

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

 FORM S-8

REGISTRATION STATEMENT UNDER THE
 SECURITIES ACT OF 1933

SEMPRA ENERGY
 (Exact name of Registrant as specified in its charter)

California 33-0643023
 (State or other jurisdiction of (I.R.S. Employer
 incorporation or organization) Identification Number)

101 Ash Street, San Diego, California 92101
 (619) 696-2000
 (Address and telephone number of Principal Executive Offices)

Sempra Energy 1998 Long Term Incentive Plan; Sempra Energy 1998 Non-Employee
 Directors' Stock Plan; Sempra Energy Trading Retirement Savings Plan;
 Sempra Energy Savings Plan; Pacific Enterprises Retirement Savings Plan;
 Southern California Gas Company Retirement Savings Plan;
 Enova Corporation 1986 Long-Term Incentive Plan;
 San Diego Gas & Electric Company Savings Plan;
 Pacific Lighting Corporation Stock Incentive Plan;
 Pacific Enterprises Employee Stock Option Plan
 (Full titles of the Plans)

 John R. Light, Esq.
 SEMPra ENERGY
 101 Ash Street, San Diego, California 92101
 (619) 696-2000
 (Name, address and telephone number of agent for service)

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, no par value	64,000,000(1)	\$26.44(2)	\$1,692,160,000	\$499,187.20

(1) Represents the aggregate number of shares of Sempra Energy common stock, no par value (the "Sempra Energy Common Stock") offered pursuant to each of the plans set forth above. With respect to the shares of Sempra Energy Common Stock offered pursuant to plans of Enova Corporation and Pacific Enterprises, assumes that the shares of common stock, no par value, of Enova Corporation are each converted into one share of Sempra Energy Common Stock and shares of common stock, no par value, of Pacific Enterprises are each converted into 1.5038 shares of Sempra Energy Common Stock, in each case pursuant to the terms of the pending business combination of Pacific Enterprises and Enova Corporation.

(2) Estimated solely for the purpose of calculating the registration fee. Such estimate is calculated pursuant to Rules 457(c), 457(f)(1) and 457(h)(1) under the Securities Act of 1933, as amended (the "Securities Act"), based on the average of the high and low price of shares of common stock of Enova Corporation on the New York Stock Exchange on June 3, 1998, which high and low prices were \$26.625 and \$26.25, respectively.

Part I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.*

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* Information required by Part I to be contained in the Section 10(a) prospectus is omitted from this Registration Statement in accordance with Rule 428 under the Securities Act of 1933, as amended (hereinafter, the "Securities Act"), and the "Note" to Part I of Form S-8.

Part II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents are incorporated by reference in this Registration Statement.

(a) Registration Statement of Mineral Energy Corporation (now "Sempra Energy") on Form S-4, dated February 5, 1997, File No. 333-21229.

(b) Annual Report of Enova Corporation ("Enova") on Form 10-K, as amended, for the year ended December 31, 1997, File No. 1-11439.

(c) Current Reports of Enova on Form 8-K, dated March 9, 1998 and March 23, 1998, File No. 1-11439.

(d) Annual Report of Pacific Enterprises ("Pacific") on Form 10-K for the year ended December 31, 1997, File No. 1-40.

(e) Current Reports of Pacific on Form 8-K, dated January 27, 1998, February 24, 1998, March 13, 1998, and March 27, 1998, File No. 1-40.

(f) Quarterly Report of Enova on Form 10-Q, for the quarter ended March 31, 1998, File No. 1-11439.

(g) Quarterly Report of Pacific on Form 10-Q, for the quarter ended March 31, 1998, File No. 1-40.

All documents subsequently filed by Sempra Energy (the "Company" or "Registrant") pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in the Registration Statement and to be part thereof from the date of filing of such documents.

Any statement contained in a document incorporated or deemed incorporated by reference in this Registration Statement shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

The holders of the Company Common Stock will be entitled to receive such dividends as the Company Board of Directors may from time to time declare, subject to any rights of holders of outstanding shares of Company Preferred Stock. Shareholders of Pacific and Enova entitled to receive Company Common Stock will, subject to any applicable escheat law, be entitled to dividends declared after the completion of the business combination regardless of when certificates representing Pacific Common Stock or Enova Common Stock, as the case may be, are exchanged.

Except as otherwise provided by law, each holder of Company Common Stock will be entitled to one vote per share on each matter submitted to a vote at a meeting of shareholders, subject to any class or series voting rights of holders of Company Preferred Stock. Under the Company's Articles of Incorporation, the Company Board of Directors will be classified into three classes each consisting of, as nearly as may be possible, one-third of the total number of directors constituting the entire Company Board. The holders of Company Common Stock will not be entitled to cumulate votes for the election of directors.

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of shares of Company Common Stock, subject to any rights of the holders of outstanding shares of Company Preferred Stock, will be entitled to receive any remaining assets of the Company after the discharge of its liabilities.

Holders of Company Common Stock will not be entitled to preemptive rights to subscribe for or purchase any part of any new or additional issue of stock or securities convertible into stock. The Company Common Stock does not contain any redemption provisions or conversion rights and is not liable to assessment or further call. The shares of Company Common Stock to be issued in the business combination, when so issued, will be fully paid and nonassessable.

The Board of Directors of the Company has adopted a Preferred Share Purchase Rights Plan providing that one preferred share purchase right (the "Rights") will be attached to each share of Company Common Stock. Each Right will entitle the registered holder thereof, after the Rights become exercisable and until May 31, 2008 (or the earlier redemption, exchange or termination of the Rights), to purchase from the Company 1/100th of a share of Series A Junior Participating Preferred Stock, no par value, subject to certain anti-dilution adjustments.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Section 317 of the Corporations Code of the State of California permits a corporation to provide indemnification to its directors and officers under certain circumstances. The Sempra Energy Articles of Incorporation and Bylaws eliminate the liability of directors for monetary damages to the fullest extent permissible under California law and provide that indemnification for liability for monetary damages incurred by directors, officers and other agents of Sempra Energy shall be allowed, subject to certain limitations, in excess of the indemnification otherwise permissible under California law. Sempra Energy maintains liability insurance and is also insured against loss for which it may be required or permitted by law to indemnify its directors and officers for their related acts.

The directors and officers of Sempra Energy are covered by insurance policies indemnifying them against certain liabilities, including certain liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), which might be incurred by them in such capacities and against which they cannot be indemnified by Sempra Energy.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

The following exhibits are filed as part of this Registration

Statement:

- 3.1 Amended and Restated Articles of Incorporation of the Registrant (Incorporated by reference to the Registrant's Registration Statement on Form S-3 dated April 29, 1998, File No. 333-51309).
- 3.2 Bylaws of the Registrant (filed herewith).
- 4.1 Sempra Energy 1998 Long Term Incentive Plan.

