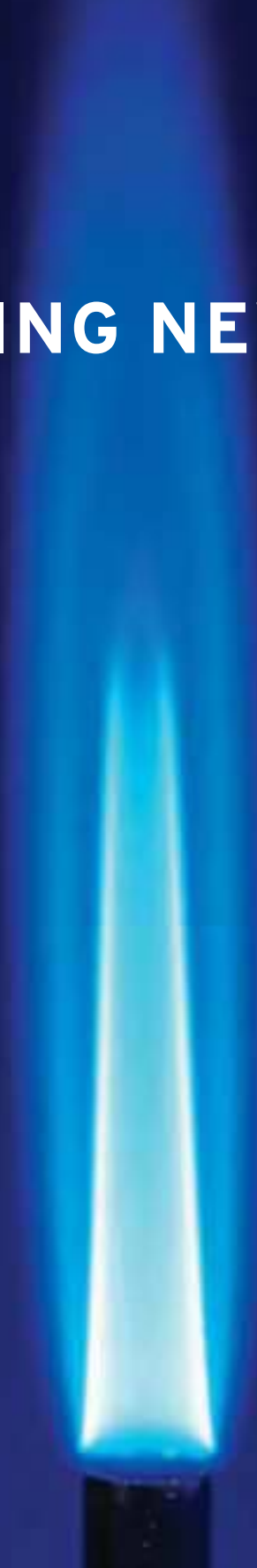




Sempra Energy®

BRINGING NEW ENERGY

2005
ANNUAL REPORT



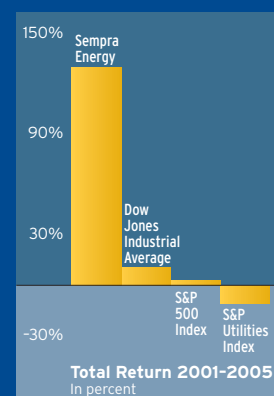
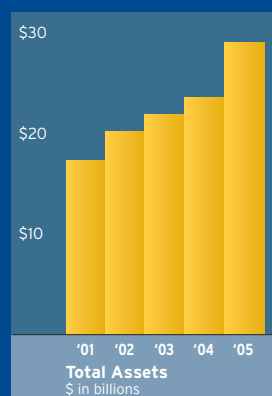
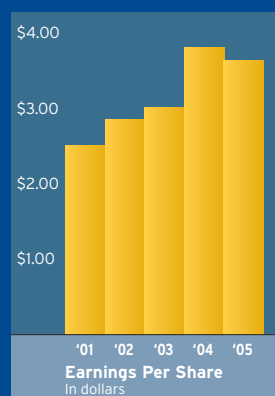
Corporate Profile

Based in San Diego, Calif., Sempra Energy is an energy services company with 2005 revenues of \$11.7 billion. With 14,000 employees worldwide, Sempra Energy companies develop energy infrastructure, operate utilities, and provide related products and services to more than 29 million consumers in the United States, Europe, Canada, Mexico, South America and Asia. The corporation's focus is to enhance shareholder value and meet customer needs by sustaining the financial strength, operational flexibility and skilled workforce needed to succeed in rapidly changing market conditions. Sempra Energy common shares trade on the New York Stock Exchange (NYSE) under the symbol "SRE." Additional information is available on the Web at Sempra.com.

NEW ENERGY

FINANCIAL HIGHLIGHTS

(\$ in millions except per-share amounts)	2005	2004	Percent change
Consolidated Financial Data			
Operating Revenues	\$ 11,737	\$ 9,434	24%
Net Income	\$ 920	\$ 895	3%
Net Income Per Share of Common Stock:			
Basic	\$ 3.74	\$ 3.92	-5%
Diluted	\$ 3.65	\$ 3.83	-5%
Weighted Average Number of Common Shares Outstanding (diluted, in millions)			
	252.1	233.9	8%
Total Assets	\$ 29,213	\$ 23,775	23%
Common Dividends Declared Per Share	\$ 1.16	\$ 1.00	16%
Debt to Total Capitalization	49%	50%	
Book Value Per Share	\$ 23.95	\$ 20.77	15%
Capital Expenditures and Investments	\$ 1,490	\$ 1,157	29%





Stephen L. Baum
Chairman and
Chief Executive Officer 2000-2005

GENERATES RESULTS

LETTER FROM STEPHEN L. BAUM

In 2005, I completed my five-year-plus tenure as chairman and chief executive officer of Sempra Energy. Sempra Energy has grown dramatically during this period and has become a major energy company with worldwide operations.

