clause 4.7 shall continue to be wholly-owned subsidiaries of Sempra Energy unless such Person ceases to be a Member in accordance with this Agreement or RBS otherwise agrees in writing.

18.15.2 RBS covenants and agrees that, during the term of this Agreement, any subsidiary transferee acquiring any interest in the Partnership pursuant to Clause 4.7 shall continue to be a wholly-owned subsidiary of RBS unless such Person ceases to be a Member in accordance with this Agreement or Sempra Energy otherwise agrees in writing.

18.15.3 In the event of any actual or proposed change in Applicable Laws relating to Tax which has had or is likely to have a material adverse impact on any Sempra Member and RBS, the Members shall negotiate in good faith to make such changes or modifications to this Agreement, the Commodities Trading Activities Master Agreement or any other agreement entered into in furtherance of the transactions contemplated hereby or thereby as may be necessary or desirable to avoid or mitigate the above-mentioned adverse impact without altering the overall economic terms contemplated by this Agreement.

19 Governing Law and Disputes

19.1 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of England.

19.2 Disputes

19.2.1 In the event of any disagreement, dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof, the party asserting such disagreement, dispute, controversy or claim shall deliver notice thereof to the other parties, and the parties shall use their reasonable best efforts to settle such disagreement, dispute, controversy or claim. To this effect, the parties shall consult and negotiate with each other in good faith and, recognising their mutual interest, attempt to reach a solution satisfactory to the parties. If the parties do not reach such a solution within a period of sixty (60) days, then, upon notice by either party to the others (an "**Arbitration Demand**"), all disagreements, disputes, controversies or claims arising out of or relating to this Agreement, or the breach, termination or invalidit y hereof shall be finally settled by arbitration in accordance with the International Dispute Resolution Procedures (the "**AAA Rules**") of the International Centre for Dispute Resolution of the American Arbitration Association (the "**AAA**"), subject to Clause 19.2.7.

19.2.2 Within thirty (30) days of the delivery of an Arbitration Demand, the Sempra Members, collectively, and RBS shall each simultaneously select one person to act as arbitrator, but if either the Sempra Members or RBS shall fail to appoint an arbitrator within such period, the AAA shall appoint such arbitrator. The arbitrators chosen (or deemed to be chosen) by the Sempra Members and RBS shall attempt to agree upon a third arbitrator, but if they fail to do so within fifteen (15) days after the appointment of the party-appointed arbitrators, then either the Sempra Members or RBS may request that the AAA appoint the third arbitrator. The third arbitrator (however chosen) shall be a citizen of a country other than the United Kingdom or the United States and shall preside over the arbitration proceedings. Prior to the commencement of hearings, each of the arbitrators shall pro vide an oath or undertaking of impartiality.

19.2.3 The arbitration panel selected under Clause 19.2.2 shall have full power to decide any disagreement, dispute, controversy or claim referred to in Clause 19.2.1 as well as whether such disagreement, dispute, controversy or claim is within the scope of Clause 19.2.1. All decisions of such panel shall be by majority vote. The decision of the arbitration panel shall be final and binding upon the parties to the disagreement, dispute, controversy or claim, and judgement may be enforced upon the award in any court of competent jurisdiction.

19.2.4 The place of the arbitration shall be New York, New York, and the arbitration shall be conducted in the English language.

19.2.5 The arbitration panel may apportion the costs of arbitration in its award, as provided in the AAA Rules.

19.2.6 Any party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Any party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, prior to the constitution of the arbitration panel or pending the arbitration panel's determination of the merits of the controversy.

19.2.7 The International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration ("**IBA Rules**") shall apply together with the AAA Rules, and where the IBA Rules are inconsistent with the AAA Rules, the IBA Rules shall prevail but solely as regards the presentation and reception of evidence. The arbitration panel provided for herein shall control any pre-hearing exchange of information, including, but not limited to, the right to require the parties to exchange documents or make any Person subject to their control available for deposition or interview before the hearing. The parties further agree that the parties shall have the right in advance of any hearing to take the deposition of (i) any Person who is to be called as a witness in the arbitration and (ii) upon good cause being shown to the arbitration panel provided for herein, any Person under the control of a party.

19.2.8 Each party hereto irrevocably and unconditionally, with respect to enforcement of any final decision rendered by the arbitration panel under Clause 19.2.3 and interim relief under Clause 19.2.6:

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the State of New York and England;

(ii) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii)

agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set out in Clause 18.9;

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction;

(v) agrees that equitable remedies in any action or proceeding referred to in this Clause 19.2.8 will be acceptable and agrees that any Party shall be entitled to such remedy in respect of the enforcement of such Party's rights herein; and

(vi) waives to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Clause 19.2 any special, exemplary, or punitive damages.

19.2.9 If Sempra Energy is a party to any disagreement, dispute, controversy or claim subject to this Clause 19.2, each reference in this Clause 19.2 to the "Sempra Members" shall be deemed, for such purpose, to be a reference to "Sempra Energy".

[Remainder of page left blank intentionally]

In witness whereof this Agreement has been duly executed.

SIGNED BY **THE ROYAL BANK OF SCOTLAND PLC** in the presence of:

SIGNED by **SEMPRA COMMODITIES, INC.** in the presence of:

SIGNED by **SEMPRA ENERGY HOLDINGS VII B.V.** in the presence of:

SIGNED by **RBS Sempra COMMODITIES LLP** in the presence of:

SIGNED by **SEMPRA ENERGY** (solely for the purposes of Clauses 13.1, 15.1, 15.2, 17, 18.15 and 19.2) in the presence of:

Schedule 1

Form of Accession Deed

THIS DEED OF ACCESSION (this "**Deed**") is made on [DATE] by [ ] of [ ] (the "**Covenantor**")

SUPPLEMENTAL to a Limited Liability Partnership Agreement dated 1 April 2008 and made between The Royal Bank of Scotland plc, Sempra Commodities, Inc., Sempra Energy Holdings VII B.V., RBS Sempra Commodities LLP and Sempra Energy (solely for the purposes of Clauses 13.1, 15.1, 15.2, 17, 18.15 and 19.2) (the "**Agreement**").

Terms not defined in this Deed bear the meaning ascribed to them in the Agreement.

The Covenantor covenants as follows:

1 The Covenantor confirms that it has been supplied with and has read a copy of the Agreement and covenants with each of the persons named in the Schedule to this Deed to observe perform and be bound by all the terms of the Agreement which are capable of applying to the Covenantor and which have not been performed at the date of this Deed to the intent and effect that the Covenantor shall be deemed with effect from the date on which the Covenantor is registered as a Member of the Partnership to be a party to the Agreement (as if named as a party to that Agreement).

2 This Deed shall be governed by and construed in accordance with the laws of England and shall be subject to the provisions of Clause 19.2 of the Agreement as though such Clause were set forth herein in full and each reference therein to the Agreement were a reference to this Deed, and the Covenantor hereby appoints [a person resident in England and reasonably acceptable to the Partnership] as its agent for service of all process in any proceedings in respect of the Agreement.

3 The notice provisions applicable to this Deed shall be as set out in Clause 18.9 of the Agreement.

EXECUTED as a deed on the date written above.

* * *

Schedule to Accession Deed
Parties to Agreement including those who have executed earlier Accession Deeds

[Names of Members]

Schedule 2

Internal Affiliate Codes and Standards of Conduct

None.

Schedule 3

Sempra Utilities

Southern California Gas Company

San Diego Gas & Electric Company

Sempra Pipelines & Storage Corp.

Ecogas Mexico S. de R.L. de C.V.

Schedule 11.3.1

Initial Capital Account Balances

Member	Initial Capital Account Balance
The Royal Bank of Scotland plc	$1,665,000,000
which amount represents, as of the date of the Closing, fifty-one percent (51%) of the aggregate Adjusted Contribution Amounts)	
Sempra Commodities, Inc.	$1,240,000,000
ıich amount represents, as of the date of the Closing, thirty-eight percent (38%) of the aggregate Adjusted Contribution Amounts)	
Sempra Energy Holdings VII B.V.	$360,000,000
(which amount represents, as of the date of the Closing, eleven percent (11%) of the aggregate Adjusted Contribution Amounts)	

Schedule 13.3

Affiliate Pricing

For the purposes of Clause 13.3, the "**cost**" to a Member, or Associated Company of a Member, of providing goods or services shall include both Direct Expenses and Indirect Expenses, as defined below.

"**Direct Expenses**" means costs for goods and services which provide a direct benefit to the relevant business. These include, but are not limited to, salaries and benefits, premises and equipment, communications, professional services, travel and entertainment and other business and employee related costs.

"**Indirect Expenses**" means Direct Expenses of local support functions which are in turn allocated to each business within the organization. These support functions distribute their costs based on the level of service provided to a business. Indirect Expenses do not include stewardship or overhead expenses. Indirect Expenses do not include any expenses or charges from RBS arising solely from its status as a partner in RBS Sempra Commodities LLP (and not incurred in support of the Partnership). For the avoidance of doubt, any expenses or charges that Sempra Energy or its Associated Companies incur in respect of the Sempra Member Group's ownership or oversight of the Sempra Member Group's ownership in the Partnership but could not charge are also not chargeable by RBS. Indirect Expenses are to be allocated to the relevant business to reflect the level of support provided using a me thodology that is fair and equitable.

Schedule 15.1.1

RBS Permitted Competitive Activities

In connection with the hedging of exposures to Commodities prices as a result of Commodity-linked notes issued by RBS and its subsidiaries pursuant to RBS's Treasury Inflation Protection Security platform, RBS and its Associated Companies may enter into Commodity Transactions with unaffiliated third parties even though such transactions would otherwise constitute SET Core Business.

Schedule 18.9

Member Contact Information

If to any Member of the RBS Member Group:

The Royal Bank of Scotland plc
c/o RBS Greenwich Capital
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Carol Mathis
Telephone: (203) 618-2585
Facsimile: (203) 422-4585

With a copy to:

The Royal Bank of Scotland plc
c/o RBS Greenwich Capital
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Sheldon Goldfarb
Telephone: (203) 625-6065
Facsimile: (203) 422-4065

If to Sempra Energy (with such copies as are required below):

Sempra Energy
101 Ash
San Diego, CA 92101
Telephone: (619) 696 4694
Facsimile: (619) 696 4611
Attention: Mark Snell, Chief Financial Officer

If to Sempra Commodities, Inc. (with such copies as are required below):

Sempra Commodities, Inc.
101 Ash
San Diego, CA 92101
Telephone: (619) 696 4345
Facsimile: (619) 696 4310
Attention: Kevin Sagara, General Counsel

If to Sempra Energy Holdings VII B.V. (with such copies as are required below):

RCS Management B.V.
Olympic Plaza
Fred. Roeskestraat 123
1076 EE Amsterdam, the Netherlands
Telephone: 31(0)20 6422415
Facsimile: 31(0)20 5771170
Attention: Andre G.M. Nagelmaker, Managing Director B

A copy of any notice to Sempra Energy or any Member of the Sempra Member Group shall be sent to:

Sempra Energy
101 Ash
San Diego, CA 92101
Telephone: (619) 696 4641
Facsimile: (619) 696 6878
Attention: Javade Chaudhri, General Counsel

If to the Partnership:

Notices shall be sent to each of SC, SEH VII and RBS using the contact information provided in this Schedule 18.9

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Exhibit 10.2
EXECUTION COPY

INDEMNITY AGREEMENT

INDEMNITY AGREEMENT (this "**Agreement**"), dated as of April 1, 2008, is made and entered into by and among Sempra Energy, a California corporation ("**Sempra**"), Pacific Enterprises, a California corporation ("**Pacific**"), Enova Corporation, a California corporation ("**Enova**" and together with Sempra and Pacific, the "**Sempra Indemnitees**") and The Royal Bank of Scotland plc, a Scottish company limited by shares (the "**Indemnitor**"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Formation Agreement (as defined below).

RECITALS

WHEREAS, Sempra, the Indemnitor, Sempra Global, a California corporation, and Sempra Energy Trading International, B.V., a company formed under the laws of the Netherlands (together with Sempra and Sempra Global, the "**Sempra Parties**"), are parties to the Master Formation and Equity Interest Purchase Agreement, dated as of July 9, 2007 (as amended, the "**Formation Agreement**");

WHEREAS, pursuant to the Formation Agreement, the parties thereto have agreed to form, and provide initial capital to, the RBS Sempra Commodities LLP, an English limited liability partnership (the "**Partnership**"), and the Sempra Parties have agreed to sell the SET Companies to the Partnership on the terms and subject to the conditions set forth therein;

WHEREAS, the SET Companies engage in trading and other activities, and in connection with such activities, the Sempra Indemnitees and their Subsidiaries other than the SET Companies (collectively, the "**Indemnified Parties**") have, from time to time prior to the date hereof, provided guarantees, letters of credit, indemnities, surety instruments, performance bonds, and other forms of credit support and financial arrangements for the benefit of the customers and creditors of the SET Companies (collectively, the "**Financial Assurances**");

WHEREAS, pursuant to Section 7.12(b)(iii) of the Formation Agreement, the parties thereto intended to use their commercially reasonable efforts to cause the novation (substituting the Indemnitor for the relevant Indemnified Party) or termination, to the greatest extent possible, of the outstanding Financial Assurances prior to the Closing Date;

WHEREAS, as a result of certain delays in the novation process, the SET Companies may request that the Indemnified Parties provide, from time to time on and after the Closing Date, additional Financial Assurances ("**Post-Closing Financial Assurances**"), which shall, if requested by any SET Company to be provided on or after the Closing Date and provided by any Indemnified Party, be "Financial Assurances" for all purposes hereunder;

WHEREAS, the parties acknowledge that certain Financial Assurances, including the Post-Closing Financial Assurances, continue to be outstanding on and after the Closing Date;

WHEREAS, the parties have agreed that, on and after the Closing Date, the Indemnitor, rather than the Sempra Indemnitees or their Subsidiaries, will provide credit support to the Partnership and its Subsidiaries, except to the extent that the Indemnified Parties agree from time to time to provide Post-Closing Financial Assurances;

WHEREAS, the parties have agreed that, on and after the Closing Date, the Indemnitor will assume the responsibility for, and indemnify the Indemnified Parties against, any liabilities arising in connection with the Financial Assurances outstanding on and after the Closing Date; and

WHEREAS, in order to induce the Sempra Parties to consummate the closing under the Formation Agreement, the Indemnitor has agreed to enter into this Agreement to indemnify the Indemnified Parties against Losses (as defined below) arising in connection with the Financial Assurances.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

RELEASE OF LIABILITY AND INDEMNIFICATION

1.1 Indemnification. The Indemnitor agrees to indemnify and hold harmless the Indemnified Parties for any and all out-of-pocket cash expenditures after Closing actually made by any of the Indemnified Parties in respect of any loss, liability, claim, obligation, penalty, action, judgment, suit, proceeding, damage, together with all reasonably incurred disbursements, costs, expenses (including costs of investigation and defense and appeal and reasonable attorneys' fees and expenses) or Taxes of any kind or nature whatsoever and, for avoidance of doubt and without limitation on the rights of any of the Indemnified Parties to make a claim in respect of any out of pocket expenditures after Closing, shall not include any diminution of assets of the Indemnified Parties (collectively, "**Losses**"), in respect of Financial Assurances listed in Schedule I hereto and all Post-Closing Financ ial Assurances ("**Financial Assurance Payments**"). The Sempra Indemnitees agree that Schedule I hereto includes each

Financial Assurance existing prior to the date hereof to be covered by this Agreement, and that the Sempra Indemnitees have listed with respect to each such Financial Assurance on Schedule I the following information: (i) the type of Financial Assurance provided; (ii) the identity of the applicable contract or other agreement evidencing the Financial Assurance, including the parties thereto; and (iii) whether the Financial Assurance is a limited or unlimited obligation and, if it is a limited obligation, identify the applicable limit; *provided* that, (a) from and after the date hereof, Sempra shall be permitted to update Schedule I to include any Financial Assurances with respect to Trading Agreements entered into by the SET Companies at any time and (b) within ten (10) Business Days following the Closing Date as of the Closing Date, Sempra shall be permitted to upda te Schedule I to include any Financial Assurances with respect to Indebtedness and Leases of the SET Companies; *provided*, *further*, that, any such update shall be made in writing to the Indemnitor prior to any Third Party Claim (as defined below) being made in respect of any such additional Financial Assurances. All Post-Closing Financial Assurances shall be covered by this Agreement, from the date of each such Post-Closing Financial Assurance if such Post-Closing Financial Assurance is requested by any SET Company to be provided on or after the Closing Date, regardless of whether such Financial Assurances have been included on Schedule I or any update of Schedule I; *provided* that, on the first Business Day of each month after the date of this Agreement, if any Post-Closing Financial Assurances were entered into in the preceding month, the Sempra Indemnitees shall provide notice to the Indemnitor of the terms of any Post-Closing Financial Assurance of which the Sempr a Indemnitees have not previously provided notice (it being understood that provision of a copy of such agreement shall constitute adequate notice for this purpose); *provided*, *however*, that failure to notify or delay in notifying the Indemnitor shall not release the Indemnitor's obligations under this Agreement except to the extent such failure or delay actually harms the Indemnitor. Notwithstanding any provision herein to the contrary, nothing in this Agreement shall obligate any Indemnified Party to provide any Post-Closing Financial Assurances.