- 4.2 Sempra Energy 1998 Non-Employee Directors' Stock Plan.
- 4.3 Enova Corporation 1986 Long-Term Incentive Plan (amended and restated as the Sempra Energy 1986 Long-Term Incentive Plan).
- 4.4 Pacific Lighting Corporation Stock Incentive Plan (amended and restated as the Sempra Energy Stock Incentive Plan).
- 4.5 Pacific Enterprises Employee Stock Option Plan (amended and restated as the Sempra Energy Employee Stock Option Plan).
- 5.1 Opinion of Shearman & Sterling.
- 23.1 Consent of Independent Auditors for Pacific Enterprises.
- 23.2 Consent of Independent Auditors for Enova Corporation.
- 23.3 Consent of Shearman & Sterling (included in Exhibit 5.1).
- 24.1 Powers of Attorney (included on signature page).

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof, and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby further undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act that is incorporated by reference in the

Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California on the 5th day of June, 1998.

SEMPRA ENERGY

By: /s/ Richard D. Farman

Name: Richard D. Farman
Title: Chairman and Chief
Executive Officer

Each of the undersigned whose signature appears below hereby constitutes and appoints John R. Light, Gary W. Kyle and Kevin C. Sagara, and each of them acting alone, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) and supplements to this Registration Statement and any and all related registration statements necessary to register additional securities, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the indicated capacities on June 5, 1998.

Signature

Title

/s/ Richard D. Farman

Richard D. Farman

Chairman and Chief
Executive Officer
(principal executive officer
and director)

/s/ Stephen L. Baum

Stephen L. Baum

Vice Chairman, President
And Chief Operating
Officer (Director)

/s/ Neal E. Schmale

Neal E. Schmale

Executive Vice President
and Chief Financial Officer
(principal financial officer)

/s/ Frank H. Ault

Frank H. Ault

Vice President and
Controller

/s/ Hyla H. Berteau

Hyla H. Berteau

Director

/s/ Ralph R. Ocampo Director

Ralph R. Ocampo

/s/ William G. Ouchi Director

William G. Ouchi

/s/ Richard J. Stegemeier Director

Richard J. Stegemeier

/s/ Thomas C. Stickel Director

Thomas C. Stickel

/s/ Diana L. Walker Director

Diana L. Walker

Exhibit Index

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23.1	Consent of Independent Auditors for Pacific Enterprises.	
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24.1	Powers of Attorney (included on signature page).	

SEMPRA ENERGY

BYLAWS
(As amended and restated
and effective May 26, 1998)

ARTICLE I
CORPORATE MANAGEMENT

The business and affairs of Sempra Energy (the "Corporation") shall be managed, and all corporate powers shall be exercised by or under the direction of the board of directors of the Corporation (the "Board"), subject to the Articles of Incorporation and the General Corporation Law of the State of California (the "General Corporation Law").

ARTICLE II

OFFICERS

1. Designation. The officers of the Corporation shall consist of a Chairman of the Board (the "Chairman"), a Vice Chairman of the Board (the "Vice Chairman"), a Chief Executive Officer or a President, or both, a Chief Operating Officer, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers, a Controller, one or more Assistant Controllers, and such other officers as the Board may from time to time elect. Any two or more of such offices may be held by the same person.

2. Term. The officers shall be elected by the Board as soon as possible after the Annual Meeting of the Shareholders, and shall hold office for one year or until their successors are duly elected. Any officers may be removed from office at any time, with or without cause, by the vote of a majority of the authorized number of Directors. The Board may fill vacancies or elect new officers at any time.

3. Chairman. The Chairman shall be a Director and shall preside at meetings of the Board and meetings of the Shareholders. The Chairman shall be responsible for Board and

Shareholder governance and shall have such duties and responsibilities as are customarily assigned to such position.

4. Vice Chairman. The Vice Chairman shall be a Director and, in the absence of the Chairman, shall preside at meetings of the Board and meetings of Shareholders. The Vice Chairman shall assist the Chairman in his or her responsibility for Board and Shareholder governance and shall have such duties as are customarily assigned to such position.

5. Chief Executive Officer. The duties of the Chief Executive Officer of the Corporation shall include, but not be limited to, directing the overall business, affairs and operations of the Corporation, through its officers, all of whom shall report directly or indirectly to the Office of the Chairman or, if there is no Office of the Chairman, to the Chief Executive Officer.

6. President. The duties of the President of the Corporation shall include, but not be limited to, assisting the Chief Executive Officer (to the extent the President is not also the Chief Executive Officer) in directing the overall business, affairs and operations of the Corporation.

7. Chief Operating Officer. The duties of the Chief Operating Officer of the Corporation shall include, but not be limited to, directing the day-to-day business, affairs and operations of the Corporation, under the supervision of the Chief Executive Officer and (to the extent the Chief Executive Officer is not also the President) the President.

8. Vice Presidents. The Vice Presidents, one of whom shall be the chief financial officer, shall have such duties as the Chief Executive Officer or the Board shall designate.

9. Chief Financial Officer. The Chief Financial Officer shall be responsible for the issuance of securities and the management of the Corporation's cash, receivables and temporary investments.

10. Secretary and Assistant Secretary. The Secretary shall attend all meetings of the Shareholders and the Board, keep a true and accurate record of the proceedings of all such meetings and attest the same by his or her signature, have charge of all books, documents and papers which appertain to the office, have custody of the corporate seal and affix it to all papers and documents requiring sealing, give all notices of meetings, have the custody of the books of stock certificates and transfers, issue all stock certificates, and perform all other duties usually appertaining to the office and all duties designated by the bylaws, the Chief Executive Officer or the Board. In the absence of the Secretary, any Assistant Secretary may perform the duties and shall have the powers of the Secretary.

11. Treasurer and Assistant Treasurer. The Treasurer shall perform all duties usually appertaining to the office and all duties designated by the Chief Executive Officer or the Board. In the absence of the Treasurer, any Assistant Treasurer may perform the duties and shall have all the powers of the Treasurer.

12. Controller and Assistant Controller. The Controller shall be responsible for establishing financial control policies for the Corporation, shall be its principal accounting officer, and shall perform all duties usually appertaining to the office and all duties designated by the Chief Executive Officer or the Board. In the absence of the Controller, any Assistant Controller may perform the duties and shall have all the powers of the Controller.

ARTICLE III

DIRECTORS

1. Number. The Board shall consist of not less than nine nor more than 17 Directors. The exact number of Directors shall be fixed from time to time, within the limits specified, in the manner specified in the Articles of Incorporation.

2. Election. A Board shall be elected as set forth in the Articles of Incorporation.

3. Vacancies. Vacancies in the Board may be filled as set forth in the Articles of Incorporation.

4. Compensation. Members of the Board shall receive such compensation as the Board may from time to time determine.

5. Regular Meetings. A regular meeting of the Board shall be held immediately after each Annual Meeting of Shareholders. Other regular meetings of the Board shall be held on such dates and at such times and places as may be designated by resolution of the Board. Notice of regular meetings of the Board need not otherwise be given to Directors.