When Sempra Energy was formed in 1998, some skeptics predicted that we would never be able to expand beyond our core utility business. In fact, we have built one of the very few successful integrated energy companies with strong competitive energy businesses that exceed the earnings of our California utilities.

I'm proud that we have achieved annual earnings growth, on average, of more than 17 percent since 1998. At year-end, our five-year total return for investors was 130 percent, compared with minus-11 percent for the Standard & Poor's 500 Utilities Index, 3 percent for the Standard & Poor's 500 Index and 10 percent for the Dow Jones Industrial Average. Meanwhile, Sempra Energy's share price almost doubled during the same period to \$44.84 from \$23.25.

At the same time, we have developed a culture of risk management that pervades all our businesses.

We've also resolved the most significant claims against our companies arising out of the California energy crisis of 2000-01. In January 2006, we agreed to settle several class-action lawsuits seeking billions of dollars in damages. While we did nothing wrong, the company believed that a settlement was in its and your best interest. The stock market has agreed.

Finally, we've charted a growth path for the future with our liquefied natural gas and pipeline initiatives and the return by our California utilities to their role as full-service providers. And we've put a strong management team in place—led by Don Felsing—to guide us.

It has been my honor and pleasure to serve this company and you, our shareholders, for the past 20 years. Thank you for all your support during my time at the company.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Baum', written in a cursive style.

Stephen L. Baum
Chairman and Chief Executive Officer 2000-2005



Donald E. Felsing
Chairman and
Chief Executive Officer

NEW ENERGY

LETTER FROM DONALD E. FELSINGER

It was a pleasure working with Steve Baum over the past two decades, and I am honored to follow Steve as chairman and CEO. I take great pride in the fact that we have developed and executed a successful strategy to grow Sempra Energy into a global enterprise. I am equally proud of the superior financial value we have been able to generate for you, our shareholders, since we created Sempra Energy in 1998.

The first phase of Sempra Energy's evolution—to develop robust businesses outside of our two California utilities—is complete. Our Sempra Global businesses collectively contributed more than 70 percent of Sempra Energy's earnings in 2005.

This growth has been led by Sempra Commodities, which now is the third-largest physical marketer of natural gas in North America and a major international broker of other commodities, including electricity, natural gas, oil-related products and metals. In 2005, Sempra Commodities achieved a record year, earning \$460 million in net income.

Our next evolutionary phase is to execute our ambitious capital program—completing the build-out of our liquefied natural gas (LNG) receipt terminals, natural gas pipeline and storage facilities, and electric transmission and generation facilities.

We remain convinced that North America is facing a severe, long-term shortage of natural gas—a conclusion now shared by most industry and government forecasters. This is because the United States seriously underestimated the popularity of natural gas as the fuel of choice in power generation and manufacturing. Over the past decade, the majority of U.S. power plants built have been gas-fired, causing increased strain on declining domestic natural gas supplies. A primary solution to the problem is LNG. Other parts of the world—Asia, the Middle East and Russia—have vast natural gas resources, but need a market for their gas. With LNG, that gas can be cooled and condensed into a liquid, and shipped economically to distant markets.

By the end of this decade, we will be one of the largest LNG importers in North America. Construction on our Energía Costa Azul LNG receipt terminal in Baja California, Mexico, is progressing well. When it becomes operational in early 2008, Energía Costa Azul will be the first LNG terminal on the West Coast. We also have begun construction on our Cameron LNG receipt terminal in Louisiana, despite a brief interruption by the Gulf Coast hurricanes last summer. Additionally, we have laid the groundwork for potential expansion of both Energía Costa Azul and Cameron LNG, subject to market interest. Our third LNG receipt terminal project, Port Arthur LNG in Texas, is in the final permitting stages and could come online as early as 2010.



Neal E. Schmale
President and
Chief Operating Officer



Javade Chaudhri
Executive Vice President and
General Counsel



Mark A. Snell
Executive Vice President and
Chief Financial Officer

DRIVES GROWTH

In August 2005, Sempra Pipelines & Storage announced a keystone partnership with Kinder Morgan to develop the Rockies Express Pipeline, a major new transcontinental natural gas pipeline. The 1,300-mile, 42-inch pipeline, connecting the Rocky Mountains to gas-hungry markets in the Midwest and Eastern United States, would be the largest U.S. pipeline project in more than 20 years.

The LNG business in North America is creating new opportunities for natural gas facilities to serve the receipt terminals being built, so Sempra Pipelines & Storage is developing trunk-line natural gas pipelines near LNG hubs in Louisiana and Texas, as well as a large salt-cavern gas storage facility in Calcasieu Parish, La.