1.2 Indemnification Procedures. The indemnification obligations and liabilities of the Indemnitor under this Agreement shall be governed by the following additional terms and conditions:

(a) If any Indemnified Party shall receive notice of any demand for payment or other obligation (a "**Third Party Claim**") from a third party under any Financial Assurance, the relevant Indemnified Party shall give the Indemnitor notice of such demand for payment or other obligation, stating with reasonable specificity, if available, the amount of the payment or other obligation that it expects to make under the Financial Assurances, and method of computation thereof, and containing a copy of and reference to the provisions of the Financial Assurance in respect of which such payment or other obligation has arisen or to which it relates and any other pertinent facts and circumstances relating to such payment or other obligation, within 5 days, of the receipt by the Indemnified Parties of such notice of any demand for payment or other obligation; *provided* that failure to notify or delay in no tifying the Indemnitor shall not release the Indemnitor's obligations under this Agreement except to the extent such failure or delay actually harms the Indemnitor.

(b) After receipt by the Indemnitor of the notice set forth in Section 1.02(a), the Indemnitor shall either advise the Indemnified Parties to make payment and provide immediately available funds for such purpose or shall indemnify the Indemnified Parties hereunder against any Losses that may result from non-payment of such payment or other obligation, including Losses arising from the refusal to pay; provided, that if the Indemnitor provides immediately available funds for such purpose and the Indemnified Parties fail to make the relevant payment, the Indemnitor shall have no obligation in respect of any Losses that may result from non-payment of such payment or obligation, including Losses arising from the refusal to pay.

(c) The Indemnified Parties will make payment under such Financial Assurance only if and to the extent instructed to do so by the Indemnitor; it being understood that in no event shall the Indemnitor be liable to indemnify, defend, reimburse and hold harmless the Indemnified Parties under this Agreement for any Losses in respect of a Financial Assurance in excess of the Losses actually suffered by the Indemnified Parties (including any Losses as described under subsection (b) above).

(d) To the extent the Indemnitor pays in full any Third Party Claim pursuant to this Agreement, the Indemnitor shall be subrogated to and shall stand in the place of the Indemnified Parties as to any events or circumstances in respect of which the Indemnified Parties may have any right or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. The Indemnified Parties shall reasonably cooperate with the Indemnitor in prosecuting any subrogated right or claim.

(e) The Indemnitor shall have the opportunity to assume all the relevant rights, if any, of the Indemnified Parties under the agreements for which the payment or other obligation has been made as well as assume and control the defense of any claims arising out of such payment or other obligation at its expense and using counsel reasonably satisfactory to the Indemnified Parties.

(f) Nothing herein shall require the Indemnified Parties to delay payment beyond the date due under the applicable Financial Assurance.

1.3 Reinstatement. To the extent any reimbursement or payment upon subrogation, or any part thereof, from the SET Companies in respect of any Financial Assurances is, pursuant to any Legal Requirement, rescinded or reduced in amount, or must otherwise be restored or returned by any Indemnified Party, whether as a "voidable preference", "fraudulent conveyance", or otherwise, Indemnitor's obligations under this Agreement shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

1.4 Recharacterization. Each of the parties hereto intends for this Agreement to be an indemnity agreement. To the extent, however, that this Agreement is treated as being a guarantee or creating a suretyship obligation, the Indemnitor agrees that:

(a) the Indemnitor's obligations hereunder shall not be affected by the existence, validity, enforceability, perfection, or extent of any collateral for any Financial Assurance;

(b) the Indemnified Parties shall not be obligated to file any claim relating to the obligations of the Indemnitor hereunder;

(c) in the event that the Indemnitor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Indemnified Parties so to file shall not affect the Indemnitor's obligations hereunder. In the event that any payment by the Indemnified Parties in respect of any Financial Assurance is rescinded or must otherwise be returned for any reason whatsoever, the Indemnitor shall remain liable hereunder in respect of such Financial Assurance as if such payment had not been made; and

(d) the Indemnitor reserves the right to assert defenses which the Indemnified Parties may have to the making of any payment under Financial Assurance, other than defenses expressly waived hereby.

1.5 Consents, Waivers and Renewals. The Indemnitor agrees that the Indemnified Parties may at any time and from time to time, (i) upon prior written consent of the Indemnitor (which consent shall be made in the Indemnitor's sole discretion), extend the time of payment of, exchange or surrender any collateral for, or renew any of the Financial Assurance, and may also, subject to such consent of the Indemnitor, make any agreement for the extension, renewal, payment, compromise, discharge or release of the Financial Assurance, in whole or in part, or for any modification of the terms thereof or of any agreement between Indemnified Parties and the beneficiaries of the Financial Assurance, and (ii) provide Post-Closing Financial Assurances, if requested by any SET Company to be provided on or after the Closing Date, in each case, without in any way impairing or affecting the Indemnitor's obligations hereunder. The Indemnitor shall make payments hereunder without any reduction on account of any counterclaim, set off, or defense Indemnitor may have against any Indemnified Party or any other Person. The Indemnitor unconditionally waives, to the greatest extent permitted by Applicable Law, each of the following rights, remedies and notices: (a) any and all notice of the renewal, extension or accrual of any of the obligations under this Agreement and notice of or proof of reliance by any Indemnified Party upon this Agreement, or acceptance of this Agreement, and the obligations under this Agreement, (b) subject to Section 1.02(c), any requirement that any Indemnified Party exhaust any right or take any action against the SET Companies, the Indemnitor or any other Person or any collateral, (c) any and all rights which Indemnitor may have or which at any time hereafter may be conferred upon it, by statute (including but not limited to any statute of limitations), regulation or otherwise, to terminate or cancel this Agreement except in accordance with its terms, (d) all notices which may be required by statute, rule of law or otherwise to preserve any rights against the Indemnitor hereunder, including, without limitation, any demand, presentment, protest, proof or notice of nonpayment of any amounts payable under or in respect of the Financial Assurances, and notice of any failure on the part of SET Companies to perform and comply with any term or condition of any Financial Assurance except as may be required thereby, (e) any rights in respect of the failure of the Indemnified Parties to assert rights to the enforcement, assertion or exercise of any right, remedy, power or privilege under or in respect of any of the Financial Assurances except as otherwise set forth herein, (f) any requirement of diligence and (g) notice of acceptance of this Agreement.

ARTICLE II

GENERAL PROVISIONS

2.1 Representations and Warranties. Each party hereto represents and warrants as follows: (i) it is a corporation or company, as the case may be, duly authorized and validly existing under the jurisdiction of its organization, with full corporate power and authority, and has secured all necessary approvals necessary, to enter into and perform its obligations under this Agreement; (ii) it has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement; (iii) this Agreement has been duly executed and delivered by such party and is a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms; and (iv) the execution, delivery and performance of this Agreement will not cause such party to be in violation of any agreement or law, regulation, order or court process or by which it or its properti es are bound or affected.

2.2 Access to Information.

(a) The Indemnified Parties shall, and shall cause their officers, directors, employees, agents, representatives, accountants and counsel to, afford the officers, employees and authorized agents, accountants, counsel, financing sources and representatives of the Indemnitor reasonable access, during normal business hours, to the books and records of the Indemnified Parties reasonably necessary for the Indemnitor to enforce any rights it may have under this Agreement, including, without limitation, information and data regarding all Financial Assurances, and access to those officers, directors, employees, agents, accountants and counsel (provided that no such counsel shall be required to divulge information deemed privileged by such counsel in such counsel's judgment after prior consultation with counsel for the Indemnitor) of the Indemnified Parties who have any knowledge relating to the same.

(b) The Indemnitor shall cause the Partnership and its Subsidiaries and their officers, directors, employees, agents, representatives, accountants and counsel to, afford the officers, employees and authorized agents, accountants, counsel, financing sources and representatives of the Indemnified Parties reasonable access, during normal business hours, to the books and records of the Partnership and its Subsidiaries reasonably necessary for the Indemnified Parties to enforce any rights it may have under any Financial Assurance, including, without limitation, information and data in respect of such Financial Assurances, and access to those officers, directors, employees, agents, accountants and counsel (provided that no such counsel shall be required to

divulge information deemed privileged by such counsel in such counsel's judgment after prior consultation with counsel for the Indemnified Parti es) of the Partnership and its Subsidiaries who have any knowledge relating to the same.

2.3 No Modification of Agreements. Until the later of (a) one year following the Closing Date and (b) 18 months following the date of the Formation Agreement (such date, the "**Novation Deadline**"), the Indemnitor and its Subsidiaries (including the Partnership) may enter into or amend, modify, extend or renegotiate any agreement, contract or other instrument or document with respect to which any obligations are guaranteed or otherwise secured by any Financial Assurance, notwithstanding that such actions may reasonably be expected to give rise to, or increase the potential exposure of any Indemnified Person to, any Losses in connection with such Financial Assurance; *provided* that, with respect to Financial Assurances consisting of indemnities and other forms of credit support for the benefit of third parties that provide surety instruments (including license bonds , performance bonds and customs bonds) for the benefit of the customers and creditors of, or otherwise supporting the business of, the SET Companies, the Indemnitor and its Subsidiaries (including the Partnership) may only enter into or amend, modify, extend or renegotiate any agreement, contract or other instrument or document supported by such Financial Assurances until the date that is sixty (60) days following the Closing Date. The Indemnified Parties shall be entitled to indemnification by the Indemnitor hereunder with respect to any Financial Assurance guaranteeing or otherwise securing any obligations under any agreement, contract or other instrument or document that has been entered into, amended, modified, extended or renegotiated at any time as if such new, amended, modified, extended or renegotiated agreements, contracts or other instruments or documents were in effect as of the date hereof. Following the Novation Deadline, the Indemnitor shall not, and shall cause its Subsidiaries (in cluding the Partnership) not to, take any of the actions described in the second preceding sentence without the prior written consent of Sempra.

2.4 Entire Agreement; Assignment; No Third Party Rights. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof, and any attempt to assign this Agreement will be void; provided, however, that upon a merger or consolidation of the Indemnitor or any of the Indemnified Parties, the rights and obligations of the Indemnitor or any Indemnified Party, as applicable, hereunder shall automatically be assigned and assumed by the surviving entity by operation of law or otherwise without the written consent of the other parties hereto. Neither the Indemnitor nor any of the Sempra Indemnitees may, in whole or in part, assign any of its rights or interests or delegate any of its obligations u nder this Agreement without the prior written consent of both such Sempra Indemnitee and the Indemnitor, and any attempt to do so will be void. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of the Sempra Indemnitees and the Indemnitor. Nothing expressed or referred to in this Agreement will be construed to give any person other than the Sempra Indemnitees and the Indemnitor any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this Section 2.04.

2.5 Gross-up. Where any payment is made (including by way of set off) to an Indemnified Party under this Agreement and that sum is subject to a charge to Tax in the hands of the recipient, the sum payable shall be increased to such sum as will ensure that after payment of such Tax (and after giving credit for any tax relief received by or available to the recipient in respect of the matter giving rise to the payment) the recipient shall be left with a sum equal to the sum that it would have received in the absence of such a charge to Tax.

2.6 Survival. Notwithstanding any termination of this Agreement, Section 1 shall survive and remain in full force and effect.

2.7 Severability. If any provision (or part thereof) of this Agreement is held illegal, invalid or unenforceable under any present or future Legal Requirement, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision (or part thereof) will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision (or part thereof) had never comprised a part hereof, and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision (or part thereof) or by its severance herefrom.

2.8 Notices. The provisions of Section 10.4 of the Formation Agreement with respect to Sempra and the Indemnitor are incorporated herein by reference as if set out in full herein. Proper notice to Sempra pursuant to this Section 2.08 shall be sufficient for the purposes of providing notice hereunder to any of the Sempra Indemnitees.

2.9 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

2.10 Disputes.

(a) In the event of any disagreement, dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof, the party asserting such disagreement, dispute, controversy or claim shall deliver notice thereof to the other parties (a "**Dispute Notice**"), and Sempra (for itself and on behalf of the Sempra Indemnitees) and RBS shall use their reasonable best efforts (except to the extent a different standard is expressly provided for in this Agreement) to settle such disagreement, dispute, controversy or claim. To this effect, Sempra and RBS shall consult and negotiate with each other in good faith and, recognizing their mutual interest, attempt to reach a solution satisfactory to the parties. If Sempra and RBS do not reach such a solution within a period of 60 days, then, upon notice by either party to the others (an 7;**Arbitration Demand**"), all disagreements, disputes, controversies or claims arising out of or relating to this Agreement, or the breach, termination or invalidity hereof shall be finally settled by arbitration in accordance with the International Dispute Resolution Procedures (the "**AAA Rules**")

of the International Centre for Dispute Resolution of the American Arbitration Association (the "**AAA**"), subject to Section 2.10(g).

(b) Within 30 days of the delivery of an Arbitration Demand, each of Sempra (for itself and on behalf of the Sempra Indemnitees) and the Indemnitor shall simultaneously select one person to act as arbitrator, but if any of Sempra or the Indemnitor shall fail to appoint an arbitrator within such period, the AAA shall appoint such arbitrator. The arbitrators chosen (or deemed to be chosen) by Sempra and the Indemnitor shall attempt to agree upon a third arbitrator, but if they fail to do so within 15 days after the appointment of the party-appointed arbitrators, then either Sempra or the Indemnitor may request that the AAA appoint the third arbitrator. The third arbitrator (however chosen) shall be a citizen of a country other than the United Kingdom or the United States and shall preside over the arbitration proceedings. Prior to the commencement of hearings, each of the arbitrato rs shall provide an oath or undertaking of impartiality.

(c) The arbitration panel selected under Section 2.10(b) shall have full power to decide any disagreement, dispute, controversy or claim referred to in Section 2.10(a) as well as whether such disagreement, dispute, controversy or claim is within the scope of Section 2.10(a). All decisions of such panel shall be by majority vote. The decision of the arbitration panel shall be final and binding upon the parties to the disagreement, dispute, controversy or claim, and judgment may be enforced upon the award in any court of competent jurisdiction.

(d) The place of the arbitration shall be New York, New York, and the arbitration shall be conducted in the English language.

(e) The arbitration panel may apportion the costs of arbitration in its award, as provided in the AAA Rules.

(f) Any party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Any party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, prior to the constitution of the arbitration panel or pending the arbitration panel's determination of the merits of the controversy.

