

SEMPRA ENERGY
 Form 10-Q
 November 05, 2013

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

or

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

For the transition period from to

Commission File No.	Exact Name of Registrants as Specified in their Charters, Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.	Former name, former address and former fiscal year, if changed since last report
1-14201	SEMPRA ENERGY 101 Ash Street San Diego, California 92101 (619)696-2000	California	33-0732627	No change
1-03779	SAN DIEGO GAS & ELECTRIC COMPANY 8326 Century Park Court San Diego, California 92123 (619)696-2000	California	95-1184800	No change
1-01402	SOUTHERN CALIFORNIA GAS COMPANY 555 West Fifth Street Los Angeles, California 90013 (213)244-1200	California	95-1240705	No change

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Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Sempra Energy	Yes	X	No
San Diego Gas & Electric Company	Yes	X	No
Southern California Gas Company	Yes	X	No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Sempra Energy	[X]	[]	[]	[]
San Diego Gas & Electric Company	[]	[]	[X]	[]
Southern California Gas Company	[]	[]	[X]	[]

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

Sempra Energy	Yes	No	X
San Diego Gas & Electric Company	Yes	No	X
Southern California Gas Company	Yes	No	X

Indicate the number of shares outstanding of each of the issuers’ classes of common stock, as of the latest practicable date.

Common stock outstanding on November 1, 2013:

Sempra Energy	244,399,914 shares
San Diego Gas & Electric Company	Wholly owned by Enova Corporation, which is wholly owned by Sempra Energy
Southern California Gas Company	Wholly owned by Pacific Enterprises, which is wholly owned by Sempra Energy

SEMPRA ENERGY FORM 10-Q
 SAN DIEGO GAS & ELECTRIC COMPANY FORM 10-Q
 SOUTHERN CALIFORNIA GAS COMPANY FORM 10-Q
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This combined Form 10-Q is separately filed by Sempra Energy, San Diego Gas & Electric Company and Southern California Gas Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other representation whatsoever as to any other company.

You should read this report in its entirety as it pertains to each respective reporting company. No one section of the report deals with all aspects of the subject matter. Separate Part I – Item 1 sections are provided for each reporting company, except for the Notes to Condensed Consolidated Financial Statements. The Notes to Condensed Consolidated Financial Statements for all of the reporting companies are combined. All Items other than Part I – Item 1 are combined for the reporting companies.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this report that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are necessarily based upon assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. These forward-looking statements represent our estimates and assumptions only as of the filing date of this report. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

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In this report, when we use words such as “believes,” “expects,” “anticipates,” “plans,” “estimates,” “projects,” “forecasts,” “contemplates,” “intends,” “depends,” “should,” “could,” “would,” “will,” “may,” “potential,” “target,” “pursue,” “goals,” “ou” similar expressions, or when we discuss our guidance, strategy, plans, goals, opportunities, projections, initiatives, objectives or intentions, we are making forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in forward-looking statements include

§ local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments;

§ actions and the timing of actions by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate;

§ capital markets conditions, including the availability of credit and the liquidity of our investments;

§ the timing and success of business development efforts and construction, maintenance and capital projects, including risks inherent in the ability to obtain, and the timing of granting of, permits, licenses, certificates and other authorizations;

§ inflation, interest and exchange rates;

§ the impact of benchmark interest rates, generally Moody’s A-rated utility bond yields, on our California Utilities’ cost of capital;

§ energy markets, including the timing and extent of changes and volatility in commodity prices;

§ the availability of electric power, natural gas and liquefied natural gas, including disruptions caused by failures in the North American transmission grid, pipeline explosions, equipment failures and the decommissioning of San Onofre Nuclear Generating Station (SONGS);

§ weather conditions, natural disasters, catastrophic accidents, and conservation efforts;

§ risks inherent with nuclear power facilities and radioactive materials storage, including the catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the nuclear facility due to an extended outage and facility closure, and increased regulatory oversight;

§ risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest;

§ wars, terrorist attacks and cybersecurity threats;

§ business, regulatory, environmental and legal decisions and requirements;

§ expropriation of assets by foreign governments and title and other property disputes;

§ the impact on reliability of San Diego Gas & Electric Company’s electric transmission and distribution system due to increased power supply from renewable energy sources;

§ the impact on competitive customer rates of the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through our electric transmission and distribution system;

§ the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements;

§ the resolution of litigation; and

§ other uncertainties, all of which are difficult to predict and many of which are beyond our control.