6. Special Meetings. Special meetings of the Board may be called at any time by the Chairman, the Vice Chairman, the Chief Executive Officer, the President or a majority of the authorized number of Directors. Notice shall be given to each Director of the date, time and place of each special meeting of the Board. If given by mail, such notice shall be mailed to each Director at least four days before the date of such meeting. If given personally or by telephone (including a voice messaging system or other system or technology designed to record and communicate messages), telegraph, facsimile, electronic mail or other electronic means, such notice shall be given to each Director at least 24 hours before the time of such meeting. Notice of a meeting need not be given to any Director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

7. Quorum. A majority of the authorized number of Directors shall be necessary to constitute a quorum for the transaction of business, and every act or decision of a majority of the Directors present at a meeting at which a quorum is present shall be valid as the act of the Board,

provided that a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for such meeting. A majority of Directors present at any meeting, in the absence of a quorum, may adjourn to another time.

8. Action Upon Consent. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action.

9. Telephonic Participation. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in the meeting can hear one another. Such participation constitutes presence in person at the meeting.

10. Directors Emeritus. The Board may from time to time elect one or more Directors Emeritus. Each Director Emeritus shall have the privilege of attending meetings of the Board, upon invitation of the Chairman, the Vice Chairman, the Chief Executive Officer or the President. No Director Emeritus shall be entitled to vote on any business coming before the Board or be counted as a member of the Board for any purpose whatsoever.

ARTICLE IV

COMMITTEES

1. Executive Committee. The Board shall appoint an Executive Committee. The Chairman shall be ex officio the Chairman thereof, unless the Board shall appoint another member as Chairman. The Executive Committee shall be composed of members of the Board, and shall at all times be subject to its control. The Executive Committee shall have all the authority of the Board, except with respect to:

- (a) The approval of any action which also requires the approval of Shareholders or approval of the outstanding shares;
- (b) The filling of vacancies on the Board or on any committee;
- (c) The fixing of compensation of the Directors for serving on the Board or on any committee;
- (d) The amendment or repeal of bylaws or the adoption of new bylaws;
- (e) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

(f) A distribution to the Shareholders, except in a periodic amount or within a price range set forth in the Articles of Incorporation or determined by the Board; and

(g) The appointment of other committees of the Board or the members thereof.

2. Audit Committee. The Board shall appoint an Audit Committee comprised solely of Directors who are neither officers nor employees of the Corporation and who are free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as committee members. The Audit Committee shall review and make recommendations to the Board with respect to:

(a) The engagement of an independent accounting firm to audit the Corporation's financial statements and the terms of such engagement;

(b) The policies and procedures for maintaining the Corporation's books and records and for furnishing appropriate information to the independent auditor;

(c) The evaluation and implementation of any recommendations made by the independent auditor;

(d) The adequacy of the Corporation's internal audit controls and related personnel; and

(e) Such other matters relating to the Corporation's financial affairs and accounts as the Committee deems desirable.

3. Other Committees. The Board may appoint such other committees of its members as it shall deem desirable, and, within the limitations specified for the Executive Committee, may vest such committees with such powers and authorities as it shall see fit, and all such committees shall at all times be subject to its control.

4. Notice of Meetings. Unless the Board shall establish different requirements for the giving of notice of committee meetings, notice of each meeting of any committee of the Board shall be given to each member of such committee, and the giving of such notice shall be subject to the same requirements as the giving of notice of special meetings of the Board, except that notice of regular meetings of any committee for which the date, time and place has been previously designated by resolution of the committee need not otherwise be given to members of the Committee.

5. Conduct of Meetings. The provisions of these bylaws with respect to the conduct of meetings of the Board shall govern the conduct of committee meetings. Written minutes shall be kept of all committee meetings.

ARTICLE V
SHAREHOLDER MEETINGS

1. Annual Meeting.

(a) An Annual Meeting of Shareholders shall be held each year on such date and at such time as may be designated by resolution of the Board.

(b) At an Annual Meeting of Shareholders, only such business shall be conducted as shall have been properly brought before the Annual Meeting. To be properly brought before an Annual Meeting, business must be (i) specified in the notice of the Annual Meeting (or any supplement thereto) given by or at the direction of the Board or (ii) otherwise properly brought before the Annual Meeting by a Shareholder. For business to be properly brought before an Annual Meeting by a Shareholder, including the nomination of any person (other than a person nominated by or at the direction of the Board) for election to the Board, the Shareholder must have given timely and proper written notice to the Secretary of the Corporation. To be timely, the Shareholder's written notice must be received at the principal executive office of the Corporation not less than 60 nor more than 120 in advance of the date corresponding to the date of the last Annual Meeting of Shareholders; provided, however, that in the event the Annual Meeting to which the Shareholder's written notice relates is to be held on a date that differs by more than 60 days from the date of the last Annual Meeting of Shareholders, the Shareholder's written notice to be timely must be so received not later than the close of business on the tenth day following the date on which public disclosure of the date of the Annual Meeting is made or given to Shareholders. To be proper the Shareholder's written notice must set forth as to each matter the Shareholder proposes to bring before the Annual Meeting (w) a brief description of the business desired to be brought before the Annual Meeting, (x) the name and address of the Shareholder as they appear on the Corporation's books, (y) the class and number of shares of the Corporation that are beneficially owned by the Shareholder and (z) any material interest of the Shareholder in such business. In addition, if the Shareholder's written notice relates to the nomination at the Annual Meeting of any person for election to the Board, such notice to be proper must also set forth (A) the name, age, business address and residence address of each person to be so nominated, (B) the principal occupation or employment of each such person, (C) the number of shares of capital stock of the Corporation beneficially owned by each such person and (D) such other information concerning each such person as would be required under the rules of the Securities and Exchange Commission in a proxy statement soliciting proxies for the election of such person as a Director, and must be accompanied by a consent, signed by each such person, to serve as a Director of the Corporation if elected. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at an Annual Meeting except in accordance with the procedures set forth in this Section.

2. Special Meetings. Special meetings of the Shareholders for any purpose whatsoever may be called at any time by the Chairman, the Vice Chairman, the Chief Executive Officer, the President or the Board, or by one or more Shareholders holding not less than one-tenth of the voting

power of the Corporation. Within five business days after receiving such a written request from Shareholders of the corporation, the Board shall determine whether such Shareholders own not less than one-tenth of the voting power of the Corporation and notify the requesting party or parties of its finding.

3. Place of Meetings. All meetings of the Shareholders shall be held at the principal office of the Corporation in San Diego, California, or at such other locations as may be designated by the Board.

4. Notice of Meetings. Written notice shall be given to each Shareholder entitled to vote of the date, time, place and general purpose of each meeting of Shareholders. Notice may be given personally, or by mail, or by telegram, charges prepaid, to the Shareholder's address appearing on the books of the Corporation. If a Shareholder supplies no address to the Corporation, notice shall be deemed to be given if mailed to the place where the principal office of the Corporation is situated, or published at least once in some newspaper of general circulation in the county of said principal office. Notice of any meeting shall be sent to each Shareholder entitled thereto not less than 10 nor more than 60 days before such meeting.

5. Voting. The Board may fix a time in the future not less than 10 nor more than 60 days preceding the date of any meeting of Shareholders, or not more than 60 days preceding the date fixed for the payment of any dividend or distribution, or for the allotment of rights, or when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the Shareholders entitled to notice of and to vote at any such meeting or entitled to receive any such dividend or distribution, or any such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares. In such case only Shareholders of record at the close of business on the date so fixed shall be entitled to notice of and to vote at such meeting or to receive such dividend, distribution or all allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid. The Board may close the books of the Corporation against any transfer of shares during the whole or any part of such period.