(g) The International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration ("**IBA Rules**") shall apply together with the AAA Rules, and where the IBA Rules are inconsistent with the AAA Rules, the IBA Rules shall prevail but solely as regards the presentation and reception of evidence. The arbitration panel provided for herein shall control any pre-hearing exchange of information, including, but not limited to, the right to require the parties to exchange documents or make any Person subject to their control available for deposition or interview before the hearing. The parties further agree that the parties shall have the right in advance of any hearing to take the deposition of (i) any Person who is to be called as a witness in the arbitration and (ii) upon good cause being shown to the arbitration panel provided for herein, any Person under the control of a party.

(h) Each party hereto irrevocably and unconditionally, with respect to enforcement of any final decision rendered by the arbitration panel under Section 2.10(c) and interim relief under Section 2.10(f):

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the State of New York and England;

(ii) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 10.4 of the Formation Agreement;

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction;

(v) agrees that equitable remedies in any action or proceeding referred to in this Section 2.10(h) will be acceptable and agrees that any party shall be entitled to such remedy in respect of the enforcement of such party's rights herein; and

(vi) except as set forth in connection with Third Party Claims, waives to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 2.10 any special, exemplary, or punitive damages.

2.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

2.12 Modification. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by all parties.

2.13 Nonwaiver. The failure of any party to assert or enforce any right arising under this Agreement shall not constitute a waiver of such right, or any other right arising hereunder. No waiver of any of the provisions hereof shall be effective unless in writing and signed by the party charged with such waivers.

2.14 Headings. Any headings or captions appearing in this Agreement are intended solely for convenience of reference and shall not constitute a part of this Agreement or define or limit any of the terms and conditions hereof.

2.15 Further Assurances. From time to time after the date hereof, each party shall, and shall cause its affiliates, promptly to execute, acknowledge and deliver any other assurances or documents reasonably requested by the other party and necessary for the requesting party to satisfy its obligations hereunder or to obtain the benefits of the transactions contemplated hereby, including any additional instruments or documents reasonably considered necessary by such requesting party to cause the provisions of this Agreement, including Section 1.01, to be, become or remain valid and effective in accordance with its terms.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each party hereto as of the date first above written.

SEMPRA ENERGY

By: _____

Name:
Title:

PACIFIC ENTERPRISES

By: _____

Name: Dennis V. Arriola
Title: Chief Financial Officer

ENOVA CORPORATION

By: _____

Name: Dennis V. Arriola
Title: Chief Financial Officer

THE ROYAL BANK OF SCOTLAND PLC

By: _____

Name:
Title:

SCHEDULE I
FINANCIAL ASSURANCES

Exhibit 10.3
Execution Version

FIRST AMENDMENT
TO
MASTER FORMATION AND
EQUITY INTEREST PURCHASE AGREEMENT

FIRST AMENDMENT TO MASTER FORMATION AND EQUITY INTEREST PURCHASE AGREEMENT, dated as of April 1, 2008 ("First Amendment"), by and among Sempra Energy, a California corporation ("Sempra Energy"), Sempra Global, a California corporation and wholly-owned subsidiary of Sempra Energy ("Sempra Global"), Sempra Energy Trading International, B.V., a company formed under the laws of the Netherlands ("SETI" and, together with Sempra Global, the "Sempra Partners", and the Sempra Partners, together with Sempra Energy, the "Sempra Parties") and The Royal Bank of Scotland plc, a public limited company incorporated in Scotland ("RBS"). The Sempra Parties and RBS may be referred to individually as a "Party" and collectively as the "Parties".

RECITALS:

WHEREAS, the Parties have entered into a Master Formation and Equity Interest Purchase Agreement, dated as of July 9, 2007, (the "Formation Agreement"), providing, among other things, for the formation of RBS Sempra Commodities LLP (the "Partnership") and for the acquisition by the Partnership of the entities listed on Schedule 1 to the Formation Agreement (the "SET Companies"); and

WHEREAS, each of the Parties desires to amend and supplement the Formation Agreement in certain respects as described in this First Amendment.

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter set out and of other consideration (the receipt and sufficiency of which are acknowledged), the Parties hereto agree as follows:

1. Definitions. Except as otherwise indicated herein, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Formation Agreement.

2. Closing Date. The parties hereby agree, pursuant to Section 2.4 of the Formation Agreement, that so long as each of the conditions precedent set forth in Articles V and VI has been satisfied or waived on or before April 1, 2008 (other than conditions relating to deliveries of documentation at Closing; provided that all conditions are also satisfied or waived at Closing), the Closing Date will be April 1, 2008.

3. Amendment of Section 1.1.

    a. The definition of "Closing Balance Sheet" in Section 1.1 of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"'Closing Balance Sheet' – a consolidated and combined balance sheet of the SET Companies as of the Closing Date estimated based on the balance sheets of the SET Companies as of the last day of the most recently completed month and other available data regarding the then current month and prepared by Sempra Energy in accordance with GAAP and on a basis consistent with the GAAP conventions used for the preparation of the Reference Balance Sheet (including identification on the Closing Balance Sheet of an estimate of the Closing Book Value and the Closing Intercompany Debt), except that the Agreed Adjustments shall be made thereon and the estimated Accrued Compensation as of the Closing Date shall be reflected thereon."

    b. Section 1.1 of the Formation Agreement is hereby amended and supplemented to insert the following definitions in their respective positions alphabetically with the other definitions in that Section:

"'Closing Amount' – as defined in Section 2.3."

"'Closing Intercompany Debt' – the outstanding balance of all Intercompany Debt, as shown on the Closing Balance Sheet."

"'Final Amount' – as defined in Section 2.6(b)."

"'Final Intercompany Debt' – as defined in Section 2.6(b)."

"'Proposed Final Amount' – as defined in Section 2.6(a)."

"'Proposed Final Intercompany Debt' – as defined in Section 2.6(a)."

"'Sempra Sellers' – Sempra Global, SETI and Sempra Commodities, Inc., a Delaware corporation."

"'Tax Assets' – as of the Closing Date, the tax losses of each SET Company, net of any valuation allowances applied to such tax losses, that may be used to offset future taxable income."

4. Replacement of "Sempra Partners" with "Sempra Sellers" in Certain Sections. The words "Sempra Partners" are hereby deleted, and the words "Sempra Sellers" are hereby inserted in their place, in each place that such words appear in Sections 3.4(a) and 9.7(f) of the Formation Agreement.

5. Amendment of Sections 2.1(b) and (c). Section 2.1(b) of the Formation Agreement is hereby amended by deleting "$1,300,000,000" and inserting "$1,600,000,000" in its place. Section 2.1(c) of the Formation Agreement is hereby amended by deleting "$1,355,000,000" and inserting "$1,665,000,000" in its place.

6. Amendment of Section 2.2(a). Section 2.2(a) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"(a) all of the SET Companies, which transfer of the SET Companies shall be consummated by the transfer of one-hundred percent (100%) of the Equity Interests specified on Schedule 2.2(a) (the "Transferred Company Interests") in each of the entities identified on Schedule 2.2(a) hereto (the "Transferred Companies"), free and clear of any and all Encumbrances except as set forth on Schedule 2.2(a); and"

7. Amendment of Section 2.2(b). Section 2.2(b) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"(b) subject to Section 10.3(d), copies of all books and records (to the extent relating primarily to the SET Business or the SET Companies and excluding books and records relating to Taxes that do not relate exclusively to the SET Business) not held by the SET Companies, which Sempra Energy shall deliver (or cause its affiliates to deliver) to the Partnership no later than ten (10) Business Days following the Closing Date; provided that Sempra Energy and its affiliates shall retain any such books or records (as bailees for the Partnership) to the extent necessary or desirable for the provision of Services (as defined in the Transition Services Agreement) and shall deliver any such retained books and records to the Partnership within fifteen (15) Business Days following the termination of the Transition Period (as defined in the Transition Services Agreement) with respect to the relevant Services. If Sempra Energy or any of its affiliates retain original evidence of the Equity Interests of any SET Company pursuant to the proviso to the immediately preceding sentence, Sempra Energy shall (or shall cause its affiliate to), promptly upon written demand by the Partnership, deliver any such original evidence to the Partnership.

8. Amendment of Section 2.3. Section 2.3 of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"**Section 2.3. Payment for Equity Interest Purchase by the Partnership and Intercompany Debt Repayment.** In exchange for the Transferred Company Interests, at the Closing, RBS and Sempra Energy shall cause the Partnership to pay by wire transfer or other immediately available funds from the amounts contributed pursuant to Section 2.1(b) and (c) and (as necessary) additional funds borrowed by the Partnership from RBS: (a) to the Sempra Sellers an amount equal to the aggregate of the Closing Book Value with respect to the SET Companies; and (b) the amount of the Closing Intercompany Debt to the respective obligees thereof (each such obligee, a "Sempra Lender") (such payments under clauses (a) and (b), collectively, the "Closing Amount"). With respect to the payments required by this Section, Sempra Energy shall notify the Partnership and RBS i n writing of the portions of the Closing Amount to be paid to each of the Sempra Sellers, and each other Sempra Lender (in respect of the Intercompany Debt), at least two (2) Business Days prior to the Closing Date. Upon the payment of the Closing Amount, Sempra Energy shall (and shall cause each Sempra Lender to) cancel and discharge (including the release of all Encumbrances relating to) all outstanding Intercompany Debt and waive any claims against the Partnership, RBS or any of the SET Companies in respect of such Intercompany Debt; provided that such discharge and waiver shall not prejudice the rights of the Sempra Lenders to receive additional payments, if any, pursuant to Section 2.6(e) hereunder. In the event that there is Intercompany Debt outstanding that cannot be cancelled and discharged without additional cost or adverse consequence (including adverse tax or accounting effects), such Intercompany Debt shall be assigned to, and any obligations of Sempra Energy or any Sempra Len der thereunder shall be assumed by the Partnership or, if there would be any withholding tax imposed on the interest received by the Partnership, then by RBS (but only if the payments to RBS would not incur withholding tax or would incur withholding tax at a lower rate than the Partnership), and RBS shall pay (in the case of an assignment to and assumption by RBS of such debt) or cause the Partnership to pay to the applicable Sempra Lenders an amount in respect of such assignment equal to the outstanding Intercompany Debt so assigned."

9. Amendment of Section 2.5(b)(iii). Section 2.5(b)(iii) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read "[Intentionally omitted.]"

10. Addition of Section 2.5(e). The following new Section 2.5(e) is hereby inserted in the Formation Agreement immediately following Section 2.5(d) of the Formation Agreement:

"(e) Each Sempra Seller shall deliver to RBS and the Partnership a certificate in form and substance reasonably satisfactory to RBS, duly executed and acknowledged, certifying any facts that would exempt the transfer by such Sempra Seller of Transferred Company Interests from withholding under Section 1445 of the Code. If a Sempra Seller does not provide an appropriate FIRPTA certificate pursuant to this Section 2.5(e), the Partnership shall be entitled to withhold all required amounts pursuant to Section 1445 of the Code with respect to the payments made to such Sempra Seller and the payment made to such Sempra Seller shall be reduced by such withheld amount. Any amount withheld in accordance with this Section 2.5(e) shall be treated for purposes of this Agreement as a payment made to the Sempra Seller on whose behalf

such amounts were withheld. The "tax matters partner" (as such term is used in Clause 11.1 of the LLP Agreement) shall have the right, in its sole discretion, exercised in good faith, to determine the proper amount, if any, to be withheld pursuant to this Section 2.5(e); provided that, for purposes of calculating the amount to be withheld, if the value of the United States real property with respect to which the withholding is made appears on the Closing Balance Sheet, the "tax matters partner" shall deem the "amount realized" (for purposes of Section 1445 of the Code and the regulations promulgated thereunder) in relation to such United States real property to be the value set out on the Closing Balance Sheet."

11. Amendment of Section 2.6(a). The second sentence of Section 2.6(a) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"The Proposed Final Balance Sheet shall reflect, with respect to the SET Companies as of 12:01 a.m. Eastern Standard Time on the Closing Date, (i) the total assets, liabilities (including the outstanding balance of the Intercompany Debt (the "Proposed Final Intercompany Debt")) and consolidated and combined stockholders equity together with (A) the Agreed Adjustments and (B) the Accrued Compensation (the consolidated and combined stockholders equity as so adjusted on the Proposed Final Balance Sheet, the "Proposed Final Book Value" and, together with the Proposed Final Intercompany Debt, the "Proposed Final Amount") and shall be prepared in accordance with GAAP on a basis consistent with the Closing Balance Sheet (including the Agreed Adjustments, the Accrued Compensation and the Intercompany Debt described above)."

12. Amendment of Section 2.6(b). Section 2.6(b) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"(b) Sempra Energy will have twenty (20) Business Days following delivery of the Proposed Final Balance Sheet during which to notify the Partnership and RBS in writing (the "Sempra Energy Notice of Objection") of any objections to the preparation of the Proposed Final Balance Sheet or the calculation of the Proposed Final Amount, setting forth in reasonable detail the basis of its objections and, if practical, the U.S. dollar amount of each objection. In reviewing the Proposed Final Balance Sheet, Sempra Energy shall be entitled to reasonable access to all relevant books, records and personnel of the SET Companies and its Representatives to the extent Sempra Energy reasonably requests such information and reasonable access to complete its review of the Proposed Final Balance Sheet. If Sempra Energy fails to deliver a Sempra Energy Notice of Objection in accordance w ith this Section 2.6(b), the Proposed Final Balance Sheet, together with RBS' calculation of the Proposed Final Book Value and the Proposed Final Intercompany Debt reflected thereon, shall be conclusive and binding on the Parties and they shall become the "Final Balance Sheet", the "Final Book Value" and the "Final Intercompany Debt" (and the Final Book Value and Final Intercompany Debt, collectively, the "Final Amount"). If Sempra Energy submits a Sempra Energy Notice of Objection, then (i) for twenty (20) Business Days after the date RBS receives the Sempra Energy Notice of Objection, RBS and Sempra Energy will use their commercially reasonable efforts to agree on the calculation of the Final Amount and (ii) failing such agreement within twenty (20) Business Days of such notice, the matter will be resolved in accordance with Section 2.6(c)."

13. Amendment of Sections 2.6(c) and (d). Sections 2.6(c) and (d) of the Formation Agreement shall each be amended in the following manner:

a. Each incidence of the term "Closing Book Value" in such Sections shall be replaced with the term "Closing Amount";

b. Each incidence of the term "Proposed Final Book Value" in such Sections shall be replaced with the term "Proposed Final Amount"; and

c. Each incidence of the term "Final Book Value" in such Sections shall be replaced with the term "Final Amount".

14. Amendment of Section 2.6(e). Section 2.6(e) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"If the Final Amount exceeds the Closing Amount, RBS and Sempra Energy shall cause the Partnership to pay (within two Business Days and using funds received as capital contributions under Section 2.1 or borrowed under a credit facility provided by RBS) an amount equal to such excess by wire transfer in immediately available funds to the Sempra Sellers (for the benefit of the Sempra Sellers and the Sempra Lenders) to one or more accounts specified by the Sempra Sellers (on behalf of themselves and the Sempra Lenders). If the Final Amount is less than the Closing Amount, the Sempra Sellers shall pay, within two Business Days of the receipt of such Final Balance Sheet, an amount equal to such deficit to the Partnership by wire transfer in immediately available funds to an account specified by the Partnership. Any payment made under this Section 2.6(e) to a Sempra Seller shall be made by w ay of an adjustment to consideration paid by each party under Section 2.3, and such consideration shall be deemed to have been reduced or increased, as the case may be, by the amount of such payment. Any payment made under this Section 2.6(e) to the Partnership shall be made by way of an adjustment to consideration paid by the Partnership under Section 2.3, and such consideration shall be deemed to have been reduced or increased, as the case may be, by the amount of such payment. If the value of any United States real property on the Final Balance Sheet is higher than the value of such United States real property on the Closing Balance Sheet, and any amount was withheld pursuant to Section 1445 of the Code and Section 2.5(e) in relation to such United States real property, then the Partnership shall be entitled to withhold all required amounts pursuant to Section 1445 of the Code with respect to payments made to the Sempra Seller to which such asset pertains and payment made to such Sempra Seller shall

be reduced by such withheld amount. Any amount withheld in accordance with the preceding sentence shall be treated for purposes of this Agreement as a payment made to the Sempra Seller on whose behalf such amounts were withheld. The "tax matters partner" (as such term is used in Clause 11.1 of the LLP Agreement) shall have the right, in its sole discretion, exercised in good faith, to determine the proper amount, if any, to be withheld pursuant to second preceding sentence; provided that, for purposes of calculating the amount to be withheld, if the value of the United States real property with respect to which the withholding is made appears on the Final Balance Sheet, the "tax matters partner" shall deem the "amount realized" (for purposes of Section 1445 of the Code and the regulations promulgated thereunder) in relation to such United States real property to be the value set out on the Final Balance Sheet."