Sempra Generation is concentrating on efficient operation of its Western power plant fleet of 2,630 megawatts. Due to the high market valuation of coal-fired generation in Texas, in January 2006, Sempra Generation decided to sell its 305-megawatt (MW) Twin Oaks power plant in Texas for \$480 million—a plant the company purchased for \$120 million in 2002.

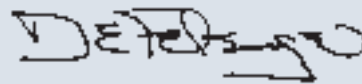
Growth opportunities are not limited to the Sempra Global businesses. Our California utilities—San Diego Gas & Electric (SDG&E) and Southern California Gas Co. (SoCalGas)—are full-service providers again.

SDG&E will take control of Palomar Energy later this year. Built by Sempra Generation, the 550-MW natural gas-fired power plant is the first major new power plant built in the San Diego region in more than 30 years. SDG&E also has added renewable energy to its resource mix—including solar and wind power—and proposed a major new electric transmission line to help transport these and other power resources to the region. As always, SDG&E and SoCalGas remain focused on improving efficiency, providing safe and reliable energy service around the clock and controlling costs for their customers.

Our commitment to the communities in which we operate has never been greater. In 2005, we expanded our outreach to support relief efforts for the victims of the devastating Indian Ocean tsunami in late 2004 and U.S. Gulf Coast hurricanes last summer.

I look forward to the future with great excitement—and a certain amount of anticipation—because of the many opportunities before us.

Sincerely,



Donald E. Felsing
Chairman and Chief Executive Officer



San Diego Gas & Electric is investing over \$4 billion in the next five years to improve energy infrastructure—such as electric-transmission lines—to meet the growing energy needs of the region.



Sempra LNG's Energía Costa Azul liquefied natural gas receipt terminal is under construction in Baja California, Mexico. Its processing capacity already is fully contracted, and the terminal is expected to begin commercial operation in early 2008.



Southern California Gas Co. is the nation's largest natural gas distribution utility, serving 19.8 million consumers in Central and Southern California.



Palomar Energy is a state-of-the-art 550-megawatt power plant built by Sempra Generation in Escondido, Calif.—the first major power plant developed and built in San Diego County in decades. The plant, which will be owned and operated by SDG&E, will produce enough electricity for about 350,000 homes.

SEMPRA ENERGY AT A GLANCE

SEMPRA UTILITIES

San Diego Gas & Electric is a full-service energy utility that has been supplying natural gas and electric service to the San Diego region since 1881. SDG&E currently serves 3.4 million consumers through 1.3 million electric meters and more than 825,000 natural gas meters. The utility's service area spans 4,100 square miles and serves customers in more than 125 communities from Orange County to the Mexican border.

Southern California Gas Co. has been delivering clean, safe and reliable natural gas to its customers for nearly 140 years. It is the nation's largest natural gas distribution utility, serving a population of 19.8 million consumers through 5.6 million natural gas meters in more than 500 communities. The company's service territory encompasses approximately 20,000 square miles of diverse terrain throughout Central and Southern California, from Visalia to the Mexican border.

SEMPRA GLOBAL

Sempra LNG develops, builds and operates liquefied natural gas (LNG) receiving terminals in North America. Energía Costa Azul is a receipt facility under construction just north of Ensenada in Baja

California, Mexico, that will process 1 billion cubic feet (Bcf) per day of natural gas when it begins commercial operation in early 2008. Cameron LNG is a receipt facility under construction on the U.S. Gulf Coast, near Lake Charles, La., that will process 1.5 Bcf per day of natural gas. Commercial operation of Cameron LNG should begin in late 2008. Port Arthur LNG is a project under development along the Port Arthur Ship Canal in Texas, an entryway from the Gulf of Mexico. This facility would deliver between 1.5 Bcf and 3.0 Bcf per day of natural gas and is planned to be online in 2010.

Sempra Pipelines & Storage develops and operates natural gas pipelines and storage facilities in Mexico and the United States. The company is focusing on new pipelines and expansions that will deliver natural gas to market from LNG receipt terminals. Construction is scheduled to begin in early 2006 on Liberty Gas Storage, a 17-Bcf salt-cavern storage facility in Louisiana. Sempra Pipelines & Storage also has entered into a joint venture to build the Rockies Express Pipeline, which will span more than 1,300 miles from Colorado to Ohio. These projects will connect major natural gas supply basins with fast-growing

markets in the United States. The company also manages natural gas and electricity distribution in Argentina, Chile, Mexico, Peru and the United States.