We caution you not to rely unduly on any forward-looking statements. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described in this report and in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEMPRA ENERGY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Dollars in millions, except per share amounts)

	Three months ended		Nine months ended		
	September 30,		September 30,		
	2013	2012	2013	2012	
	(unaudited)				
REVENUES					
Utilities	\$ 2,223	\$ 2,170	\$ 6,889	\$ 6,099	
Energy-related businesses	328	337	963	880	
Total revenues	2,551	2,507	7,852	6,979	
EXPENSES AND OTHER INCOME					
Utilities:					
Cost of natural gas	(261)	(212)	(1,182)	(864)	
Cost of electric fuel and purchased power	(537)	(515)	(1,461)	(1,252)	
Energy-related businesses:					
Cost of natural gas, electric fuel and purchased power	(120)	(136)	(325)	(346)	
Other cost of sales	(47)	(43)	(144)	(117)	
Operation and maintenance	(698)	(732)	(2,162)	(2,130)	
Depreciation and amortization	(286)	(280)	(828)	(803)	
Franchise fees and other taxes	(96)	(89)	(283)	(264)	
Loss from plant closure			(200)		
Gain on sale of assets	39		113	7	
Equity earnings (losses), before income tax	3	(94)	21	(375)	
Other income, net	16	44		24,000	24,000

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		Charles E. McClung	
Donald P. Newell	41,000		41,000
Donald R. Spuehler	40,250		40,250

- (1) For 2006, each of the Company's non-employee directors received a \$3,000 quarterly retainer and \$3,000 for each board of directors meeting attended and reimbursement for their out-of-pocket expenses incurred in attending such meetings. In addition, members of Board committees receive additional compensation for service on Board committees. The chair of the Audit Committee receives an annual retainer of \$1,500, and each member of the Audit Committee receives \$2,500 per Audit Committee meeting attended in person. The chair of the Compensation Committee receives compensation based upon the number of hours spent on committee matters outside of committee meetings and members of the Compensation Committee receive \$500 per meeting attended (other than meetings held on the date of meetings of the entire Board of Directors). The chair of the Nominating/Corporate Governance Committee receives an annual retainer of \$1,500 and \$1,500 per meeting attended, and each other member of the Nominating/Corporate Governance Committee receives \$1,000 per meeting attended plus, in each case, reimbursement of their out-of-pocket expenses incurred in attending such meetings.
- (2) Mr. Curtius is employed by the Company as an Executive Consultant, and the amount presented reflects compensation paid to or earned by Mr. Curtius during 2006.
- (3) Represents amounts received by Mr. Grayson for service on the Company's Investment Committee.

In accordance with the Company's Corporate Governance Guidelines, the Company's senior management annually reports to the Compensation Committee regarding the status of the Company's non-employee director compensation in relation to other U.S. companies of comparable size and the Company's competitors, including consideration of direct and indirect forms of compensation to the non-employee directors such as charitable contributions by the Company to organizations in which a non-employee director is involved. Following its review of the report, the Compensation Committee recommends any changes in non-employee director compensation to the Chairman of the Board. Any changes in non-employee director compensation are considered and approved by the Board of Directors after a full discussion. The present structure of fees paid to directors has been in effect since January 1, 2005.

Senior Executive Incentive Bonus Plan

The Company's Board of Directors adopted a Senior Executive Incentive Bonus Plan (the "Senior Plan") on March 23, 1998 and reapproved the Senior Plan on January 31, 2003, which was approved by the Company's shareholders at the Annual Meeting of Shareholders held on May 13, 1998 and again at the Annual Meeting of Shareholders held on May 14, 2003. Under the Senior Plan, designated executive officers of the Company are eligible to receive bonus payments. The Senior Plan provides an incentive for senior executives to perform superior work, ties the incentives of such executives to those of the Company and its shareholders, and enables the Company to attract and retain highly qualified senior executives. The Company believes that the bonuses payable by the Company under the Senior Plan to its senior executives will be fully deductible for federal income tax purposes. Messrs. Joseph and Tirador were the only participants in 2006.