6. Quorum. At any Shareholders' meeting a majority of the shares entitled to vote must be represented in order to constitute a quorum for the transaction of business, but a majority of the shares present, or represented by proxy, though less than a quorum, may adjourn the meeting to some other date, and from day to day or from time to time thereafter until a quorum is present.

7. Confidential Voting. Each Shareholder of the Corporation shall be entitled to elect voting confidentiality as provided in this Section on all matters submitted to Shareholders by the Board and each form of proxy, consent, ballot or other written voting instruction distributed to the Shareholders shall include a check box or other appropriate mechanism by which Shareholders who desire to do so may so elect voting confidentiality. All inspectors of election, vote tabulators and other persons appointed or engaged by or on behalf of the Corporation to process voting instructions (none of whom shall be a Director or officer of the Corporation or any of its affiliates) shall be advised of and instructed to comply with this Section and, except as required or permitted hereby,

not at any time to disclose to any person (except to other persons engaged in processing voting instructions), the identity and individual vote of any Shareholder electing voting confidentiality; provided, however, that voting confidentiality shall not apply and the name and individual vote of any Shareholder may be disclosed to the Corporation or to any person (i) to the extent that such disclosure is required by applicable law or is appropriate to assert or defend any claim relating to voting or (ii) with respect to any matter for which votes of Shareholders are solicited in opposition to any of the nominees or the recommendations of the Board unless the persons engaged in such opposition solicitation provide Shareholders of the Corporation with voting confidentiality (which, if not otherwise provided, will be requested by the Corporation) comparable in the opinion of the Corporation to the voting confidentiality provided by this Section.

ARTICLE VI

CERTIFICATES FOR SHARES

1. Form. Certificates for shares of the Corporation shall state the name of the registered holder of the shares represented thereby, and shall be signed by the Chairman, the Vice Chairman, the Chief Executive Officer, the President or a Vice President, and by the Secretary or an Assistant Secretary. Any such signature may be by facsimile thereof.
2. Surrender. Upon a surrender to the Secretary, or to a transfer agent or transfer clerk of the Corporation, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the party entitled thereto, cancel the old certificate and record the transaction upon its books.
3. Right of Transfer. When a transfer of shares on the books is requested and there is a reasonable doubt as to the rights of the persons seeking such transfer, the Corporation, or its transfer agent or transfer clerk, before entering the transfer of the shares on its books or issuing any certificate therefor, may require from such person reasonable proof of his or her rights, and, if there remains a reasonable doubt in respect thereto, may refuse a transfer unless such person shall give adequate security or a bond of indemnity executed by a corporate surety, or by two individual sureties, satisfactory to the Corporation as to form, amount and responsibility of sureties.
4. Conflicting Claims. The Corporation shall be entitled to treat the holder of record of any shares as the holder in fact thereof and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of California.
5. Loss, Theft and Destruction. In the case of the alleged loss, theft or destruction of any certificate for shares, another may be issued in its place as follows: (a) the owner of the lost, stolen or destroyed certificate shall file with the transfer agent of the Corporation a duly executed Affidavit or Loss and Indemnity Agreement and Certificate of Coverage, accompanied by a check

representing the cost of the bond as outlined in any blanket lost securities and avoid administration bond previously approved by the Directors of the Corporation and executed by a surety company satisfactory to them, which bond shall indemnify the Corporation, its transfer agents and registrars; or (b) the Board may, in its discretion, authorize the issuance of a new certificate to replace a lost, stolen or destroyed certificate on such other terms and conditions as it may determine to be reasonable.

ARTICLE VII

INDEMNIFICATION OF CORPORATE AGENTS

1. Definitions. For the purposes of this Article, "agent" means any person who (i) is or was a Director, officer, employee or other agent of the Corporation, (ii) is or was serving at the request of the Corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise or (iii) was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes, without limitation, attorneys' fees and any expenses of establishing a right to indemnification under Sections 4 or 5(c) of this Article.

2. Indemnification for Third Party Actions. The Corporation shall indemnify any person who is or was a party, or is threatened to be made a party, to any proceeding (other than an action by or in the right of the Corporation to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Corporation against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

3. Indemnification for Derivative Actions. The Corporation shall indemnify any person who is or was a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Corporation against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith and in a manner such person believed to be in the best interests of the Corporation and its Shareholders. No indemnification shall be made under this Section (a) in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the

Corporation in the performance of such person's duty to the Corporation and its Shareholders, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine; (b) of amounts paid in settling or otherwise disposing of a pending action without court approval; or (c) of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

4. Successful Defense. Notwithstanding any other provision of this Article, to the extent that an agent of the Corporation has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of a proceeding or action without admission of liability) in defense of any proceeding referred to in Sections 2 or 3 of this Article, or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

5. Discretionary Indemnification. Except as provided in Section 4, any indemnification under Section 3 of this Article shall be made by the Corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Section 3, by (a) a majority vote of a quorum consisting of Directors who are not parties to such proceeding; (b) if such a quorum of Directors is not obtainable, by independent legal counsel in a written opinion; (c) approval by the affirmative vote of a majority of the shares of this Corporation represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) or by the written consent of holders of a majority of the outstanding shares which would be entitled to vote at such meeting and, for such purpose, the shares owned by the person to be indemnified shall not be considered outstanding or entitled to vote; or (d) the court in which such proceeding is or was pending, upon application made by the Corporation, the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by said agent, attorney or other person is opposed by the Corporation.

6. Advancement of Expenses. Expenses incurred in defending any proceeding may be advanced by the Corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in this Article.

7. Restriction on Indemnification. No indemnification or advance shall be made under this Article, except as provided in Sections 4 and 6 hereof, in any circumstance where it appears that it would be inconsistent with (a) a provision of the Articles of Incorporation of the Corporation, its bylaws, a resolution of the Shareholders or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid which prohibits or otherwise limits indemnification; or (b) any condition expressly imposed by a court in approving a settlement.

8. Non-Exclusive. The indemnification provided by his Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, bylaw, agreement, vote of Shareholders or disinterested Directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. The rights to indemnification under this Article shall continue as to a person who has ceased to be a Director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person. Nothing contained in this Section 8 shall affect any right to indemnification to which persons other than such Directors and officers may be entitled by contract or otherwise.

9. Expenses as a Witness. To the extent that any agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

10. Insurance. The Corporation may purchase and maintain directors and officers liability insurance, at its expense, to protect itself and any Director, officer or other named or specified agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Corporation would have the power to indemnify the agent against such expense, liability or loss under the provisions of this Article or under the General Corporation Law.

11. Separability. Each and every paragraph, sentence, term and provision of this Article is separate and distinct so that if any paragraph, sentence, term or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or unenforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the Corporation and claimant, the broadest possible indemnification permitted under applicable law. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless have the power to indemnify each Director, officer, employee, or other agent against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal or administrative, and whether internal or external, including a grand jury proceeding and including an action or suit brought by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated or by any other applicable law.