Sempra Generation owns and operates power plants for wholesale electricity markets in North America. Its fleet of generation assets is the cleanest and most advanced in the Western United States. The Western Gas Fleet uses clean-burning natural gas to produce 2,630 megawatts of electricity that is sold to utilities, power marketers and large energy users. More than 80 percent of this generating capacity is under long-term contract through 2011, providing excellent returns and stable earnings into the future.

Sempra Commodities provides worldwide marketing and risk-management services to wholesale customers for natural gas, power, crude oil, petroleum, base metals and other energy products. The short-term nature of Commodities' portfolio reflects the liquidity and transparency of its contracts. Sempra Commodities is one of the top three physical marketers of natural gas in North America and one of the top marketers of base metals in the world.



In 2005, San Diego Gas & Electric entered into agreements to purchase 300 megawatts of power generated by the sun's heat on engines similar to this one, from a facility being developed in the Imperial Valley, California. SDG&E has pledged to supply 20 percent of customers' electricity needs from solar energy and other renewable sources by 2010.



Sempra Commodities employees market natural gas, power, crude oil, petroleum, base metals and other energy products to wholesale customers around the world. Sempra Commodities is one of the top three physical marketers of natural gas in North America and one of the top base-metals marketers in the world.



Sempra Pipelines & Storage owns and operates 165 miles of natural gas pipeline and is in the process of developing an additional 2,000 miles. By 2009, the company expects to have invested \$2 billion in U.S. pipelines to connect major natural gas supply basins with fast-growing markets.

BRINGING NEW ENERGY TO THE COMMUNITY

One of Sempra Energy's values is to be part of the fabric of the communities where we do business. From helping victims of the Southeast Asia tsunami and the hurricane-ravaged communities on the U.S. Gulf Coast, to relocating 5,000 indigenous cacti in Baja California, Mexico, to partnering with hundreds of organizations that serve communities of color and traditionally underserved communities, Sempra Energy gets involved. We're proud to help support programs that strengthen education, protect the environment, encourage business and community development, and promote healthy communities.

Giving back is part of the company culture. Our 14,000 employees live and work in the communities where we do business, and they volunteer their time, talents and resources to help improve those communities. In 2005, Sempra Energy employees contributed more than \$1.5 million to local communities. One-third of these contributions were donated through the company's regular Matching Gifts Program, another third through special one-time giving programs put in place to help tsunami and hurricane relief efforts, and the final third by ongoing giving through the company's own charity, Energy for Others.



Edwin A. Guiles
Chairman and
Chief Executive Officer
Sempra Utilities



Darcel L. Hulse
President
Sempra LNG

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President
Sempra Pipelines & Storage



Michael R. Niggli
President
Sempra Generation



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Chairman and
Chief Executive Officer
Sempra Commodities



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Customer Services*

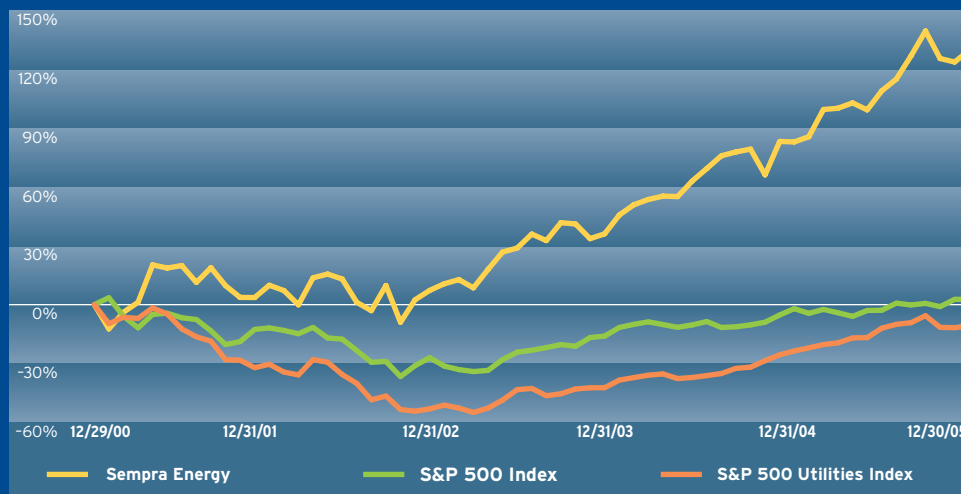
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Vicki L. Zeiger
*Vice President—
Human Resources*

NEW ENERGY BUILDS SHAREHOLDER VALUE

Sempra Energy's total returns have far outperformed the S&P 500 Index and the S&P 500 Utilities Index over the past five years.



Sempra Energy®

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