15. Amendment of Section 2.7. The first sentence of Section 2.7 of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"Sempra Energy shall deliver to RBS on and as of the date hereof, and on or before the date that is two (2) Business Days prior to the Closing Date (as of the date of such subsequent delivery), a schedule ("Schedule 2.7") setting forth the amount of the associated specific reserves for potential liabilities that have been established in accordance with GAAP and reflected on the Closing Balance Sheet for which Sempra has indemnification obligations under Section 9.2 (except under subsections (a) and (b) of such section), which Schedule 2.7 shall be updated by Sempra Energy to reflect the actual amount of such specific reserves as of the Closing Date within ten (10) Business Days following the Closing Date, which reserves, for the avoidance of doubt, shall be included on the Proposed Final Balance Sheet and the Final Balance Sheet."

16. Addition of Section 2.8. The following new Section 2.8 is hereby inserted in the Formation Agreement immediately following Section 2.7 of the Formation Agreement:

"**Section 2.8. Payments in Respect of Tax Assets.** If the Tax Matters Partner determines that, as a result of an audit or claim made by a taxing authority, the aggregate value of the Tax Assets (together with the amount of any payments previously made pursuant to this Section) is less than the aggregate value of the Tax Assets as reflected on the Final Balance Sheet and the difference is not offset by a corresponding reduction in tax expense or increase in tax benefit, the Partnership shall provide notice to Sempra Energy of such deficit within thirty (30) days of the date of the Tax Matters Partner's calculation thereof, and Sempra Energy shall pay such deficit amount to the Partnership within fifteen (15) Business Days after receipt of such notice. Notwithstanding the foregoing, the Partnership shall be entitled to conduct its business and make business decisions irrespect ive of the impact such conduct or decisions have on the availability, retention or utilization of the Tax Assets. To the extent not inconsistent with the previous sentence, the Partnership shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to make use of the Tax Assets to the extent they are otherwise available. For purposes of this Section 2.8, the terms "Financial Year" and "Tax Matters Partner" shall have the meanings provided in the LLP Agreement."

17. Amendment of Section 3.11(a). The first sentence of Section 3.11(a) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"(a) Schedule 3.11(a) contains a true and materially complete list of all of the employees of the SET Companies (whether full-time or part-time, actively at work or on leave) ("SET Company Employees") as of the date hereof, and upon being updated following the Closing Date shall contain a true and materially complete list of all of the employees of the SET Companies (whether full-time or part-time, actively at work or on leave) as of the Closing Date (such update, if necessary, to be delivered within ten (10) Business Days following the Closing Date), specifying their position, status and date of hire, together with a notation next to the name of any employee on such list who is subject to any written employment, change of control or severance agreement (aside from the collective bargaining agreements described in Schedule 3.11(b)) (the "SET Employment Agr eements")."

18. Amendment of Section 3.13(i). Section 3.13(i) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"None of the assets to be sold, conveyed, assigned, transferred and delivered by SETI to the Partnership will be United States real property interests within the meaning of Section 897 of the Code, except that, if Henry Bath, Inc. is converted to an entity that is disregarded for tax purposes prior to the Closing Date, such entity's leasehold interests in the Maryland and Louisiana warehouses, and the fixed assets associated with the use of these warehouses, will be United States real property interests."

19. Amendment of Section 3.13(k). Section 3.13(k) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"Trading and Transportation Management Inc. and its Subsidiaries were entitled to claim credits under Sections 29 and 45K with respect to its synthetic fuel operations in Virginia through December 31, 2007."

20. Amendment of Section 3.18. Section 3.18 of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"**Section 3.18. Material Financial Assurances**. Schedule 3.18 contains a complete list, as of the date of this Agreement, of all of the guarantees, letters of credit, comfort letters, "keep whole" agreements, bonds or other financial security arrangements or other credit support arrangements of any type or kind whatsoever, whether or not accrued, absolute,

contingent or otherwise other than with respect to Trading Agreements ("Financial Assurances") under which any SET Company or Sempra Energy is obligated or could reasonably be expected to be obligated for an amount in excess of $50,000,000, and the amount of each (including any amount drawn or used) as of May 31, 2007, in each case to the extent such Financial Assurances have been provided to or for the benefit of any creditor or counterparty of any SET Company under which Sempra Energy or any of its Subsidiaries (other than the SET Companies) are responsible or otherwise obligated; provided, that such schedule shall be updated on or before the date that is two (2) Business Days prior to the Closing Date, as of such date, and may otherwise be updated at any time before or after the Closing Date with effect from the date of such revision."

21. Amendment of Section 4.7(d). Section 4.7(d) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"(d) Upon execution of the LLP Agreement, subject to any conditions to the execution thereof in this Agreement or any Related Agreement, the Sempra Partners (or such other Subsidiaries as Sempra Energy shall have designated to become members of the Partnership) will be admitted as members of the Partnership and will not have any claims or Encumbrances upon their capital account balances or other entitlements under the LLP Agreement except as reflected in the LLP Agreement."

22. Amendment of Section 7.13(a). Section 7.13(a) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"From and after the date hereof until completed, Sempra Energy shall, and shall cause its Subsidiaries to, terminate (without any default, charge, cost or penalty of any kind to RBS or its Subsidiaries or the SET Companies), with effect as of the Closing Date, (i) all of the Affiliate Agreements relating to the Transition Services (as such term is defined in the Transition Services Agreement) and (ii) the Tax Payment Allocation Agreement, dated as of August 6, 1997, among Enova Corporation, Pacific Enterprises, Sempra Global (f/k/a Wine Acquisition Inc.), and Sempra Energy Trading LLC (f/k/a AIG Trading Corporation). Sempra Energy shall, and shall cause each of its Subsidiaries (other than the SET Companies and Sempra Utilities), to perform its obligations under any Affiliate Agreement that is not terminated pursuant to this Section (other than (x) any Affiliate Agreement set forth on Schedule 7.13(a), which schedule, for the avoidance of doubt, may be updated at any time from the date hereof up to the Closing Date and (y) any Affiliate Agreement that is, after the Closing Date, identified to, and ratified by, the board of directors of the Partnership) in compliance with the LLP Agreement, including Clause 13.3 of the LLP Agreement (notwithstanding any conflicting provision, or prior policy or conduct, under such Affiliate Agreement)."

23. Amendment of Section 9.2(o). Section 9.2(o) of the Formation Agreement is hereby amended, supplemented and restated in its entirety to read as follows:

"if, as a result of a "determination" under Section 1313(a) of the Code or other Legal Requirement which effects a change in the allocations of Partnership Net Income and Partnership Net Loss of the Partnership solely as between Sempra Commodities, Inc. and Sempra Energy Holdings VII B.V., RBS or the Partnership incurs a Tax, Sempra Energy or the relevant Sempra Affiliates that are members of the Partnership, as appropriate, will pay to RBS or the Partnership, as the case may be, an amount equal to such Tax. RBS shall provide notice to the Sempra Members (as such term is defined in the LLP Agreement) of a claim under this provision within 30 days of receiving written information from a Governmental Body that such a claim is being asserted pursuant to the provisions of Section 9.7 of this Agreement and the provisions of Section 9.7 shall govern the administration of such claim; provided , however, that neither Sempra Energy nor any Sempra Member (as such term is defined in the LLP Agreement) shall be obligated to make a payment under this Section 9.2(o) to the extent the Tax incurred by RBS or the Partnership is related to or caused by Section 482 of the Code, or other transfer pricing or similar provisions of similar laws."

24. Amendment of Section 10.3(f)(i). The words "Sempra Global" in the last sentence of Section 10.3(f)(i) of the Formation Agreement are hereby deleted, and the words "Sempra Commodities, Inc." are inserted in their place.

25. Addition of Section 10.19. The following new Section 10.19 is hereby inserted in the Formation Agreement immediately following Section 10.18 of the Formation Agreement:

"**Section 10.19. Obligations of Sempra Commodities, Inc.** Sempra Energy shall cause Sempra Commodities, Inc. to perform each of the obligations of Sempra Commodities, Inc. hereunder."

26. Substitution of Exhibit A to Formation Agreement. Exhibit A to the Formation Agreement is hereby deleted in its entirety and replaced by Annex A hereto.

27. Substitution of Exhibit C to Formation Agreement. Exhibit C to the Formation Agreement is hereby deleted in its entirety and replaced by Annex B hereto.

28. Substitution of Exhibit D to Formation Agreement. Exhibit D to the Formation Agreement is hereby deleted in its entirety and replaced by Annex C hereto.

29. Miscellaneous.

a. Except as expressly modified hereby, the Formation Agreement remains in full force and effect. Upon the execution and delivery hereof, the Formation Agreement shall thereupon be deemed to be amended and supplemented as hereinabove set forth as fully and with the same effect as if the amendments and supplements made hereby were originally set forth in the Formation Agreement, and this First Amendment and the Formation Agreement shall henceforth be read, taken and construed as one and the same instrument, but such amendments and supplements shall not operate so as to render invalid or improper any action heretofore taken under the Formation Agreement.

b. This First Amendment may be executed in one or more counterparts, each of which will be deemed to be an original copy of this First Amendment and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this First Amendment and of signature pages by facsimile or email transmission shall constitute effective execution and delivery of this First Amendment as to the Parties and may be used in lieu of the original First Amendment for all purposes. Signatures of the Parties transmitted by facsimile or email shall be deemed to be their original signatures for all purposes

c. This First Amendment shall be governed and construed in accordance with the internal Laws of the State of New York.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed as of the day and year first above written.

SEMPRA ENERGY

By: _____
Name:
Title:

SEMPRA GLOBAL

By: _____
Name:
Title:

SEMPRA ENERGY TRADING INTERNATIONAL, B.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

THE ROYAL BANK OF SCOTLAND PLC

By: _____
Name:
Title:

Exhibit A — Form of LLP Agreement

Form Attached.

Exhibit C — Form of RBS Indemnity of Sempra Parties for Guarantees of SET Business

Form Attached.

Exhibit D — Form of Commodities Trading Activities Master Agreement

Form Attached.

Exhibit 10.4

Merrill Lynch

Master Confirmation of OTC Collared ASAP Minus (VWAP Pricing, Fixed Notional)

Date: **April 1, 2008** **ML Ref:**

To: **Sempra Energy ("Counterparty")**
101 Ash Street
San Diego, CA 92101

Attention: Charles A. McMonagle, Senior VP & Treasurer

From: **Merrill Lynch International ("MLI")**
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Dear Sir / Madam:

The purpose of this letter agreement (the "**Master Confirmation**"), each supplemental confirmation substantially in the form attached hereto as Exhibit A (each, a "**Supplemental Confirmation**" and the Supplemental Confirmations, together with the Master Confirmation, this "**Confirmation**") is to confirm the terms and conditions of each of the above-referenced transactions entered into between Counterparty and MLI through its agent Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**MLPF&S**" or "**Agent**") on the respective Trade Dates specified in the Supplemental Confirmations (each, a "**Transaction**" and collectively, the "**Transactions**"). This Confirmation constitutes a "Confirmation" both on behalf of MLI, as referred to in the ISDA Master Agreement specified below, and on behalf of MLPF&S, as agent of MLI.

The definitions and provisions contained in the 2000 ISDA Definitions (the "**Swap Definitions**") and the 2002 ISDA Equity Derivatives Definitions (the "**Equity Definitions**" and, together with the Swap Definitions, the "**Definitions**"), in each case as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Swap Definitions and the Equity Definitions, the Equity Definitions will govern, in the event of any inconsistency between the Definitions and the Master Confirmation, the Master Confirmation will govern, in the event of any inconsistency between the Master Confirmation and any Supplemental Confirmation, the Supplemental Confirmation will govern. References herein to any "Transaction" shall be deemed to be references to a "Share For ward Transaction" for purposes of the Equity Definitions and a "Swap Transaction" for the purposes of the Swap Definitions.

This Confirmation evidences a complete binding agreement between you and us as to the terms of the Transactions to which this Confirmation relates. This Confirmation (notwithstanding anything to the contrary herein), shall be subject to an agreement in the 1992 form of the ISDA Master Agreement (Multicurrency Cross Border) including the Credit Support Annex (the "**Master Agreement**" or "**Agreement**"), as if we had executed an agreement in such form (but without any Schedule and with elections specified in the "ISDA Master Agreement" Section of the Master Confirmation) on the Trade Date of the first such Transaction between us. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for the purpose of each Transaction.

The terms of each Transaction to which the Master Confirmation relates are as follows:

General Terms:

Trade:	With respect to each Transaction, Counterparty, subject to the terms and conditions and in reliance upon the representations and warranties set forth herein, will purchase from MLI, at a time determined by MLI, as described herein, Shares in an amount equal to the Number of Shares. The parties hereto acknowledge that in selling Shares, MLI is acting as principal for its own account and has no implied duties (including any fiduciary duty) to Counterparty and any purchases of Shares by MLI in the open market in anticipation of delivery of Shares to Counterparty are solely for the account of MLI.
Trade Date:	For each Transaction, as set forth in the corresponding Supplemental Confirmation.
Effective Date:	Prepayment Date
Buyer:	Counterparty
Seller:	MLI
Shares:	Shares of common stock, without par value USD, of Counterparty (Symbol: SRE)
Number of Shares:	The result of the Prepayment Amount divided by the Settlement Price, subject to a maximum number of Shares equal to Maximum Shares and a minimum number of Shares equal to the Minimum Shares.
Maximum Shares:	For each Transaction, as set forth in the corresponding Supplemental Confirmation.
Minimum Shares:	For each Transaction, as set forth in the corresponding Supplemental Confirmation.
Initial Share Price:	The average of the VWAP Prices for each Exchange Business Day during the Hedge Period.

Forward Price:	Settlement Price
Hedge Period:	Each consecutive Exchange Business Day beginning on the Hedging Initiation Date and ending on the Hedging Completion Date, which is the period that MLI purchases Shares to establish the Initial Hedge Position.
Hedging Initiation Date:	For each Transaction, as set forth in the Supplemental Confirmation.
Hedging Completion Date:	For each Transaction, as set forth in the Supplemental Confirmation.
Initial Hedge Position:	For each Transaction, as set forth in the Supplemental Confirmation.
Prepayment:	Applicable
Prepayment Amount:	For each Transaction, as set forth in the corresponding Supplemental Confirmation.
Prepayment Date:	For each Transaction, as set forth in the corresponding Supplemental Confirmation.
Exchange:	NYSE
Related Exchange(s):	All Exchanges
Market Disruption Event:	The definition of "Market Disruption Event" in Section 6.3(a) of the Equity Definitions is hereby amended by replacing the words "at any time during the one-hour period that ends at the relevant Valuation Time" in the third line thereof with the words "at any time on any Scheduled Trading Day during the Valuation Period or" after the word "material".
Initial Share Delivery:	MLI shall deliver a number of shares specified in the Supplemental Confirmation to Counterparty on the Initial Share Delivery Date.
Initial Share Delivery Date:	Prepayment Date. The Initial Share Delivery Date shall be deemed to be a "Settlement Date" for purposes of Section 9.4 of the Equity Definitions.
Additional Share Delivery:	If specified, MLI shall deliver a number of shares as specified in the Supplemental Confirmation to the Counterparty on the Additional Share Delivery Date.
Additional Share Delivery Date:	As specified in the Supplemental Confirmation. The Additional Share Delivery Date shall be deemed to be a "Settlement Date" for purposes of Section 9.4 of the Equity Definitions.