12. Agreements. Upon, and in the event of, a determination of the Board to do so, the Corporation is authorized to enter into indemnification agreements with any or all of its Directors, officers, employees and other agents providing for indemnification to the fullest extent permissible under California law and the Corporation's Articles of Incorporation.

13. Retroactive Appeal. In the event this Article is repealed or modified so as to reduce the protection afforded herein, the indemnification provided by this Article shall remain in full force and effect with respect to any act or omission occurring prior to such repeal or modification.

ARTICLE VIII

OBLIGATIONS

All obligations of the Corporation, including promissory notes, checks, drafts, bills of exchange, and contracts of every kind, and evidences of indebtedness issued in the name of, or payable to, or executed on behalf of the Corporation, shall be signed or endorsed by such officer or officers, or agent or agents, of the Corporation and in such manner as, from time to time, shall be determined by the Board.

ARTICLE IX

CORPORATE SEAL

The corporate seal shall set forth the name of the Corporation, state, and date of incorporation.

ARTICLE X

AMENDMENTS

These bylaws may be amended or repealed as set forth in the Articles of Incorporation.

ARTICLE XI

AVAILABILITY OF BYLAWS

A current copy of these bylaws shall be mailed or otherwise furnished to any Shareholder of record within five days after receipt of a request therefor.

SEMPRA ENERGY

1998 LONG TERM INCENTIVE PLAN

SEMPRA ENERGY
1998 LONG TERM INCENTIVE PLAN

1. Purpose. The purposes of the Sempra Energy 1998 Long Term Incentive Plan (the "Plan") are to attract, retain and motivate officers and other key employees of SEMPRA ENERGY, a California corporation (the "Company"), and its Subsidiaries (as hereinafter defined), to compensate them for their contributions to the growth and profits of the Company and to encourage ownership by them of stock of the Company.

2. Definitions. For purposes of the Plan, the following terms shall be defined as follows:

"Administrator" means the individual or individuals to whom the Committee delegates authority under the Plan in accordance with Section 3(d).

"Affiliate" and "Associate" have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"Award" means an award made pursuant to the terms of the Plan to an Eligible Individual in the form of Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Share Awards, Stock Awards, Section 162(m) Awards, dividend equivalents or other awards determined by the Committee.

"Award Agreement" means a written agreement or certificate granting an Award. An Award Agreement shall be executed by an officer on behalf of the Company and shall contain such terms and conditions as the Committee deems appropriate and that are not inconsistent with the terms of the Plan. The Committee may, in its discretion, require that an Award Agreement be executed by the Participant to whom the relevant Award is made.

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

"Board" means the Board of Directors of the Company.

A "Change in Control" of the Company shall be deemed to have occurred when:

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

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

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

(iv) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least sixty percent (60%) of the

combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations thereunder.

"Committee" means the Compensation Committee of the Board, any successor committee thereto or any other committee appointed by the Board to administer the Plan.

"Common Stock" means the common stock, with no par value, of the Company.

"Eligible Individuals" means the individuals described in Section 6 who are eligible to receive Awards under the Plan.

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

"Fair Market Value" means, in the event that the Common Stock is traded on a recognized securities exchange, the closing price of the Common Stock on the date set for valuation, or in the event that the Common Stock is quoted by the National Association of Securities Dealers Automated Quotations on National Market Issues system, an amount equal to the average of the high and low prices of the Common Stock on such quotations system on the date set for valuation or, if no sales of Common Stock were made on said exchange or so quoted such system on that date, the average of the high and low prices of the Common Stock on the next preceding day on which sales were made on such exchange or quotations system; or, if the Common Stock is not so traded or quoted, that value determined, in its sole discretion, by the Committee.

"Incentive Stock Option" means a Stock Option which is an "incentive stock option" within the meaning of Section 422 of the Code and designated by the Committee as an Incentive Stock Option in an Award Agreement.

"Nonqualified Stock Option" means a Stock Option which is not an Incentive Stock Option.

"Parent" means any corporation which is a "parent corporation" within the meaning of Section 424(e) of the Code with respect to the relevant entity.

"Participant" means an Eligible Individual to whom an Award has been granted under the Plan.

"Performance Period" means a fiscal year of the Company or such other period that may be specified by the Committee in connection with the grant of a Section 162(m) Award.

"Performance Share Award" means a conditional Award of shares of Common Stock granted to an Eligible Individual pursuant to Section 12 hereof.

"Person" means any person, entity or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, except that such term shall not include (i) the Company or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (v) a person or group as used in Rule 13d-1(b) under the Exchange Act.

"Restricted Stock Award" means an Award of restricted shares of Common Stock granted to an Eligible Individual pursuant to Section 10 hereof.

"Restricted Stock Units" means an Award of restricted share units as described in Section 11 hereof.

"Section 162(m) Participant" means, for a given fiscal year of the Company, any Participant who is a "covered employee" within the meaning of the regulations promulgated under Section 162(m) of the Code.

"Stock Appreciation Right" means an Award to receive all or some portion of the appreciation on shares of Common Stock granted to an Eligible Individual pursuant to Section 9 hereof.

"Stock Award" means an Award of shares of Common Stock granted to an Eligible Individual pursuant to Section 13 hereof.

"Stock Option" means an option to purchase shares of Common Stock granted to an Eligible Individual pursuant to Section 8 hereof.

"Subsidiary" means (i) any majority-owned subsidiary of the Company and (ii) any other corporation or other entity in which the Company, directly or

indirectly, has an equity or similar interest and which the Committee designates as a Subsidiary for the purposes of the Plan.

"Substitute Award" means an Award granted upon assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term "Substitute Award" be construed to refer to an award made in connection with a cancellation and repricing of a Stock Option.

3. Administration of the Plan.

(a) Power and Authority of the Committee. The Plan shall be administered by the Committee, which shall have full power and authority, subject to the express provisions hereof:

- (i) to select Participants from among the Eligible Individuals;
- (ii) to grant Awards in accordance with the terms of the Plan;
- (iii) to determine the number of shares of Common Stock subject to each Award or the cash amount payable in connection with an Award;
- (iv) to determine the terms and conditions of each Award, including, without limitation, those related to vesting, forfeiture, payment and exercisability, and the effect, if any, of a Participant's termination of employment with the Company or, subject to Section 19 hereof, of a Change in Control on the outstanding Awards granted to such Participant, and including the authority to amend the terms and conditions of an Award after the granting thereof to a Participant in a manner that is not prejudicial to the rights of such Participant;
- (v) to accelerate the vesting or payment of any Award, the lapse of restrictions on any Award or the date on which any Stock Option or Stock Appreciation Right becomes exercisable;
- (vi) to specify and approve the provisions of the Award Agreements delivered to Participants in connection with their Awards;
- (vii) to construe and interpret any Award Agreement delivered under the Plan;

(viii) subject to Section 20, to prescribe, amend and rescind administrative rules and procedures relating to the Plan;

(ix) to vary the terms of Awards to take account of tax, securities law and other regulatory requirements, including those of foreign jurisdictions;

(x) subject to the provisions of the Plan and subject to such additional limitations and restrictions as the Committee may impose, to delegate to one or more officers of the Company some or all of its authority under the Plan; and

(xi) to make all other determinations and to formulate such procedures as may be necessary or advisable for the administration of the Plan.