Compensation Committee Interlock and Insider Participation in Compensation Decisions

No member of the Company's Compensation Committee is a current or former officer or employee of the Company or any of its subsidiaries, and no current executive officer served as a member of the board of directors or compensation committee of any other entity that has or had one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee during 2006.

RELATED PERSON TRANSACTIONS

Related Party Transaction Approval Policy

The Board of Directors recognizes that related party transactions can present conflicts of interest and questions as to whether the transactions are in the best interest of the Company. Accordingly, the Board has adopted a policy and procedures for the review, approval and ratification of such transactions. For purposes of this policy, a "related party transaction" is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, that is reportable under the Securities and Exchange Commission's rules regarding related party transactions.

Under this policy, a related party transaction should be approved or ratified based upon a determination that the transaction is in, or not opposed to, the best interest of the Company. The policy provides for the Nominating/Corporate Governance Committee to review and approve a transaction involving a director, the CEO or 5% shareholder, and for the CEO to review and approve a transaction involving any executive officer (other than the CEO and any executive who is also a director). Notice of a decision by the CEO to approve a related party transaction should be sent to the Nominating/Corporate Governance Committee prior to finalizing the transaction, which may seek more information or call a meeting to review the transaction in greater detail. If a director or executive officer becomes aware of a transaction that should have been but was not approved in advance under this policy, he or she should report the transaction to whomever would have approved the transaction had it been submitted for advance approval. If the transaction is ongoing and revocable, it should be reviewed to determine whether ratification or other action should be taken. If the transaction is completed and not revocable, it should be evaluated to determine if any mitigation or other action should be taken. The Company's related party transaction policy also provides that certain transactions that meet the criteria set forth in the policy have standing pre-approval.

Management is expected to report to the Nominating/Corporate Governance Committee any transaction with a related party that is not covered by this policy because it is not reportable under the SEC rules or that involves employment of an immediate family member not reported to the Nominating/Corporate Governance Committee in advance as described above.

Certain Relationships and Related Person Transactions

Ellen Joseph, the daughter of George Joseph, is the beneficial owner of Metro West Insurance Services, Inc., a California insurance agency. In 2006, the Company paid commissions to that agency in accordance with the Company's standard agency contract of \$830,733. Louise Toney, George Joseph's sister, acts as manager for the agency and receives as compensation a portion of those commissions.

Charles E. McClung, a director of the Company, is the chairman of the board of directors of McClung Insurance Agency, Inc., which has been an independent agent of the Company since 1962. Mr. McClung's son, Thomas McClung, is the President and principal shareholder of McClung Insurance Agency, Inc. In 2006, the Company paid commissions to that agency of \$761,923.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Mercury General Corporation Board of Directors is composed of three independent directors as required by the listing standards of the New York Stock Exchange and operates under a written charter adopted by the Board of Directors. The members of the Audit Committee are Nathan Bessin (Chair), Donald R. Spuehler and Donald P. Newell.

Management is responsible for the Company's internal controls and the financial reporting process. The independent accountants, KPMG LLP, are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, for performing an independent audit of the Company's internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuing reports thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee has met and held discussions with management and the independent accountants. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent accountants. The Audit Committee discussed with the independent accountants matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

The Company's independent accountants also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent accountants that firm's independence. The Audit Committee also considered whether the provision of financial information systems design and other non-audit services by the independent accountants is compatible with their independence.

Based upon the Audit Committee's discussion with management and the independent accountants and the Audit Committee's review of the representation of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission.

February 20, 2007

The Audit Committee

Nathan Bessin, Chair

Donald R. Spuehler

Donald P. Newell

Audit Fees for Fiscal 2005 and 2006

The aggregate fees billed to the Company by KPMG LLP, the Company's independent accountants, for the fiscal years ended December 31, 2005 and 2006 are as follows:

	2005	2006
Audit Fees (1)	\$ 1,375,000	\$ 1,782,000
Audit-Related Fees (2)	17,695	4,872
Tax Fees		
All Other Fees		

- (1) Audit Fees consists of the audit of the Company's annual financial statements included in the Company's Annual Report on Form 10-K and Annual Report to Shareholders, review of interim financial statements included in the Company's Quarterly Reports on Form 10-Q and audit services in connection with the Company's insurance subsidiaries statutory and regulatory financial statement filings for those fiscal years. Audit Fees also include the audit of management's assessment of internal control over financial reporting.
- (2) Audit-Related Fees consists primarily of fees associated with services related to the Company's Form S-8 filing and miscellaneous administrative services in connection with the Company's regulatory filing requirements in 2005 and 2006.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of KPMG LLP, and has concluded that the provision of such services is compatible with maintaining the independence of the Company's auditors.