Valuation:

Valuation Period:	For each Transaction, each Scheduled Trading Day from and including the Initial Settlement Date up to and including the Valuation Date; provided, that with respect to each Suspension Event (if any) affecting such Scheduled Trading Days, MLI may, by written notice to Counterparty (which notice shall not specify the reason for MLI's election to suspend the Valuation Period), exclude the Scheduled Trading Day(s) on which such Suspension Event has occurred (such days, "**Suspension Event Days**") and extend the last possible Valuation Date by the total number of such Suspension Event Days; provided, further, that notwithstanding anything to the contrary in the Equity Definitions, to the extent that any Scheduled Trading Days in the Valuation Period are Disrupted Days, the Calculation Agent may exclude such Disrupted Days and extend the last possible Valuation Date by the number of such Disru pted Days (in addition to any Suspension Event Days, without duplication).
Suspension Event:	Each and every one of the following events: (i) MLI concludes, in its sole discretion, that Counterparty will be engaged in a distribution of the Shares for purposes of Regulation M or that the "restricted period" in respect of such distribution has not yet been completed; or (ii) MLI reasonably concludes, in its sole discretion, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by MLI), including without limitation any third-party tender offer, for it to refrain from purchasing Shares during any part of the Valuation Period.
Exclusion Mechanics:	With respect to each Suspension Event Day and Disrupted Day (each, an "**Exclusion Day**"), the Calculation Agent must determine whether (i) such Exclusion Day should be excluded in full, in which case such Exclusion Day shall not be included for purposes of determining the Settlement Price, or (ii) such Exclusion Day should only be partially excluded, in which case the VWAP Price for such Exclusion Day shall be determined by the Calculation Agent based on Rule 10b-18 eligible transactions in the Shares on such Exclusion Day effected during the portion of the Scheduled Trading Day unaffected by such event or events, and the weighting of the VWAP Prices for the relevant Scheduled Trading Days during the Valuation Period shall be adjusted by the Calculation Agent for purposes of determining the Settlement Price. If a Disrupted Day occurs during the Valuation Period, and each of the nine immediately fol lowing Scheduled Trading Days is a Disrupted Day, then the Calculation Agent, in its discretion, may either (i) determine the VWAP Price for such ninth Scheduled Trading Day and adjust the weighting of the VWAP Prices for the relevant Scheduled Trading Days during the Valuation Period as it deems appropriate for purposes of determining the Settlement Price based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares or (ii) disregard such day for purposes of determining the Settlement Price and further postpone the Valuation Date, in either case, as it deems appropriate to determine the VWAP Price.
Valuation Date:	For each Transaction, the earlier to occur of the date as set forth in the Supplemental Confirmation (as the same may be postponed in accordance with the provisions hereof) (the "**Scheduled Valuation Date**") and any Accelerated Valuation Date.
Accelerated Valuation Date:	For each Transaction, any date, occurring on or after the First Acceleration Date but prior to the Scheduled Valuation Date, designated by MLI to be the Valuation Date; MLI shall notify Counterparty of such designation prior to the opening of trading on the Exchange on the Scheduled Trading Day immediately following such Accelerated Valuation Date.

First Acceleration Date:	For each Transaction, as set forth in the Supplemental Confirmation.

Settlement Terms:

Physical Settlement:	Applicable
Settlement Currency:	USD
Settlement Method Election:	Not Applicable
Settlement Price:	The arithmetic mean of the VWAP Prices of the Shares for each Scheduled Trading Day in the Valuation Period minus the Settlement Price Adjustment Amount.
Settlement Price Adjustment Amount:	For each Transaction, as set forth in the Supplemental Confirmation.
Number of Shares to be Delivered:	A number of Shares equal to (i) the Number of Shares, minus (ii) the sum of (A) Initial Share Delivery and (B) Additional Share Delivery; provided, however, that the Number of Shares to be Delivered cannot be less than zero.
VWAP Price:	The daily volume weighted average price per Share. For the purpose of calculating the VWAP Price, the Calculation Agent will include only those trades which are reported during the period of time during which Counterparty could purchase its own shares under Rule 10b-18(b)(2) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and pursuant to the conditions of Rule 10b-18(b)(3) and (b)(4) under the Exchange Act. Counterparty acknowledges that MLI may refer to the Bloomberg Page "SRE.N <Equity> AQR SEC" (or any successor thereto), in its discretion, to determine the VWAP Price.

Share Adjustments:

Method of Adjustment:	Calculation Agent Adjustment; provided, however, that an Extraordinary Dividend Event occurring with respect to a Transaction shall be an Additional Termination Event under the Agreement with respect to such Transaction, with such Transaction being an Affected Transaction and Counterparty being the sole Affected Party.
Extraordinary Dividends:	Each dividend or distribution payment (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) or (B) of the Equity Definitions) having an ex-dividend date during the Valuation Period, other than the payment of the Ordinary Dividend Amount on each Scheduled Dividend Date. For the avoidance of doubt, the rescheduling of a Scheduled Dividend Date to an earlier date shall result in an Ordinary Dividend Amount payable on such rescheduled day becoming an Extraordinary Dividend.
Ordinary Dividend Amount:	For each Transaction, as set forth in the Supplemental Confirmation.
Scheduled Dividend Dates:	For each Transaction, as set forth in the Supplemental Confirmation.

Extraordinary Events:

Consequences of Merger Events:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Cancellation and Payment; for the avoidance of doubt, the value of any embedded optionality in the Transaction shall be taken into account in determining the Cancellation Amount.
Share-for-Combined:	Component Adjustment
Determining Party:	MLI

Consequences of Tender Offers:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Cancellation and Payment; for the avoidance of doubt, the value of any embedded optionality in the Transaction shall be taken into account in determining the Cancellation Amount.
Share-for-Combined:	Component Adjustment
Determining Party:	MLI
New Share:	The definition of "New Shares" in Section 12.1 of the Equity Definitions shall be amended by inserting at the beginning of subsection (i) the following: "(i) where the Exchange is located in the United States, publicly quoted, traded or listed on the New York Stock Exchange, the American Stock Exchange or the NASDAQ Stock Market LLC (or their respective successors) or otherwise,".
Announcement Event:	If an Announcement Event occurs, the Calculation Agent will determine in good faith and in a commercially reasonable manner the economic effect of the Announcement Event on the Transaction (including without limitation any change in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Transaction) from the Announcement Date to the Valuation Date. If such economic effect is material, the Calculation Agent will adjust the terms of the Transaction to reflect such economic effect. "**Announcement Event**" shall mean the occurrence of the Announcement Date of a Merger Event or Tender Offer.
Nationalization, Insolvency or Delisting:	

Cancellation and Payment; provided, that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, the American Stock Exchange or The NASDAQ National Market (or their respective successors); and if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange.

Determining Party: MLI

Additional Disruption Events:

Change in Law: Applicable

Insolvency Filing: Applicable

Increased Cost of Stock Borrow: Applicable; provided, that Sections 12.9(a)(vii) and 12.9(b)(iv) of the Equity Definitions are amended by deleting the words "at a rate equal to or less than the Initial Stock Loan Rate" and replacing them with "at a rate of equal to or less than 35 basis points".

Hedging Party: MLI

Determining Party; MLI

Non-Reliance/Agreements and Acknowledgements Regarding Hedging Activities/Additional Acknowledgements: Applicable

Partial Early Settlement

Notwithstanding any other provisions of this Confirmation, if MLI (together with its affiliates, as such term is defined under the Exchange Act) acquire or hold a number of Shares or other equity securities of Counterparty exchangeable for or convertible into Shares which in aggregate would equal or exceed 4.75% of all Shares then issued and outstanding (the "**Ownership Limit**"), MLI may at any time and from time to time during the term of a Transaction deliver to Counterparty a number of Shares to cause MLI and its affiliates to hold less than the Ownership Limit and Counterparty agrees to take ownership of any such Shares, provided, that MLI has furnished to Counterparty three days' prior notice in writing specifying a date for settlement (each, a "**Special Settlement Date**") and the number of Shares to be delivered by MLI to Counterparty on the Special Settlement Date. The parties understand and agree that (i) the delivery of the Shares by or on behalf of MLI is irrevocable and that as of any Special Settlement Date Counterparty will be the sole beneficial owner of the Shares for all purposes and (ii) the number of Shares delivered by MLI on any such Special Settlement Date will reduce the number of the number of Shares, if any, to be delivered by MLI in settlement of one or more Transactions.

Registration:

Counterparty hereby agrees that if, in the good faith reasonable judgment of MLI, the Shares ("**Hedge Shares**") acquired by MLI for the purpose of hedging its obligations pursuant to any Transaction cannot be sold in the public market by MLI without registration under the Securities Act, Counterparty shall, at its election, assume one of the following obligations: (i) in order to allow MLI to sell the Hedge Shares in a registered offering, make available to MLI an effective registration statement under the Securities Act and enter into an agreement, in form and substance satisfactory to MLI, substantially in the form of an underwriting agreement for a registered secondary offering; provided however, that if MLI, in its sole reasonable discretion, is not satisfied with access to due diligence materials, the results of its due diligence investigation, or the procedures and documentation for the registered offering referred to above, then clause (ii) or clause (iii) of this paragraph shall apply at the election of Counterparty, (ii) in order to allow MLI to sell the Hedge Shares in a private placement, enter into a private placement agreement substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance satisfactory to MLI (in which case, the Calculation Agent shall make any adjustments to the terms of such Transaction that are necessary, in its reasonable judgment, to compensate MLI for any discount from the public market price of the Shares incurred on the sale of Hedge Shares in a private placement), or (iii) purchase the Hedge Shares from MLI at the Closing Price on such Exchange Business Days, and in the amounts, requested by MLI.

Other Share Deliveries in Lieu of Cash Payment:

If Counterparty would be obligated to pay cash to MLI or receive cash from MLI pursuant to the terms of this Agreement for any reason without having had the right (other than pursuant to this paragraph) to elect to deliver Shares or receive Shares, as the case may be, in satisfaction of such payment obligation or right, then Counterparty may elect that Counterparty deliver to MLI or receive from MLI, as the case may be, a number of Shares having an equivalent value (such number of Shares to be delivered to be determined by the Calculation Agent taking into account relevant factors, including whether or not the Shares are subject to legal or other restrictions on transfer or acquisition and the costs and expenses associated with disposing of or acquiring such Shares). Settlement relating to any delivery of Shares pursuant to this paragraph shall occur within a reasonable period of time.

Additional Agreements, Representations and Covenants of Counterparty, Etc.:

1. Counterparty hereby represents and warrants to MLI that during each Hedge Period:

   a. neither Counterparty nor any "affiliated purchaser" (as such term is defined in Rule 10b-18 under the Exchange Act) will acquire Shares (or equivalent interests or securities exchangeable, convertible or exercisable into Shares) or be a party to any repurchase or similar agreements pursuant to which a valuation, averaging or hedging period or similar such period overlaps or potentially overlaps with the Hedge Period, except for off-market purchases of Shares issued to employees as "restricted shares" pursuant to the Counterparty's Employee Stock Incentive Plan or the 1998 Long-Term Incentive Plan;

   b. Counterparty will not be engaged in a distribution of Shares or other securities for which the Shares are a reference security for purposes of Rule 102 of Regulation M under the Exchange Act; and

   c. Unless the Hedge Period is covered by a Plan described below, Counterparty is not in possession of any material nonpublic information regarding Counterparty or Shares.

2.

MLI hereby represents and warrants to Counterparty that during the Hedge Period, it and each person or entity subject to its control or acting on its behalf will use commercially reasonable efforts to purchase Shares to establish its Initial Hedge Position in compliance with the time of purchase, price of purchase and volume of purchase provisions of Rule 10b-18 under the Exchange Act, as if such rule could be applied to such purchases.

Compliance with Securities Laws: Each party represents and agrees that it has complied, and will comply, in connection with each Transaction and all related or contemporaneous sales and purchases of Shares, with the applicable provisions of the Securities Act, and the Exchange Act, and the rules and regulations each thereunder, including, without limitation, Rules 10b-5 and Regulation M under the Exchange Act; provided that each party shall be entitled to rely conclusively on any information communicated by the other party concerning such other party's market activities.

Each party further represents and warrants that if such party ("X") purchases any Shares from the other party pursuant to any Transaction, such purchase(s) will comply in all material respects with (i) all laws and regulations applicable to X and (ii) all contractual obligations of X.

Each party acknowledges that the offer and sale of each Transaction to it is intended to be exempt from registration under the Securities Act by virtue of Section 4(2) thereof and the provisions of Regulation D thereunder ("**Regulation D**"). Accordingly, each party represents and warrants to the other that (i) it has the financial ability to bear the economic risk of its investment in each Transaction and is able to bear a total loss of its investment, (ii) it is an "accredited investor" as that term is defined under Regulation D, (iii) it will purchase each Transaction for investment and not with a view to the distribution or resale thereof, and (iv) the disposition of each Transaction is restricted under this Confirmation, the Securities Act and state securities laws.

Counterparty represents and warrants as of the date hereof that:

(a) each of its filings under the Exchange Act that are required to be filed from and including the ending date of Counterparty's most recent prior fiscal year have been filed, and that, as of the respective dates thereof and hereof, there is no misstatement of material fact contained therein or omission of a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading;

(b) Counterparty is not in possession of material non-public information regarding the Shares or the Counterparty;

(c) Counterparty is not entering into any Transaction to facilitate a distribution of the common stock or in connection with a future distribution of securities;

(d) Counterparty is not entering into any Transaction to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to manipulate the price of the Shares (or any security convertible into or exchangeable for Shares);

(e) Counterparty is entering into each Transaction in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act ("**Rule 10b5-1**"); it is the intent of the parties that each Transaction comply with the requirements of Rule l0b5-l(c)(1)(i)(A) and (B) and each Transaction shall be interpreted to comply with the requirements of Rule 10b5-l(c) (a "**Plan**"); Counterparty will not seek to control or influence MLI or MLPF&S to make "purchases or sales" (within the meaning of Rule 10b5-1(c)(l)(i)(B)(3)) under any Transaction, including, without limitation, any decision to enter into any hedging transactions; Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation o f each Transaction under Rule 10b5-1;

(f) Other than as disclosed to MLI in Schedule A hereto, neither it nor any "affiliated purchaser" (as defined in Rule 10b-18 under the Exchange Act) has made any purchases of blocks pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act during the four full calendar weeks immediately preceding the applicable Hedging Initiation Date;

(g) The purchase or writing of each Transaction will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act, and Counterparty is not entering into any Transaction in anticipation of, or in connection with, or to facilitate a self-tender offer or a third-party tender offer;

(h) Each Transaction is consistent with the publicly announced program of Counterparty to repurchase, from time to time, Shares (the "**Repurchase Program**"); and

(i) Counterparty has full power and authority to undertake the Repurchase Program, and the Repurchase Program has been duly authorized and remains valid.