(b) Plan Construction and Interpretation. The Committee shall have full power and authority, subject to the express provisions hereof, to construe and interpret the terms of the Plan and any Award Agreement entered into hereunder.

(c) Determinations of Committee Final and Binding. All determinations by the Committee in carrying out and administering the Plan and in construing and interpreting the Plan and any Award Agreement shall be final, binding and conclusive for all purposes and upon all persons interested herein.

(d) Delegation of Authority. The Committee may, but need not, from time to time delegate some or all of its authority under the Plan to an Administrator consisting of one or more members of the Committee or of one or more officers of the Company; provided, however, that the Committee may not delegate its authority (i) to grant Awards to Eligible Individuals (A) who are subject on the date of the grant to the reporting rules under Section 16(a) of the Exchange Act, (B) who are Section 162(m) Participants or (C) who are officers of the Company who are delegated authority by the Committee hereunder, or (ii) under Sections 3(b) and 20 of the Plan. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation or thereafter. Nothing in the Plan shall be construed as obligating the Committee to delegate authority to an Administrator, and the Committee may at any time rescind the authority delegated to an Administrator appointed hereunder or appoint a new Administrator. At all times, the Administrator appointed under this Section 3(d) shall serve in such capacity at the pleasure of the Committee. Any action undertaken by the Administrator in accordance with the Committee's delegation of authority shall have the same force and effect as if undertaken directly by the Committee, and any

reference in the Plan to the Committee shall, to the extent consistent with the terms and limitations of such delegation, be deemed to include a reference to the Administrator.

(e) Liability of Committee. No member of the Committee shall be liable for anything whatsoever in connection with the administration of the Plan except such person's own willful misconduct. Under no circumstances shall any member of the Committee be liable for any act or omission of any other member of the Committee. In the performance of its functions with respect to the Plan, the Committee shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Committee deems necessary, and no member of the Committee shall be liable for any action taken or not taken in reliance upon any such advice.

4. Duration of Plan. The Plan shall remain in effect until it is terminated by the Board of Directors (upon which Board action no further awards may be granted hereunder) and thereafter until all Awards previously granted under the Plan are satisfied by the issuance of shares of Common Stock or the payment of cash or are terminated under the terms of the Plan or under the Award Agreements entered into in connection with the grant thereof. Notwithstanding the foregoing, the Plan shall automatically terminate unless it is ratified by the Company's shareholders every ten years following the Effective Date (as defined in Section 21(j)).

5. Shares of Stock Subject to the Plan. Subject to adjustment as provided in Section 15(b) hereof, the number of shares of Common Stock that may be granted under the Plan pursuant to Awards during each full calendar year that the Plan is in effect shall not exceed, in the aggregate, 1.5% of the outstanding shares of Common Stock as of the first day of the calendar year (the "Section 5 Limit"). Notwithstanding the foregoing, the number of shares of Common Stock available for grant under the Plan during the 1998 calendar year shall be 3.4 million shares. Such shares may be either authorized but unissued shares, treasury shares or any combination thereof. For purposes of determining the number of shares that remain available for issuance under the Plan, the following rules shall apply:

(a) the number of Shares subject to outstanding Awards shall be charged against the Section 5 Limit; and

(b) the Section 5 Limit shall be increased by:

(i) the number of shares subject to an Award (or portion thereof) which lapses, expires or is otherwise terminated without the issuance of such shares or is settled by the delivery of consideration other than shares;

(ii) the number of shares tendered to pay the exercise price of a Stock Option or other Award;

(iii) the number of shares withheld from any Award to satisfy a Participant's tax withholding obligations or, if applicable, to pay the exercise price of a Stock Option or other Award; and

(iv) the number of shares that were not made subject to Awards during the previous year.

In addition, any shares underlying Substitute Awards shall not be counted against the Section 5 Limit set forth in the first sentence of this Section 5.

6. Eligible Individuals.

(a) Eligibility Criteria. Awards may be granted by the Committee to individuals ("Eligible Individuals") who are officers or other key employees of the Company or a Subsidiary with the potential to contribute to the future success of the Company or its Subsidiaries and have a significant effect on the Company's growth and profitability. Members of the Committee shall not be eligible to receive Awards under the Plan. An individual's status as an Administrator will not affect his or her eligibility to participate in the Plan.

(b) Maximum Number of Shares per Eligible Individual. In accordance with the requirements imposed under Section 162(m) of the Code, no Eligible Individual shall receive grants of Awards with respect to an aggregate of more than 1,000,000 shares of Common Stock in respect of any fiscal year of the Company.

7. Awards Generally. Awards under the Plan may consist of Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Share Awards, Section 162(m) Awards or other awards determined by the Committee. The terms and provisions of an Award shall be set forth in a written Award Agreement that is approved by the Committee and delivered or made available to the Participant as soon as practicable following the date of the Award. The vesting, exercisability, payment and other restrictions applicable to an Award (which may include, without limitation, restrictions on transferability or provision for mandatory resale to the Company) shall be determined by the Committee and set forth in the applicable Award Agreement. Notwithstanding the foregoing, the Committee may accelerate (i) the vesting or payment of any Award, (ii) the lapse of restrictions on any Award or (iii) the date on which any Option or Stock Appreciation Right first becomes exercisable. The Committee shall also have full authority to determine and specify in the applicable Award Agreement the effect, if any, that a Participant's termination of employment for any reason will have on the vesting, exercisability, payment or lapse of restrictions applicable to an outstanding Award. The date of a Participant's

termination of employment for any reason shall be determined in the sole discretion of the Committee.

8. Stock Options.

(a) Terms of Stock Options Generally. Subject to the terms of the Plan and the applicable Award Agreement, each Stock Option shall entitle the Participant to whom such Stock Option was granted to purchase the number of shares of Common Stock specified in the applicable Award Agreement and shall be subject to the terms and conditions established by the Committee in connection with the Stock Option and specified in the applicable Award Agreement. Upon satisfaction of the conditions to exercisability specified in the applicable Award Agreement, a Participant shall be entitled to exercise the Stock Option in whole or in part and to receive, upon satisfaction or payment of the exercise price or an irrevocable notice of exercise in the manner contemplated by Section 8(d) below, the number of shares of Common Stock in respect of which the Stock Option shall have been exercised. Stock Options may be either Nonqualified Stock Options or Incentive Stock Options; provided, however, that in no event shall the number of shares of Common Stock that may be granted under the Plan pursuant to Incentive Stock Options exceed, in the aggregate, 1,000,000 shares.

(b) Exercise Price. The exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant and set forth in the Award Agreement, provided, that the exercise price per share of a Stock Option shall be no less than 100% of the Fair Market Value per share on the date of grant. Notwithstanding the foregoing, the exercise price per share of a Stock Option that is a Substitute Award may be less than the Fair Market Value per share on the date of grant, provided that the excess of:

(i) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award; over

(ii) the aggregate exercise price thereof;

does not exceed the excess of:

(iii) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company; over

(iv) the aggregate exercise price of such shares.