Representatives of KPMG LLP will be present at the Annual Meeting, will be available to respond to questions and may make a statement if they so desire.

Selection of Independent Auditors

The Audit Committee is responsible to select the independent auditors to audit the Company's annual financial statements included in the Company's Annual Report on Form 10-K. The Audit Committee selected KPMG LLP during 2006 as independent auditors for that year, and has selected KPMG LLP to review the interim financial statements of the Company for the first three quarters of 2007. The Audit Committee expects to select the independent auditors of the Company's annual financial statements for 2007 during the next few months, as part of its normal selection process.

Audit Committee Policy Regarding Pre-Approval of Audit and Permissible Non-Audit Services of the Company's Independent Auditors

The Company's Audit Committee has established a policy that all audit and permissible non-audit services provided by the independent auditors will be pre-approved by the Audit Committee. These services may include audit services, audit-related services, tax services and other services. The Audit Committee considers whether the provision of each non-audit service is compatible with maintaining the independence of the Company's auditors. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date.

SECTION 16(a) REPORTING

Each director, executive officer of the Company, and person who owns more than 10% of a registered class of the Company's equity securities is required by Section 16(a) of the Securities Exchange Act of 1934 to report to the SEC by a specified date his or her transactions in the Company's securities. Regulations promulgated by the SEC require the Company to disclose in this Proxy Statement any reporting violations with respect to the 2006 fiscal year, which came to the Company's attention based on a review of the applicable filings required by the SEC to report such status as an officer or director or such changes in beneficial ownership as submitted to the Company. Charles Toney is the only reporting person to have made a late filing under Section 16(a). A Form 5 to report the purchase of shares of the Company's Common Stock by Mr. Toney on March 30, June 30 and September 28, 2006 was filed on January 29, 2007. A Form 4 should have been filed for each transaction within two (2) business days of the same. These statements are based solely on a review of the copies of such reports furnished to the Company by its officers, directors and security holders and a representation that such reports accurately reflect all reportable transactions as holdings.

SHAREHOLDER PROPOSALS

Any proposal of a shareholder of the Company intended to be presented at the next Annual Meeting of Shareholders of the Company pursuant to Rule 14a-8 of the Proxy Rules of the SEC must be received by the Secretary of the Company not later than December 5, 2007, and any proposal of a shareholder submitted outside the processes of Rule 14a-8 must be received by the Company not later than January 10, 2008 to be considered for inclusion in the Company's proxy statement and form of proxy relating to that meeting.

OTHER MATTERS

The Company does not know of any business other than that described herein which will be presented for consideration or action by the shareholders at the meeting. If, however, any other business shall properly come before the meeting, shares represented by proxies will be voted in accordance with the best judgment of the persons named therein or their substitutes.

ANNUAL REPORTS

Copies of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission are available, without charge, upon written or faxed request to: Theodore Stalick, Chief Financial Officer, Mercury General Corporation, 4484 Wilshire Boulevard, Los Angeles, California 90010 (fax: (323) 857-4923).

The Company's Annual Report to Shareholders is being mailed with the Proxy Statement to shareholders of record on March 15, 2007. Upon request, the Company will furnish the Annual Report to any shareholder.

BY ORDER OF THE BOARD OF DIRECTORS,

Judy A. Walters, *Secretary*

Los Angeles, California

April 3, 2007

DIRECTOR INDEPENDENCE STANDARDS

It is the policy of the Board of Directors of Mercury General Corporation (Mercury) that a majority of its members be independent of Mercury and its subsidiaries (collectively the Company). A director is independent if the Board of Directors affirmatively determines that the director does not have any direct or indirect material relationship with the Company. The determination of independence of directors will be disclosed in the proxy statement for each annual meeting of shareholders of Mercury, and specific explanation will be provided only for any director who is not considered to be independent. The Board of Directors has established the following categorical standards to assist in making the determination of director independence:

1. A director is not independent if the director is currently employed by the Company or has been employed by the Company within the past three years, or if a member of his or her immediate family is currently, or has been within the past three years, an executive officer of the Company.
2. A director is not independent if the director or a member of his or her immediate family receives or has received, during any twelve month period within the preceding three years, more than \$100,000 as direct compensation from the Company, other than director and committee fees and pension and other deferred compensation for prior services.
3. A director is not independent if the director or a member of his or her immediate family is a current partner of the Company s independent auditor or was a partner or employee of the Company s independent auditor within the past three years and personally worked on the Company s audit within that time.
4. A director is not independent if the director is a current employee of the Company s independent auditor or if a member of the director s immediate family is a current employee of the Company s independent auditor and such family member participates in the independent auditor s audit, assurance or tax compliance (but not tax planning) practice.
5. A director is not independent if the director or any member of his or her immediate family is, or was within the preceding three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on such other company s compensation committee.
6. A director is not independent if the director or a member of his or her immediate family is a director, executive officer or other affiliate of another company that (i) made payments to or received payments from the Company for property or services in an amount which in any of the preceding three fiscal years exceeded the greater of \$1.0 million or 2.0% of such other company s consolidated gross revenues or (ii) entered into a transaction or transactions with the Company during the preceding fiscal year valued in the aggregate at greater than \$1.0 million or 0.5% of the Company s revenues or assets.
7. A director is not independent if the director or a member of the director s immediate family is or was, within the preceding three years, a director, executive officer, employee or trustee of a charitable organization or other not-for-profit organization, and the Company s contributions to such organization in any single fiscal year exceeds or exceeded the greater of \$1.0 million or 1.0% of the organization s consolidated gross revenues.

For purposes of the above-described categorical standards, the term immediate family member includes a person s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than domestic employees) who shares such person s home; provided, that any such persons who no longer have any such relationship as a result of legal separation or divorce, or death or incapacitation, shall not be considered immediate family members.

For relationships not covered by the above standards, the determination of whether such relationships are material for the purpose of determining whether a director is independent, shall be made by directors who satisfy the standards set out in paragraphs 1-7 above. In such situations, determination of independence shall be on a case-by-case basis, after consideration of all relevant facts and circumstances. For illustration purpose, if a director is an executive officer of a company that has paid the Company in excess of the greater of \$1.0 million or 1.0% of that company's consolidated gross revenues in the preceding year for the purchase of the Company's products, the Board of Directors could determine, after considering all relevant facts and circumstances, that the relationship is not material to make a finding that the director is not independent. The Company must explain in its next annual proxy statement the basis for any determination by the Board of Directors that a relationship is not material even though the relationship did not meet the standards set forth under paragraphs 1-7 above.

The Board of Directors shall undertake an annual review of the independence of all non-employee directors. In advance of the meeting to make such review, each non-employee director would be requested to supply the Board of Directors with complete information regarding the director's relationships with the Company and its affiliates to assist the Board of Directors to evaluate the director's independence.

Directors have an affirmative obligation to notify the Board of Directors of any material changes in their relationships, which may affect their independence status as determined by the Board of Directors. The obligation encompasses all relationships between directors and the Company or members of senior management and their affiliates.

MERCURY GENERAL CORPORATION

**PROXY FOR ANNUAL MEETING OF SHAREHOLDERS, MAY 9, 2007
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF
MERCURY GENERAL CORPORATION**

The undersigned Shareholder(s) of MERCURY GENERAL CORPORATION (the Company) hereby constitutes and appoints George Joseph, Charles E. McClung and Michael D. Curtius, and each of them, attorneys and proxies of the undersigned, each with full power of substitution, to attend, vote and act for the undersigned at the Annual Meeting of Shareholders of the Company to be held on May 9, 2007, and at any adjournment or postponement thereof, according to the number of shares of Common Stock of the Company which the undersigned may be entitled to vote, and with all the powers which the undersigned would possess if personally present, as indicated on the reverse side.

The proxies are directed to vote as specified on the reverse side. Except as specified to the contrary on the reverse side, the shares represented by this proxy will be voted FOR all nominees listed.

The undersigned revokes any prior proxy at such meeting and ratifies all said attorneys and proxies, or any of them, may lawfully do by virtue hereof. Receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement is hereby acknowledged.