Counterparty covenants and agrees that:

(a) during the term of each Transaction to promptly notify MLI telephonically (which oral communication shall be promptly confirmed by telecopy to MLI) if Counterparty determines that as a result of an acquisition or other business transaction or for any other reason Counterparty will be engaged in a distribution of Shares or other securities for which the Shares are a reference security for purposes of Rule 102 of Regulation M under the Exchange Act and to promptly notify MLI by telecopy of the period commencing on the date that is one (1) business day before the commencement of such distribution and ending on the day on which Counterparty completes the distribution (the "**Distribution Period**"); for the purposes of this Confirmation, the "term" of a Transaction shall not be considered to have been completed until all Shares required to be transferred to party hereto have been duly transferred and all cash amounts required to be paid to a party hereto have been duly paid; and

(b) without the prior written consent of MLI, neither Counterparty nor any "affiliated purchaser" (as such term is defined in Rule 10b-18 under the Exchange Act) will acquire Shares (or equivalent interests or securities exchangeable, convertible or exercisable into Shares) or be a party to any repurchase or similar agreements pursuant to which a valuation, averaging or hedging period or similar such period overlaps or potentially overlaps with the term of any Transaction, other than in those transactions already disclosed in writing to MLI and for off-market purchases of Shares issued to employees as "restricted shares" pursuant to the Counterparty's Employee Stock Incentive Plan or the 1998 Long-Term Incentive Plan; in connection with such disclosed transactions and otherwise, although Counterparty acknowledges that Rule 10b-18 under the Exchange Act cannot be applied to MLI's or MLPF&S's purchases of Shares in connection with any Transaction, Counterparty will not take any action that would or could cause MLI's or MLPF&S's purchases of Shares during any Transaction term not to comply with Rule 10b-18 under the Exchange Act, as if such rule could be applied to such Transaction; and

Counterparty acknowledges and agrees that:

(a) In connection with each Transaction, MLI will engage in customary hedging activities in its sole discretion and for its own account and that such activities may involve sales or purchases at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of such Transaction; and

(b) Notwithstanding the generality of Section 13.1 of the Equity Definitions, MLI is not making any representations or warranties with respect to the treatment of any Transaction under FASB Statements 133 as amended or 150, EITF 00-19 (or any successor issue statements) or under FASB's Liabilities & Equity Project.

Account Details:

Account for payments to Counterparty:	Union Bank of California ABA# 122 000 496 FAO: Sempra Energy A/C 0700-492435
Account for payment to MLI:	JP Morgan Chase Bank, New York ABA# 021000021 FAO: MLI Equity Derivatives A/C: 066213118

Bankruptcy Rights: In the event of Counterparty's bankruptcy, MLI's rights in connection with any Transaction shall not exceed those rights held by common shareholders. For the avoidance of doubt, the parties acknowledge and agree that MLI's rights with respect to any other claim arising from any Transaction prior to Counterparty's bankruptcy shall remain in full force and effect and shall not be otherwise abridged or modified in connection herewith.

Set-Off: Each of the parties waives any and all rights it may have to set-off, whether arising under any agreement, applicable law or otherwise.

Collateral: For each Transaction, as set forth in the corresponding Supplemental Confirmation.

Transfer: Counterparty may transfer any of its rights or delegate its obligations under any Transaction with the prior written consent of MLI. MLI may assign and delegate its rights and obligations under any Transaction (the "**Transferred Obligations**") to any subsidiary of ML & Co. (the "**Assignee**") with Guarantee of Assignee by Merrill Lynch & Co., Inc. in the form of Exhibit B. MLI will provide by notice specifying the effective date of such transfer ("**Effective Date**") and including an executed acceptance and assumption by the Assignee of the Transferred Obligations; provided that (i) Counterparty will not, as a result of such transfer, be

required to pay to the Assignee an amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) of the Agreement (except in respect of interest under Section 2(e), 6(d)(ii), or 6(e)) greater than the amount in respect of which Counterparty would have been required to pay to MLI in the absence of such transfer; and (ii) the Assignee will not, as a result of such transfer, be required to withhold or deduct on account of a Tax under Section 2(d)(i) of the Agreement (except in respect of interest under Section 2(e), 6(d)(ii), or 6(e)) an amount in excess of that which MLI would have been required to withhold or deduct in the absence of such transfer, unless the Assignee would be required to make additional payments pursuant to Section 2(d)(i)(4) of the Agreement corresponding to such excess. On the Effective Date, (a) MLI shall be released from all obligations and liabilities arising under the Transferred Obligations; and (b) if MLI has not assigned and delegated its rights and obligations under the Agreement and all Transactions thereunder, the Transferred Obligations shall cease to be a Transaction under the Agreement and shall be deemed to be a Transaction under the master agreement, if any, between Assign ee and Counterparty, provided that, if at such time Assignee and Counterparty have not entered into a master agreement, Assignee and Counterparty shall be deemed to have entered into an ISDA form of Master Agreement (Multicurrency-Cross Border) and Schedule substantially in the form of the Agreement but amended to reflect the name of the Assignee and the address for notices and any amended representations under Part 2 of the Agreement as may be specified in the notice of transfer.

Regulation: MLI is regulated by The Securities and Futures Authority Limited and has entered into each Transaction as principal.

Indemnity: Counterparty agrees to indemnify MLI, its Affiliates and their respective directors, officers, agents and controlling parties (MLI and each such person being an "**Indemnified Party**") from and against any and all losses, claims, damages and liabilities, joint and several, to which such Indemnified Party may become subject because of the untruth of any representation by Counterparty or a breach by Counterparty of any agreement or covenant under this Confirmation, in the Agreement, the Plan or any other agreement relating to the Agreement or any Transaction and will reimburse any Indemnified Party for all reasonable expenses (including reasonable legal fees and expenses) as they are incurred in connection with the investigation of, preparation for, or defense of, any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto; provided, ho wever, that Counterparty shall not have any liability to any Indemnified Party to the extent that such obligations (i) are finally determined by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of any Indemnified Party (and in such case, such Indemnified Party shall promptly return to Counterparty any amounts previously expended by Counterparty hereunder) or (ii) are trading losses incurred by MLI that are not attributable, whether directly or indirectly, to a breach by Counterparty of any agreement, term or covenant herein.

ISDA Master Agreement

With respect to the Agreement, MLI and Counterparty each agree as follows:

Specified Entities:

(i) in relation to MLI, for the purposes of:

Section 5(a)(v): not applicable
Section 5(a)(vi): not applicable
Section 5(a)(vii): not applicable
Section 5(b)(iv): not applicable

and (ii) in relation to Counterparty, for the purposes of:

Section 5(a)(v): not applicable
Section 5(a)(vi): not applicable
Section 5(a)(vii): not applicable
Section 5(b)(iv): not applicable

"**Specified Transaction**" will have the meaning specified in Section 14 of the Agreement.

The "**Credit Event Upon Merger**" provisions of Section 5(b)(iv) of the Agreement will not apply to MLI and Counterparty.

The "**Automatic Early Termination**" provision of Section 6(a) of the Agreement will not apply to MLI or to Counterparty.

Payments on Early Termination for the purpose of Section 6(e) of the Agreement: (i) Loss shall apply; and (ii) the Second Method shall apply.

"**Termination Currency**" means USD.

Tax Representations:

(I) For the purpose of Section 3(e) of the Agreement, each party represents to the other party that it is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii), or 6(e) of the Agreement) to be made by it to the other party under the Agreement. In making this representation, each party may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of the Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of the Agreement, and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of the Agreement, and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of the Agreement; provided that it will not be a breach of this representation where reliance is placed on clause (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) of the Agreement by reason of material prejudice to its legal or commercial position.

(II) For the purpose of Section 3(f) of the Agreement, each party makes the following representations to the other party:

(i) MLI represents that it is a company organized under the laws of England and Wales.

(ii) Counterparty represents that it is a corporation incorporated under the laws of California.

Delivery Requirements: For the purpose of Sections 3(d), 4(a)(i) and (ii) of the Agreement, each party agrees to deliver the following documents:

Tax forms, documents or certificates to be delivered are:

Each party agrees to complete (accurately and in a manner reasonably satisfactory to the other party), execute, and deliver to the other party, United States Internal Revenue Service Form W-9 or W-8 BEN, or any successor of such form(s): (i) before the first payment date under this agreement; (ii) promptly upon reasonable demand by the other party; and (iii) promptly upon learning that any such form(s) previously provided by the other party has become obsolete or incorrect.

Other documents to be delivered:

Party Required to Deliver Document	**Document Required to be Delivered**	**When Required**	**Covered by Section 3(d) Representation**
Counterparty	Evidence of the authority and true signatures of each official or representative signing this Confirmation	Upon or before execution and delivery of this Confirmation	Yes
Counterparty	Certified copy of the resolution of the Board of Directors or equivalent document authorizing the execution and delivery of this Confirmation	Upon or before execution and delivery of this Confirmation	Yes
Each party	Executed Supplemental Confirmation, substantially in the form of Exhibit A hereto, in respect of each Transaction	On or before the corresponding Trade Date	Yes
MLI	Guarantee of its Credit Support Provider, substantially in the form of Exhibit B attached hereto, together with evidence of the authority and true signatures of the signatories, if applicable	Upon or before execution and delivery of this Confirmation	Yes
MLI	Collateral Account Control Agreement, substantially in the form of Exhibit C hereto, in respect of each Transaction	Upon or before execution and delivery of this Confirmation	Yes

Addresses for Notices: For the purpose of Section 12(a) of the Agreement:

Address for notices or communications to MLI:

Address: Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street, London EC1A 1HQ
Attention: Gary Rosenblum
Facsimile No.: 212 449-2355 Telephone No.: 212 449-6309

(For all purposes)

Additionally, a copy of all notices pursuant to Sections 5, 6, and 7 as well as any changes to Counterparty's address, telephone number or facsimile number should be sent to:

Address: GMI Counsel
Merrill Lynch World Headquarters
4 World Financial Center, 12th Floor
New York, New York 10080
Attention: Global Equity Derivatives
Facsimile No.: 212 449-2355 Telephone No.: 212 449-6309

Address for notices or communications to Counterparty for all purposes:

Sempra Energy
101 Ash Street
San Diego, CA 92101
Attention: Charles A. McMonagle, Senior VP & Treasurer
Facsimile No.: 619 696-4588 Telephone No.: 619 696-4512

Process Agent: For the purpose of Section 13(c) of the Agreement, MLI appoints as its process agent:

Merrill Lynch, Pierce, Fenner & Smith Incorporated

222 Broadway, 16th Floor
New York, NY 10038
Attention: Litigation Department

Counterparty does not appoint a Process Agent.

Multibranch Party. For the purpose of Section 10(c) of the Agreement: Neither MLI nor Counterparty is a Multibranch Party.

Calculation Agent. The Calculation Agent is MLI, whose judgments, determinations and calculations in each Transaction and any related hedging transaction between the parties shall be made in good faith and in a commercially reasonable manner.

Credit Support Document.

MLI: Guarantee of ML&Co in the form attached hereto as Exhibit B and the Collateral Account Control Agreemt entered into among Counterparty, MLI and MLPF&S as Securities Intermediary in the form attached hereto as Exhibit C.

Counterparty: Not Applicable

Credit Support Provider.

With respect to MLI: Merrill Lynch and Co. and with respect to Counterparty, Not Applicable.

Governing Law. This Confirmation will be governed by, and construed in accordance with, the laws of the State of New York.

Netting of Payments. The provisions of Section 2(c) of the Agreement shall not be applicable to each Transaction.

Accuracy of Specified Information. Section 3(d) of the Agreement is hereby amended by adding in the third line thereof after the word "respect" and before the period the words "or, in the case of audited or unaudited financial statements or balance sheets, a fair presentation of the financial condition of the relevant person."

Basic Representations. Section 3(a) of the Agreement is hereby amended by the deletion of "and" at the end of Section 3(a)(iv); the substitution of a semicolon for the period at the end of Section 3(a)(v) and the addition of Sections 3(a)(vi), as follows:

> **Eligible Contract Participant; Line of Business**. It is an "eligible contract participant" as defined in the Commodity Futures Modernization Act of 2000, and it has entered into this Confirmation and each Transaction in connection with its business or a line of business (including financial intermediation), or the financing of its business.

Amendment of Section 3(a)(iii). Section 3(a)(iii) of the Agreement is modified to read as follows:

> **No Violation or Conflict**. Such execution, delivery and performance do not materially violate or conflict with any law known by it to be applicable to it, any provision of its constitutional documents, any order or judgment of any court or agency of government applicable to it or any of its assets or any material contractual restriction relating to Specified Indebtedness binding on or affecting it or any of its assets.

Amendment of Section 3(a)(iv). Section 3(a)(iv) of the Agreement is modified by inserting the following at the beginning thereof:

> "To such party's best knowledge,"

Additional Representations:

Counterparty Representations. As of the date hereof and each Trade Date, Counterparty represents and warrants that it: (i) has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of entering into each Transaction; (ii) has consulted with its own legal, financial, accounting and tax advisors in connection with each Transaction; and (iii) is entering into each Transaction for a bona fide business purpose to hedge or repurchase Shares.

As of the date hereof and each Trade Date, Counterparty represents and warrants that it is not and has not been the subject of any civil proceeding of a judicial or administrative body of competent jurisdiction that could reasonably be expected to impair materially Counterparty's ability to perform its obligations hereunder.

As of the date hereof and each Trade Date, Counterparty is not insolvent.

Acknowledgements:

(1) The parties acknowledge and agree that there are no other representations, agreements or other undertakings of the parties in relation to any Transaction, except as set forth in this Confirmation.

(2) The parties hereto intend for:

(a) each Transaction to be a "securities contract" as defined in Section 741(7) of Title 11 of the United States Code (the "**Bankruptcy Code**"), qualifying for the protections under Sections 546 and 555 of the Bankruptcy Code;

(b) a party's right to liquidate each Transaction and to exercise any other remedies upon the occurrence of any Event of Default under the Agreement with respect to the other party to constitute a "contractual right" as defined in the Bankruptcy Code;

(c) all payments for, under or in connection with each Transaction, all payments for the Shares and the transfer of such Shares to constitute "settlement payments" as defined in the Bankruptcy Code.

Amendment of Section 6(d)(ii). Section 6(d)(ii) of the Agreement is modified by deleting the words "on the day" in the second line thereof and substituting therefor "on the day that is three Local Business Days after the day". Section 6(d)(ii) is further modified by deleting the words "two Local Business Days" in the fourth line thereof and substituting therefor "three Local Business Days."

Amendment of Definition of Reference Market-Makers. The definition of "Reference Market-Makers" in Section 14 is hereby amended by adding in clause (a) after the word "credit" and before the word "and" the words "or to enter into transactions similar in nature to Transactions".

Consent to Recording. Each party consents to the recording of the telephone conversations of trading and marketing personnel of the parties and their Affiliates in connection with this Confirmation. To the extent that one party records telephone conversations (the "**Recording Party**") and the other party does not (the "**Non-Recording Party**"), the Recording Party shall in the event of any dispute, make a complete and unedited copy of such party's tape of the entire day's conversations with the Non-Recording Party's personnel available to the Non-Recording Party. However, unless both parties have recorded the

telephone conversation, the Recording Party's tapes may not be used by either party in any forum in which a dispute is sought to be resolved. The Recording Party will retain tapes for a consistent period of time in accordance with the Recording Party 6;s policy unless one party notifies the other that a particular transaction is under review and warrants further retention.

Disclosure. Each party hereby acknowledges and agrees that MLI has authorized Counterparty to disclose each Transaction and any related hedging transaction between the parties if and to the extent that Counterparty reasonably determines (after consultation with MLI) that such disclosure is required by law or by the rules of any securities exchange or similar trading platform.

Severability. To the extent permitted by law, if any term, provision, covenant or condition of this Confirmation, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable in whole or in part for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Confirmation had been executed with the invalid or unenforceable provision eliminated, so long as this Confirmation as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Confirmation and the deletion of such portion of this Confirmation will not substantially impair the respective benefits or expectations of parties to this Agreement; provided, however, that this severability provision shall not be applicable if any provision of Section 2, 5, 6 or 13 of the Agreement (or any definition or provision in Section 14 to the extent that it relates to, or is used in or in connection with any such Section) shall be so held to be invalid or unenforceable.