(c) Option Term. The term of each Stock Option shall be fixed by the Committee and set forth in the Award Agreement; provided, however, that a Stock Option that is an Incentive Stock Option shall not be exercisable after the expiration of ten (10) years after the date the Stock Option is granted.

(d) Method of Exercise. Subject to the provisions of the applicable Award Agreement, the exercise price of a Stock Option may be paid in cash or previously owned shares or a combination thereof and, if the applicable Award Agreement so provides, in whole or in part through the withholding of shares subject to the Stock Option with a Fair Market Value equal to the exercise price. In accordance with the rules and procedures established by the Committee for this purpose, the Stock Option may also be exercised through a "cashless exercise" procedure approved by the Committee involving a broker or dealer approved by the Committee, that affords Participants the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Stock Option in order to generate sufficient cash to pay the Stock Option exercise price and/or to satisfy withholding tax obligations related to the Stock Option.

(e) Deferral. In accordance with rules and procedures established by the Committee, the Committee may permit a Participant at or after the time of grant to defer receipt of the Common Stock underlying a Stock Option to one or more dates elected by the Participant, subsequent to the date on which such Stock Option is exercised. Shares that are deferred in accordance with the preceding sentence shall be noted in a bookkeeping account maintained by the Company for this purpose and may periodically be credited with dividends, dividend equivalents, notional interest or earnings in accordance with procedures established by the Committee in its discretion from time to time. Deferred amounts shall be paid in cash, Common Stock or other property, as determined by the Committee at or after the time of deferral, on the date or dates elected by the Participant.

9. Stock Appreciation Rights. Stock Appreciation Rights shall be subject to the terms and conditions established by the Committee in connection with the Award thereof and specified in the applicable Award Agreement. Upon satisfaction of the conditions to the payment specified in the applicable Award Agreement, each Stock Appreciation Right shall entitle a Participant to an amount, if any, equal to the Fair Market Value of a share of Common Stock on the date of exercise over the Stock Appreciation Right exercise price specified in the applicable Award Agreement. At the discretion of the Committee, payments to a Participant upon exercise of a Stock Appreciation Right may be made in shares of Common Stock, cash or a combination thereof. A Stock Appreciation Right may be granted alone or in addition to other Awards, or in tandem with a Stock Option. If granted in tandem with a Stock Option, a Stock Appreciation Right shall cover the same number of shares of Common Stock as covered by the

Stock Option (or such lesser number of shares as the Committee may determine) and shall be exercisable only at such time or times and to the extent the related Stock Option shall be exercisable, and shall have the same term and exercise price as the related Stock Option. Upon exercise of a Stock Appreciation Right granted in tandem with a Stock Option, the related Stock Option shall be canceled automatically to the extent of the number of shares covered by such exercise; conversely, if the related Stock Option is exercised as to some or all of the shares covered by the tandem grant, the tandem Stock Appreciation Right shall be canceled automatically to the extent of the number of shares covered by the Stock Option exercised.

10. Restricted Stock Awards. Restricted Stock Awards shall consist of one or more shares of Common Stock granted to an Eligible Individual, and shall be subject to the terms and conditions established by the Committee in connection with the Award and specified in the applicable Award Agreement. The shares of Common Stock subject to a Restricted Stock Award may, among other things, be subject to vesting requirements or restrictions on transferability. Except as otherwise provided by the Committee in its sole discretion, a Participant shall have all of the rights of a shareholder of the Company with respect to the shares of Common Stock underlying a Restricted Stock Award, including the right to vote the shares and the right to receive any cash dividends. Stock dividends issued with respect to shares covered by a Restricted Stock Award shall be treated as additional shares under the Restricted Stock Award and shall be subject to the same terms and conditions that apply to the shares with respect to which such dividends are issued. In no event shall the number of shares of Common Stock granted in any calendar year under the Plan in respect of Restricted Stock Awards exceed .5% of the outstanding shares of Common Stock as of the first day of the calendar year. Notwithstanding the foregoing, the number of shares of Common Stock available for Restricted Stock Awards under the Plan during the 1998 calendar year shall not exceed 1.1 million shares.

11. Restricted Stock Units. Restricted Stock Unit Awards shall consist of a grant of units, each of which represents the right of the Participant to receive one share of Common Stock, subject to the terms and conditions established by the Committee in connection with the Award and set forth in the applicable Award Agreement. Upon satisfaction of the conditions to vesting and payment specified in the applicable Award Agreement, Restricted Stock Units shall be payable, at the discretion of the Committee, in Common Stock, in cash equal to the Fair Market Value of the shares subject to such Restricted Stock Units, or in a combination of Common Stock and cash.

12. Performance Share Awards. Performance Share Awards shall be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee deems appropriate and which are not inconsistent with the terms of the Plan. Each Award Agreement shall set forth the number of shares of Common Stock to be earned by a Participant upon satisfaction of certain specified performance criteria and subject to such other terms and conditions as the Committee deems appropriate. Payment in settlement of a Performance Share Award shall be made as soon as practicable following the conclusion of the applicable performance period, or at such other time as the Committee shall determine, in shares of Common

Stock, in an equivalent amount of cash or in a combination of Common Stock and cash, as the Committee shall determine.

13. Stock Awards. Stock Awards shall consist of one or more shares of Common Stock granted to an Eligible Individual, and shall be subject to the terms and conditions established by the Committee in connection with the Award and specified in the applicable Award Agreement. The shares of Common Stock subject to a Stock Award may, among other things, be subject to vesting requirements and restrictions on transferability.

14. Other Awards. The Committee shall have the authority to specify the terms and provisions of other forms of equity-based or equity-related Awards not described above which the Committee determines to be consistent with the purpose of the Plan and the interests of the Company, which Awards may provide for cash payments based in whole or in part on the value or future value of Common Stock, for the acquisition or future acquisition of Common Stock, or any combination thereof.

15. Section 162(m) Awards.

(a) Terms of Section 162(m) Awards Generally. In addition to any other Awards under the Plan, the Company may make Awards that are intended to qualify as "qualified performance-based compensation" for purposes of Section 162(m) of the Code ("Section 162(m) Awards"). Section 162(m) Awards may consist of Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Share Awards or Other Awards the vesting, exercisability and/or payment of which is conditioned upon the attainment for the applicable Performance Period of specified performance targets related to designated performance goals for such period selected by the Committee from among the performance goals specified in Section 15(b) below. Section 162(m) Awards will be made in accordance with the procedures specified in applicable Treasury regulations for compensation intended to be "qualified performance-based compensation."

(b) Performance Goals. For purposes of this Section 15, performance goals shall be limited to one or more of the following: (i) net revenue; (ii) net earnings; (iii) operating earnings or income; (iv) absolute and/or relative return on equity or assets; (v) earnings per share; (vi) cash flow; (vii) pretax profits; (viii) earnings growth; (ix) revenue growth; (x) book value per share; (xi) stock price; (xii) economic value added; (xiii) total shareholder return; (xiv) operating goals (including, but not limited to, safety, reliability, maintenance expenses, capital expenses, customer satisfaction and employee satisfaction); and (xv) performance relative to peer companies, each of which may be established on a corporate-wide basis or established with respect to one or more operating units,

divisions, acquired businesses, minority investments, partnerships or joint ventures.