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(Please sign and date on reverse side)

MERCURY GENERAL CORPORATION

P.O. BOX 11215

NEW YORK, N.Y. 10203-0215

.. Ú DETACH PROXY CARD HERE Ú

Sign, Date and Return the X
Proxy Card Promptly Using Votes must be indicated
the Enclosed Envelope. (x) in Black or Blue ink.

PROPOSAL 1. ELECTION OF DIRECTORS

FOR all .. WITHHOLD .. *EXCEPTIONS*
nominees listed .. AUTHORITY to vote ..
below for all nominees listed
below

If you have comments, please ..
mark this box.

Nominees: George Joseph, Charles E. McClung, Donald R. Spuehler,
Richard E. Grayson, Donald P. Newell, Bruce A. Bunner,
Nathan Bessin, Michael D. Curtius, Gabriel Tirador

To change your address, please ..
mark this box.

(INSTRUCTIONS: To withhold authority to vote for any individual nominee,
mark the Exceptions box and write that nominee s name in the space provided
below.)

*Exceptions_____

In their discretion, the proxies are authorized to vote upon such other
business as may properly come before the meeting.

SCAN LINE

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Important: Please sign exactly as your name appears on the Company's Common Stock Certificate as set forth to the left. When signing as Attorney, Executor, Administrator, Trustee, Guardian or otherwise, give your full title as such. Each joint tenant should sign.

Date Share Owner sign here Co-Owner sign here

MERCURY GENERAL CORPORATION

**PROXY FOR ANNUAL MEETING OF SHAREHOLDERS, MAY 9, 2007
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF
MERCURY GENERAL CORPORATION**

The undersigned Shareholder(s) of MERCURY GENERAL CORPORATION (the Company) hereby constitutes and appoints George Joseph, Charles E. McClung and Michael D. Curtius, and each of them, attorneys and proxies of the undersigned, each with full power of substitution, to attend, vote and act for the undersigned at the Annual Meeting of Shareholders of the Company to be held on May 9, 2007, and at any adjournment or postponement thereof, according to the number of shares of Common Stock of the Company which the undersigned may be entitled to vote, and with all the powers which the undersigned would possess if personally present, as indicated on the reverse side.

The proxies are directed to vote as specified on the reverse side. Except as specified to the contrary on the reverse side, the shares represented by this proxy will be voted FOR all nominees listed.

ESOP Participants: As to those Common Shares that are held for the undersigned in the Employee Stock Ownership Plan feature of the Company's Profit Sharing Plan, I instruct the Trustee of such plan to sign a proxy for me and to mark the proxy as I specify on the reverse side. If I do not so specify or return the signed proxy, I understand that the Administrative Committee of such plan will instruct the Trustee how to vote the shares. I also understand that my vote will be held in the strictest confidence by State Street Bank & Trust, as Trustee for Mercury General Corporation ESOP Plan.

The undersigned revokes any prior proxy at such meeting and ratifies all said attorneys and proxies, or any of them, may lawfully do by virtue hereof. Receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement

MERCURY GENERAL CORPORATION

P.O. BOX 11446

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is hereby acknowledged.

NEW YORK, N.Y. 10203-0446

(Please sign and date on reverse side)

Ú DETACH PROXY CARD HERE Ú

Sign, Date and Return the **X**
Proxy Card Promptly Using **Votes must be indicated**
the Enclosed Envelope. **(x) in Black or Blue ink.**

PROPOSAL 1. ELECTION OF DIRECTORS

FOR all nominees listed below **WITHHOLD AUTHORITY** to vote for all nominees listed below ***EXCEPTIONS***

Nominees: George Joseph, Charles E. McClung, Donald R. Spuehler,
Richard E. Grayson, Donald P. Newell, Bruce A. Bunner,
Nathan Bessin, Michael D. Curtius, Gabriel Tirador

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box and write that nominee's name in the space provided below.)

*Exceptions _____

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

If you have comments, please mark this box. **

To change your address, please mark this box. **

SCAN LINE

Important: Please sign exactly as your name appears on the Company's Common Stock Certificate as set forth to the left. When signing as Attorney, Executor, Administrator, Trustee, Guardian or otherwise, give your full title as such. Each joint tenant should sign.

Date Share Owner sign here Co-Owner sign here