Affected Parties. For purposes of Section 6(e) of the Agreement, each party shall be deemed to be an Affected Party in connection with Illegality and any Tax Event.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Master Confirmation enclosed for that purpose and returning it to us.

Very truly yours,

MERRILL LYNCH INTERNATIONAL

By: _____

Name:
Title:

Confirmed as of the date first above written:

SEMPRA ENERGY

By: _____ By: _____

Name: Name:
Title: Title:

Acknowledged and agreed as to matters relating to the Agent:

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
solely in its capacity as Agent hereunder

By: _____

Name:
Title:

EXHIBIT A

FORM OF SUPPLEMENTAL CONFIRMATION

Merrill Lynch

Supplemental Confirmation of Collared ASAP Minus (VWAP Pricing, Fixed Notional)

Date: **[l], 2008** **ML Ref: ●**

To: **Sempra Energy ("Counterparty")**
101 Ash Street
San Diego, CA 92101

Attention: Charles A. McMonagle, Senior VP & Treasurer

From: **Merrill Lynch International ("MLI")**
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Dear Sir / Madam:

Capitalized terms used herein, unless defined herein, have the meanings set forth in the Master Confirmation of OTC Collared ASAP Minus between Counterparty and MLI, dated as of [l], 2008.

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of a Transaction under the Master Confirmation.

The terms of the Transaction to which the Supplemental Confirmation relates are as follows:

Trade Date:	[l], 2008
Hedging Initiation Date:	[l], 2008
Hedging Completion Date:	[l], subject to postponement by the Calculation Agent for each Scheduled Trading Day on which there is an event that would be a Suspension Event or Disrupted Day, were the Hedging Period the Valuation Period instead.
Initial Hedge Position:	The number of Shares determined by MLI to be its initial hedge position
Initial Settlement Date:	The Exchange Business Day immediately following the Hedging Completion Date
Scheduled Valuation Date:	[l]
First Acceleration Date:	[l]
Initial Share Delivery:	A number of Shares equal to **[l]**/**[l]** of the result of dividing the Prepayment Amount by the closing price of the regular trading session on the Exchange on the Exchange Business Day immediately preceding the Hedging Initiation Date.
Additional Share Delivery:	A number of Shares equal to (i) the Minimum Shares, minus (ii) Initial Share Delivery; provided, however, that the Additional Share Delivery cannot be less than zero.
Additional Share Delivery Date:	One (1) Exchange Business Day following the Hedging Completion Date.
Prepayment Amount:	**[l]**
Prepayment Date:	Hedge Initiation Date, following confirmation of Counterparty's receipt of the Initial Share Delivery
Ordinary Dividend Amount:	USD $**[l]** per Share
Scheduled Dividend Dates:	Record dates of **[l]**,**[l]** and **[l]** with corresponding payment dates of **[l]**,**[l]** and **[l]**
Cap Price:	**[l]** of the Initial Share Price
Floor Price:	**[l]** of the Initial Share Price
Minimum Shares:	Prepayment Amount divided by Cap Price
Maximum Shares:	Prepayment Amount divided by Floor Price
Settlement Price Adjustment Amount:	An amount equal to **[l]** of the closing price of the Shares on the Trade Date as determined by MLI
Credit Support Amount:	During the Hedging Period, an amount equal to **[l]**. After the Hedging Period, on each Valuation Date (as such term is used in the Credit Support Annex (the "CSA")) the Calculation Agent will determine the Settlement Price as if such

Valuation Date were the Accelerated Valuation Date (the "Interim Settlement Price") and then calculate the Credit Support Amount as follows:

(i) If the Interim Settlement Price is equal to or greater than the Cap Price, zero.

(ii) If the Interim Settlement Price is less than the Cap Price:

(I) the minimum of (1) Maximum Shares – Minimum Shares, and (2) (Prepayment Amount/Interim Settlement Price) – Minimum Shares,

(II) multiplied by the Interim Settlement Price.

Valuation Date (for purposes of the CSA): Every Monday during the Valuation Period.

Valuation Time: 5:00 PM EST

Notification Time: 10 a.m. on the next Local Business Day after the relevant Valuation Date

Transfer Timing: Section 4(b) of the CSA is hereby amended by deleting the phrase "the next" on the third line thereof and replacing it with the word "such" and by deleting the word "second" in the last line thereof and replacing it with the word "next".

Valuation Agent: MLI

Minimum Transfer Amount: $500,000

Collateral: MLI will pledge Eligible Collateral in an amount and subject to the terms as defined below.

Custodian: Merrill Lynch, Pierce, Fenner & Smith Incorporated pursuant to a Collateral Account Control Agreement, substantially in the form of Exhibit C, by and among Counterparty, MLI and MLPF&S.

Eligible Collateral: The following Items will qualify as "Eligible Collateral"; provided that the individual Item is not on credit watch with negative implications, except for those qualifying Items on Attachment Q1 and any others that the parties may agree from time to time; provided further that no more than 25 individual security positions may be used as Eligible Collateral; and provided further that the maximum portion of Eligible Collateral from any single non-U.S. government credit shall be limited to $25 million:

Item:	**Valuation Percentage:**	**Maximum Share of Eligible Collateral:**
(A) Cash	100%	100%
(B) Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of not more than one year	100%	100%
(C) Securities with maturities of 90 days or less from the date of acquisition issued by the U.S., Switzerland, Canada, England or a member state of the European Union (excluding Greece, Italy and any Countries with sovereign debt ratings below Aa1/AA+) or by an instrumentality or agency of the U.S. government, Switzerland, Canada, England or a member state of the European Union (excluding Greece, Italy and any Countries with sovereign debt ratings below Aa1/AA+) having the same credit rating as its government	100%	$50 million maximum per non-U.S. country
(D) Certificates of deposit and eurodollar time deposits with maturities of 90 days or less from the date of acquisition and overnight bank deposits of any commercial bank having stable ratings of at least A/A-1 by S&P and A2/P-1 by Moody's	100%	100%
(E) Repurchase obligations of any commercial bank satisfying the requirements of clause (D) of this definition, having a term of not more than seven days with respect to securities issued by the U.S. Government	100%	100%
(F) Commercial paper of a corporate issuer having stable ratings of at least A/A-1 by S&P and A2/P-1 by Moody's and maturing within 90 days after the day of acquisition	100%	100%
(G) Securities with maturities of 90 days or less from the date of acquisition issued by any state, commonwealth or territory of the U.S., by any political subdivision or taxing authority of any such state, commonwealth or territory, the securities of which state, commonwealth, territory, political subdivision or taxing authority (as the case may be) having stable ratings of at least A by S&P and A2 by Moody's	100%	20%
(H) Securities with maturities of 90 days or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (D) of this definition	100%	20%
(I) Shares of money market mutual or similar funds that conform with Rule 2a-7 of the Investment Companies Act of 1940 and having a minimum asset size of $3billion which invest exclusively in assets satisfying the requirements of clauses (C) through (H) of this definition	100%	$50 million per fund

(J) Non-Callable Agency Debt having a remaining maturity of not more than one year. For purposes hereof, "Non-Callable Agency Debt" means fixed rate, non-callable, non-amortizing U.S. Dollar-denominated senior debt securities of fixed maturity in book entry form issued by the Federal Home Loan Banks (including their consolidated obligations issued through the Office of Finance of the Federal Home Loan Bank System) ("FHLB"), Fannie Mae, the Federal Home Loan Mortgage Corporation ("Freddie Mac") or the Federal Farm Credit Banks ("FFCB")	99%	20%
(K) Non-Callable Agency Discount Notes having a remaining maturity of not more than twelve months. For purposes hereof, "Non-Callable Agency Discount Notes" means non-callable U.S. Dollar-denominated discount notes sold at a discount from their principal amount payable at maturity with an original maturity of 360 days or less in book entry form and issued by Fannie Mae, Freddie Mac, FHLB or FFCB	99%	20%
(L) Callable Agency Debt having a remaining maturity of not more than one year. For purposes hereof, "Callable Agency Debt" means fixed-rate, callable, non-amortizing U.S. Dollar-denominated senior debt securities in book entry form issued by FHLB, Fannie Mae or Freddie Mac	99%	20%
(M) Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than one year but not more than ten years	99%	0%
(N) Non-Callable Agency Debt and Callable Agency Debt having a remaining maturity of more than one year but not more than ten years	98%	0%
(O) Negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than ten years	98%	0%
(P) Non-Callable Agency Debt and Callable Agency Debt having a remaining maturity of more than ten years	97%	0%
(Q) Corporate Debt having stable ratings of AA or better by Standard & Poor's and Aa2 or better by Moody's having a remaining maturity of less than 1 year or as otherwise mutually agreed by the Parties and listed in Attachment Q1 having a remaining maturity of less than one year	97%	50%

The Company may terminate the Transaction specified in this Supplemental Confirmation by giving written notice to MLI on or before [l]. Upon any such termination, neither party shall have any payment or delivery obligations as a result of this Transaction and all obligations and rights under this Transaction shall cease.

This Transaction is subject to a Plan (as defined in the Master Confirmation) that commences on the Trade Date.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Supplemental Confirmation enclosed for that purpose and returning it to us.

Very truly yours,

MERRILL LYNCH INTERNATIONAL

By: _____

Name:
Title:

Confirmed as of the date first above written:

SEMPRA ENERGY

By: _____

Name:
Title:

By: _____

Name:
Title:

Acknowledged and agreed as to matters relating to the Agent:

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
solely in its capacity as Agent hereunder

By: _____

Name:
Title:

ATTACHMENT Q1

The following securities are considered Other Eligible Support so long as their credit ratings and outlooks are no worse than shown in the table below.

	Ratings		Outlook	
Company Name	**S&P**	**Moody's**	**S&P**	**Moody's**
[l]	[l]	[l]	[l]	[l]
[l]	[l]	[l]	[l]	[l]
[l]	[l]	[l]	[l]	[l]

EXHIBIT B

GUARANTEE OF MERRILL LYNCH & CO., INC.

FOR VALUE RECEIVED, receipt of which is hereby acknowledged, MERRILL LYNCH & CO., INC., a corporation duly organized and existing under the laws of the State of Delaware ("ML & Co."), hereby unconditionally guarantees to Sempra Energy (the "Company"), the due and punctual payment of any and all amounts payable by Merrill Lynch International, a company organized under the laws of England and Wales ("MLI"), under the terms of the Master Confirmation of OTC Collared ASAP Minus (VWAP Pricing) between the Company and MLI, dated as of April 1, 2008 (with the Supplemental Confirmations thereto, the "Agreement"), including, in case of default, interest on any amount due, when and as the same shall become due and payable, whether on the scheduled payment dates, at maturity, upon declaration of termination or otherwise, according to the terms thereof. In case of the failure of MLI pun ctually to make any such payment, ML & Co. hereby agrees to make such payment, or cause such payment to be made, promptly upon demand made by the Company to ML & Co.; provided, however that delay by the Company in giving such demand shall in no event affect ML & Co.'s obligations under this Guarantee. This Guarantee shall remain in full force and effect or shall be reinstated (as the case may be) if at any time any payment guaranteed hereunder, in whole or in part, is rescinded or must otherwise be returned by the Company upon the insolvency, bankruptcy or reorganization of MLI or otherwise, all as though such payment had not been made. This is a guarantee of payment in full, not collection.

ML & Co. hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Agreement; the absence of any action to enforce the same; any waiver or consent by the Company concerning any provisions thereof; the rendering of any judgment against MLI or any action to enforce the same; or any other circumstances that might otherwise constitute a legal or equitable discharge of a guarantor or a defense of a guarantor. ML & Co. covenants that this guarantee will not be discharged except by complete payment of the amounts payable under the Agreement. This Guarantee shall continue to be effective if MLI merges or consolidates with or into another entity, loses its separate legal identity or ceases to exist.

ML & Co. hereby waives diligence; presentment; protest; notice of protest, acceleration, and dishonor; filing of claims with a court in the event of insolvency or bankruptcy of MLI; all demands whatsoever, except as noted in the first paragraph hereof; and any right to require a proceeding first against MLI.

ML & Co. hereby certifies and warrants that this Guarantee constitutes the valid obligation of ML & Co. and complies with all applicable laws.

This Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York.

This Guarantee may be terminated at any time by notice by ML & Co. to the Company given in accordance with the notice provisions of the Agreement, effective upon receipt of such notice by the Company or such later date as may be specified in such notice; provided, however, that this Guarantee shall continue in full force and effect with respect to any obligation of MLI under the Agreement entered into prior to the effectiveness of such notice of termination.

This Guarantee becomes effective concurrent with the effectiveness of the Agreement, according to its terms.

IN WITNESS WHEREOF, ML & Co. has caused this Guarantee to be executed in its corporate name by its duly authorized representative.

MERRILL LYNCH & CO., INC.

By: _____
Name:
Title:

EXHIBIT C

FORM OF COLLATERAL ACCOUNT CONTROL AGREEMENT

Collateral Account Control Agreement (the "Control Agreement") dated as of [l], 2008, by and among Sempra Energy ("Party A"), Merrill Lynch International ("Party B") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Securities Intermediary").

WHEREAS, Party A and Party B have entered into a Master Confirmation (the "Confirmation") dated as of [l], 2008;

WHEREAS, as set forth in the Confirmation, Party B will, pursuant to the Confirmation, pledge certain collateral to Party A to secure Party B's Obligations with respect to transactions under the Confirmation (the "Posted Collateral") and will grant to Party A a security interest in the Posted Collateral;

WHEREAS, pursuant to an account agreement between Securities Intermediary and Party B (the "Account Agreement"), Securities Intermediary has established in the name of Party B as the entitlement holder an account (the "Account"), to which it will credit the Posted Collateral; and

WHEREAS, Party A, Party B and Securities Intermediary are entering into this Control Agreement to provide for the control of the Posted Collateral in the Account and to perfect the security interest of Party A in such Posted Collateral.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, it is agreed as follows:

1. **Definitions; Inconsistency.** Unless otherwise defined herein, capitalized terms will have the meaning specified in the Confirmation. In the event of any inconsistency between this Control Agreement and the Confirmation, this Control Agreement will prevail.

2. **Satisfaction of Obligation to Transfer Posted Collateral.** Party B will be deemed to have satisfied its obligation, if any, to transfer Posted Collateral to Party A pursuant to the Confirmation when such Posted Collateral is credited to the Account.

3. **Maintenance of the Account; Compensation.** Securities Intermediary will maintain the Account as a separate and distinct account under the Account Agreement and will segregate the Posted Collateral from the other assets of Party B. Securities Intermediary will be compensated by Party B for services rendered hereunder in accordance with the Account Agreement.

4. **Control.**

   (a) Securities Intermediary will comply with all "entitlement orders" (as defined in Section 8-102(a)(8) of the Uniform Commercial Code of the State of New York ("NYUCC")) concerning the Account originated by Party A without further consent by Party B.

   (b) Party A hereby covenants, for the benefit of Party B, that Party A will not originate entitlement orders concerning the Account, other than to instruct Securities Intermediary to deliver or otherwise transfer some or all of the Posted Collateral to another account of, or as otherwise requested by, Party B, unless and until: (i) an Event of Default or Specified Condition with respect to Party B has occurred and is continuing or (ii) the senior unsecured long-term debt rating of ML&Co. is downgraded by either Moody's Investors Service, Inc. to Ba1 or lower or by Standard & Poor's Rating Services to BB+ or lower or (iii) an Early Termination Date has occurred or been designated as a result of an Event of Default or Specified Condition with respect to Party B and Party B has not paid in full all of its Obligations that are due. The foregoing covenant is for the benefit of Party B only and will not be deemed to constitute a limitation on Party A's right, as between Securities Intermediary and Party A, to originate entitlement orders with respect to the Account or in Securities Intermediary's obligation to comply with those entitlement orders.

   (c) Securities Intermediary makes no representation or warranties with respect to the creation or enforceability of any security interest in the Posted Collateral.

5. **Collateral Services**

   (a) Party B covenants and agrees that: (i) all securities or other property underlying any financial assets credited to the Account shall be registered in the name of Securities Intermediary, indorsed to Securities Intermediary or indorsed in blank or credited to another securities account maintained in the name of Securities Intermediary, and (ii) in no case will any financial asset credited to the Account be registered in the name of Party B, payable to the order of Party B or specially indorsed to Party B except to the extent the foregoing have been specially indorsed to Securities Intermediary or in blank.

   (b) It is understood and agreed that until this Agreement is terminated in accordance with the terms hereof, Securities Intermediary shall not comply with entitlement orders of Party B or any person other than Party A without the express written consent of Party A to each such entitlement order; provided that Party A will not unreasonably withhold its consent and will respond to any such entitlement order of Party B within a commercially reasonable time. Party A may, subject to terms of the Confirmation, exercise sole and exclusive control of the Account and the Posted Collateral held therein at any time by delivering to Securities Intermediary a written notice that Party A is exercising sole and exclusive control of the Posted Collateral (a "Notice of Exclusive Control"). Upon receipt of a Notice of Exclusive Control, Securities Intermediary shall, without inquiry and in reliance upon such Notice, thereafter comply with entitlement ord ers solely from Party A with respect to the Account.

   (c) Until Securities Intermediary receives a Notice of Exclusive Control, Securities Intermediary shall transfer to Party B (whether by credit to Party B's custody account at Securities Intermediary or otherwise) all interests and cash dividends received by it with respect to the Posted Collateral. All other proceeds shall be credited to the Account. After Securities Intermediary's receipt of a Notice of Exclusive Control, Securities Intermediary shall credit to the Account all proceeds received by it with respect to the Posted Collateral.

6. **Distributions.** Unless otherwise instructed by Party A, upon receipt of any interest or cash dividends with respect to the Posted Collateral prior to the delivery of a Notice of Exclusive Control, Securities Intermediary will transfer such distribution to Party B's custodial account no later than the next business day.

7.

Return Amount. If the Return Amount with respect to Party A equals or exceeds $500,000, Party B may request Party A to instruct Securities Intermediary to transfer to Party B Posted Collateral having a Value as close as practicable to the Return Amount. Party A, after consultation with Party B, will specify the items of Posted Collateral to be transferred from the Account to Party B's custodial account. If Securities Intermediary receives Party A's instructions by 12:00 p.m. New York time on a business day, Securities Intermediary will effect such transfer no later than the close of business on the next business day.

8. **Final Returns.** If there are no transactions outstanding under the Confirmation, Party B may request Party A to instruct Securities Intermediary to transfer all assets held in the Account to Party B's custodial account. Securities Intermediary will effect such transfer as soon as reasonably practicable after receiving Party A's instructions.

9. **Status under the NYUCC.** Party A, Party B and Securities Intermediary agree that Securities Intermediary is acting as a securities intermediary with respect to the Account, which Account will constitute a securities account as to which Party B is the entitlement holder, and Securities Intermediary hereby agrees that it will treat all of the Posted Collateral deposited in the Account as financial assets. As used herein, the terms "securities intermediary", "securities account", "entitlement holder" and "financial assets" have the same meanings as in Sections 8-102 and 8-501 of the NYUCC.

10. **Reliance on Instructions.** Securities Intermediary will be entitled to rely on any instructions that it reasonably believes to be delivered by an Authorized Person as set forth in the list of Authorized Persons provided by Party A to Securities Intermediary (as such list may be amended, modified or supplemented from time to time by Party A) and will not be required to otherwise verify the calculation of a Delivery Amount or Return Amount or the occurrence of an Event of Default, Specified Condition or Early Termination Date.

11. **Responsibility of Custodian.** Securities Intermediary will not be liable for the acts or omissions of the other parties to this Control Agreement. As between Securities Intermediary and Party B, the terms of the Account Agreement will apply with respect to any losses or liabilities of such parties arising out of the Confirmation or this Control Agreement. As between Securities Intermediary and Party A, Securities Intermediary will not be liable for any act or omission taken by Securities Intermediary in good faith and without negligence in reliance on instructions from Party A.

12. **Subordination of Lien; Waiver of Set-Off, Adverse Claims.**

    (a) In the event that Securities Intermediary has or subsequently obtains by agreement, by operation of law or otherwise a security interest in the Account or any financial assets, cash or other property credited thereto, Securities Intermediary hereby agrees that such security interest shall subordinate to the security interest of Party A. The financial assets, money and other items credited to the Account will not be subject to deduction, set-off, banker's lien or any other right in favor of any person other than Party A.

    (b) Securities Intermediary represents and warrants that, except for the claims and interest of Party A and of Party B in the Account, it does not know of any security interest in, lien on, or claim to, or other interest in, the Account or in any "financial asset" (as defined in Section 8-102(a) of the NYUCC) credited thereto. If any person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process) against the Account or in any financial asset carried therein, Securities Intermediary will promptly notify Party A and Party B thereof.

13. **Statements**; **Other Communications.** Securities Intermediary will provide to Party A and Party B a weekly statement Mondays by 6 p.m. New York City time and a statement on each day there is movements of assets into or out of the Account. Upon receipt of written notice of any lien, encumbrance or adverse claim against the Account or any portion of the Posted Collateral carried therein, Securities Intermediary shall use reasonable efforts to notify Party A and Party B as promptly as practicable under the circumstances. Statements pursuant to this Paragraph 13 and any other communications required or permitted under this Control Agreement will be sent by Securities Intermediary by U.S. Mail, overnight courier or a combination of facsimile and email, to the addresses set forth below:

Party A: Sempra Energy
101 Ash Street
San Diego, CA 92101
Attention: Charles A. McMonagle, Senior VP & Treasurer
Facsimile No.: 619 696-4588 Telephone No.: 619 696-4512
Email: cmcmonagle@sempra.com

Party B: Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street, London EC1A 1HQ
Attention: Gary Rosenblum
Facsimile No.: 212 449-2355 Telephone No.: 212 449-6309
and
Attention: Equity-Linked Capital Markets
Facsimile No.: 212 449-0355
Email: charles_hill@ml.com

Merrill Lynch, Pierce, Fenner & Smith Incorporated
222 Broadway, 16th Floor
New York, NY 10038
Attention: Litigation Department
and
Attention: Equity-Linked Capital Markets
Facsimile No.: 212 449-0355
Email: charles_hill@ml.com

or to such other address as any party may, from time to time, designate in a written notice given in a like manner. Notice given by U.S. Mail, facsimile, overnight courier or email shall be deemed delivered only upon receipt by the addressee.

14. **Amendment; Assignment.** No amendment or modification of this Control Agreement will be effective unless it is in writing and signed by each of the parties hereto. This Control Agreement may not be assigned without the prior written consent of the parties.

15. **Termination.** This Control Agreement shall continue in effect until Party A has notified Securities Intermediary in writing that this Control Agreement is to be terminated. Upon receipt of such notice, Party A shall have no further right to originate entitlement orders concerning the Account and Party B shall be entitled to originate entitlement orders concerning the Account for any purpose and without limitation except as may be provided in the Account Agreement.

16. **Governing Law.** This Control Agreement will be governed by and construed in accordance with the laws of the State of New York. Regardless of any provision in the Account Agreement or any other agreement, for purposes of the NYUCC, with respect to the Account, New York shall be deemed to be Securities Intermediary's jurisdiction (within the meaning of Section 8-110 of the NYUCC).

IN WITNESS WHEREOF, the parties have caused this Control Agreement to be executed by their respective officers or duly authorized representatives as of the date first above written.

PARTY A:

SEMPRA ENERGY

By:_____

Name:
Title:

PARTY B:

MERRILL LYNCH INTERNATIONAL

By:_____

Name:
Title:

SECURITIES INTERMEDIARY:

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By:_____

Name:
Title:

MERRILL LYNCH

COVER STATEMENT

CLIENT/COUNTERPARTY RELATIONSHIP

Dear Client/Counterparty:

Merrill Lynch is pleased to provide the attached statement of Generic Risks Associated with Over-the-Counter Derivative Transactions under this Cover Statement that concerns, among other things, the nature of our relationship with you in the context of such transactions. This statement was developed for our new and our ongoing client/counterparties in response to suggestions that OTC derivative dealers consider taking steps to ensure that market participants utilizing OTC derivatives understand their risk exposures and the nature of their relationships with dealers before they enter into OTC derivative transactions.

Merrill Lynch ("we") are providing to you and your organization ("you") the attached statement of Generic Risks Associated with Over-the-Counter Derivative Transactions in order to identify, in general terms, certain of the principal risks associated with individually negotiated over-the-counter ("OTC") derivative transactions. The attached statement does not purport to identify the nature of the specific market or other risks associated with a particular transaction.

Before entering into an OTC derivative transaction, you should ensure that you fully understand the terms of the transaction, relevant risk factors, the nature and extent of your risk of loss and the nature of the contractual relationship into which you are entering. You should also carefully evaluate whether the transaction is appropriate for you in light of your experience, objectives, financial resources, and other relevant circumstances and whether you have the operational resources in place to monitor the associated risks and contractual obligations over the term of the transaction. If you are acting as a financial adviser or agent, you should evaluate these considerations in light of the circumstances applicable to your principal and the scope of your authority.

If you believe you need assistance in evaluating and understanding the terms or risks of a particular OTC derivative transaction, you should consult appropriate advisers before entering into the transaction.

Unless we have expressly agreed in writing to act as your adviser with respect to a particular OTC derivative transaction pursuant to terms and conditions specifying the nature and scope of our advisory relationship, we are acting in the capacity of an arm's length contractual Counterparty to you in connection with the transaction and not as your financial adviser or fiduciary. Accordingly, unless we have so agreed to act as your adviser, you should not regard transaction proposals, suggestions or other written or oral communications from us as recommendations or advice or as expressing our view as to whether a particular transaction is appropriate for you or meets your financial objectives.

Finally, we and/or our affiliates may from time to time take proprietary positions and/or make a market in instruments identical or economically related to OTC derivative transactions entered into with you, or may have an investment banking or other commercial relationship with and access to information from the issuer(s) of securities, financial instruments, or other interests underlying OTC derivative transactions entered into with you. We may also undertake proprietary activities, including hedging transactions related to the initiation or termination of an OTC derivative transaction with you, that may adversely affect the market price, rate index or other market factor(s) underlying an OTC derivative transaction entered into with you and consequently the value of the transaction.

A. GENERIC RISKS ASSOCIATED WITH OVER-THE-COUNTER DERIVATIVE TRANSACTIONS

OTC derivative transactions, like other financial transactions, involve a variety of significant risks. The specific risks presented by a particular OTC derivative transaction necessarily depend upon the terms of the transaction and your circumstances. In general, however, all OTC derivative transactions involve some combination of market risk, credit risk, funding risk and operational risk.

Market risk is the risk that the value of a transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the relevant transaction or in a related market.

Credit risk is the risk that a Counterparty will fail to perform its obligations to you when due.

Funding risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to your counterparties in OTC derivative transactions or related hedging, trading, collateral or other transactions, you or your Counterparty will not have adequate cash available to fund current obligations.

Operational risk is the risk of loss to you arising from inadequacies in or failures of your internal systems and controls for monitoring and quantifying the risks and contractual obligations associated with OTC derivative transactions, for recording and valuing OTC derivative and related transactions, or for detecting human error, systems failure or management failure.

There may be other significant risks that you should consider based on the terms of a specific transaction. Highly customized OTC derivative transactions in particular may increase liquidity risk and introduce other significant risk factors of a complex character. Highly leveraged transactions may experience substantial gains or losses in value as a result of relatively small changes in the value or level of an underlying or related market factor.

Because the price and other terms on which you may enter into or terminate an OTC derivative transaction are individually negotiated, these may not represent the best price or terms available to you from other sources.

In evaluating the risks and contractual obligations associated with a particular OTC derivative transaction, you should also consider that an OTC derivative transaction may be modified or terminated only by mutual consent of the original parties and subject to agreement on individually negotiated terms. Accordingly, it may not be possible for you to modify, terminate or offset your obligations or your exposure to the risks associated with a transaction prior to its scheduled termination date.

Similarly, while market makers and dealers generally quote prices or terms for entering into or terminating OTC derivative transactions and provide indicative or mid-market quotations with respect to outstanding OTC derivative transactions, they are generally not contractually obligated to do so. In addition, it may not be possible to obtain indicative or mid-market quotations for an OTC derivative transaction from a market maker or dealer that is not a Counterparty to the transaction. Consequently, it may also be difficult for you to establish an independent value for an outstanding OTC derivative transaction. You should not regard your Counterparty's provision of a valuation or indicative price at your request as an offer to enter into or terminate the relevant transaction at that value or price, unless the value or price is identified by the Counterparty as firm or binding.

This brief statement does not purport to disclose all of the risks and other material considerations associated with OTC derivative transactions. You should not construe this generic disclosure statement as business, legal, tax or accounting advice or as modifying applicable law. You should consult your own business, legal, tax and accounting advisers with respect to proposed OTC derivative transactions and you should refrain from entering into any OTC derivative transaction unless you have fully understood the terms and risks of the transaction, including the extent of your potential risk of loss.

SCHEDULE A

Share Purchase Activity by Counterparty

NONE

EXHIBIT 12.1
SEMPRA ENERGY
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in millions)

	2003	2004	2005	2006	2007	March 31, 2008
Fixed charges and preferred stock dividends:						
Interest	$ 345	$ 332	$ 342	$ 413	$ 379	$ 89
Interest portion of annual rentals	4	4	5	6	6	1
Preferred dividends of subsidiaries (1)	11	12	10	15	14	4
Total fixed charges	360	348	357	434	399	94
Preferred dividends for purpose of ratio	-	-	-	-	-	-
Total fixed charges and preferred dividends for purpose of ratio	$ 360	$ 348	$ 357	$ 434	$ 399	$ 94
Earnings:						
Pretax income from continuing operations	$ 814	$ 1,105	$ 947	$ 1,732	$ 1,649	$ 369
Add:						
Total fixed charges (from above)	360	348	357	434	399	94
Distributed income of equity investees	72	59	73	431	19	-
Less:						
Interest capitalized	26	8	28	58	100	29
Equity in income (loss) of unconsolidated subsidiaries and joint ventures	5	36	66	156	90	27
Minority interest in income of consolidated subsidiaries	-	-	-	7	31	4
Total earnings for purpose of ratio	$ 1,215	$ 1,468	$ 1,283	$ 2,376	$ 1,846	$ 403
Ratio of earnings to combined fixed charges and preferred stock dividends	3.38	4.22	3.59	5.47	4.63	4.29
Ratio of earnings to fixed charges	3.38	4.22	3.59	5.47	4.63	4.29

(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.

EXHIBIT 31.1

CERTIFICATION

I, Donald E. Felsinger, certify that:

1. I have reviewed this report on Form 10-Q of Sempra Energy;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2008

/S/ Donald E. Felsinger

Donald E. Felsinger

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Mark A. Snell, certify that:

1. I have reviewed this report on Form 10-Q of Sempra Energy;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 2, 2008

/S/ Mark A. Snell

Mark A. Snell

Chief Financial Officer

Exhibit 32.1

Statement of Chief Executive Officer

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Sempra Energy (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended March 31, 2008 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 2, 2008

/S/ Donald E. Felsinger
Donald E. Felsinger
Chief Executive Officer

Exhibit 32.2

Statement of Chief Financial Officer

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of Sempra Energy (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended March 31, 2008 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 2, 2008

/S/ Mark A. Snell
Mark A. Snell
Chief Financial Officer