(c) Other Performance-Based Compensation. The Committee's decision to make, or not to make, Section 162(m) Awards within the meaning of this Section 15 shall not in any way prejudice the qualification of any other Awards as performance-based compensation under Section 162(m). In particular, Awards of Stock Options may, pursuant to applicable regulations promulgated under Section 162(m), be qualified as performance-based compensation for Section 162(m) purposes without regard to this Section 15.

16. Dividend Equivalents. The Committee may provide that Awards under the Plan earn dividend equivalents. Such dividend equivalents may be paid currently or may be deferred and deemed reinvested in Common Stock in the same manner as dividends reinvested pursuant to the terms of the Sempra Dividend Reinvestment Plan. Any deferral of dividend equivalents shall be subject to such restrictions and conditions as the Committee may determine in its discretion, including, but not limited to, performance-based vesting requirements.

17. Non-transferability. No Award granted under the Plan or any rights or interests therein shall be sold, transferred, assigned, pledged or otherwise encumbered or disposed of except by will or by the laws of descent and distribution or pursuant to a "qualified domestic relations order" ("QDRO") as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder; provided, however, that the Committee may, subject to such terms and conditions as the Committee shall specify, permit the transfer of an Award to a Participant's family members or to one or more trusts or partnerships established in whole or in part for the benefit of one or more of such family members; provided further, however, that the restrictions set forth in this sentence shall not apply to the shares received in connection with an Award after the date that the restrictions on transferability of such shares set forth in the applicable Award Agreement have lapsed. During the lifetime of a Participant, a Stock Option or Stock Appreciation Right shall be exercisable only by, and payments in settlement of Awards shall be payable only to, the Participant or, if applicable, the "alternate payee" under a QDRO or the family member or trust to whom such Stock Option, Stock Appreciation Right or other Award has been transferred in accordance with the previous sentence.

18. Recapitalization or Reorganization.

(a) Authority of the Company and Shareholders. The existence of the Plan, the Award Agreements and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights

to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Change in Capitalization. Notwithstanding any provision of the Plan or any Award Agreement, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split, combination or exchange of shares affecting the Common Stock, the Committee shall make (i) such proportionate adjustments it considers appropriate (in the form determined by the Committee in its sole discretion) to prevent diminution or enlargement of the rights of Participants under the Plan with respect to the aggregate number of shares of Common Stock for which Awards in respect thereof may be granted under the Plan, the number of shares of Common Stock covered by each outstanding Award, and the exercise prices in respect thereof and/or (ii) such other equitable adjustments as it deems appropriate in the interests of the holders of Awards. The Committee's determination as to what, if any, adjustments shall be made shall be final and binding on the Company and all Participants.

19. Change in Control. In the event of a Change in Control (i) all Stock Options or Stock Appreciation Rights then outstanding shall automatically become fully vested and exercisable as of the date of the Change in Control, (ii) all restrictions and conditions of all Restricted Stock Awards then outstanding shall lapse as of the date of the Change in Control, and (iii) all Performance Share Awards shall be deemed to have been earned out in a manner set forth in the applicable Award Agreement. In addition to the foregoing, in the case of a Change in Control involving a merger of, or consolidation involving, the Company in which the Company is (A) not the surviving corporation (the "Surviving Entity") or (B) becomes a wholly owned subsidiary of the Surviving Entity or any Parent thereof, each outstanding Stock Option granted under the Plan and not exercised (a "Predecessor Option") will be converted into an option (a "Replacement Option") to acquire common stock of the Surviving Entity or its Parent, which Replacement Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise prices. Notwithstanding the foregoing, in the event of a Change in Control, the Committee expressly reserves the discretion to cancel all outstanding Stock Options, effective as of the date of the Change in Control, in exchange for a cash payment to be made to each of the Participants within five business days following the Change in Control in an amount equal to the excess of the fair market value of the Company's Common Stock on the date of the Change in Control over the exercise price of each such Stock Option, multiplied by the number of shares that are subject to such option. Notwithstanding the foregoing, in the event that the Company becomes a party to a transaction that is intended to qualify for "pooling of interests" accounting treatment and, but for

one or more of the provisions of this Plan or any Award Agreement would so qualify, then this Plan and any Award Agreement shall be interpreted so as to preserve such accounting treatment, and to the extent that any provision of the Plan or any Award Agreement would disqualify the transaction from pooling of interests accounting treatment (including, if applicable, an entire Award Agreement), then such provision shall be null and void. All determinations to be made in connection with the preceding sentence shall be made by the independent accounting firm whose opinion with respect to "pooling of interests" treatment is required as a condition to the Company's consummation of such transaction.

20. Amendment of the Plan. The Board or Committee may at any time and from time to time terminate, modify, suspend or amend the Plan in whole or in part; provided, however, that no such termination, modification, suspension or amendment shall be effective without shareholder approval if such approval is required to comply with any applicable law or stock exchange rule; and provided further, that the Board or Committee may not, without shareholder approval, increase the Section 5 Limit except as provided in Section 18(b) above. No termination, modification, suspension or amendment of the Plan shall, without the consent of a Participant to whom any Award shall previously have been granted, adversely affect his or her rights under such Awards. Notwithstanding any provision herein to the contrary, the Board or Committee shall have broad authority to amend the Plan or any Award to take into account changes in applicable tax laws, securities laws, accounting rules and other applicable state and federal laws.

21. Miscellaneous.

(a) Tax Withholding. No later than the date as of which an amount first becomes includable in the gross income of the Participant for applicable income tax purposes with respect to any grant under the Plan, the Participant shall pay to the Company or make arrangements satisfactory to the Committee regarding the payment of any federal, state or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, in accordance with rules and procedures established by the Committee, the minimum required withholding obligations may be settled with Common Stock, including Common Stock that is part of the grant that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditioned upon such payment or arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

(b) No Right to Grants or Employment. No Eligible Individual or Participant shall have any claim or right to receive grants of Awards under the Plan. Nothing in the Plan or in any Award Agreement shall confer upon any employee of the Company or any Subsidiary any right to continued employment with the Company or any Subsidiary, as the case may be, or interfere in any way

with the right of the Company or a Subsidiary to terminate the employment of any of its employees at any time, with or without cause.

(c) Unfunded Plan. The Plan is intended to constitute an unfunded plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or payments in lieu thereof with respect to grants hereunder.

(d) Other Employee Benefit Plans. Amounts received by a Participant with respect to any Award made pursuant to the provisions of the Plan shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by the Company.

(e) Securities Law Restrictions. The Committee may require each Eligible Individual purchasing or acquiring shares of Common Stock pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that such Eligible Individual is acquiring the shares for investment and not with a view to the distribution thereof. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission or any exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. No shares of Common Stock shall be issued hereunder unless the Company shall have determined that such issuance is in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws.

(f) Compliance with Rule 16b-3.

(i) The Plan is intended to comply with Rule 16b-3 under the Exchange Act or its successor under the Exchange Act and the Committee shall interpret and administer the provisions of the Plan or any Award Agreement in a manner consistent therewith. To the extent any provision of the Plan or Award Agreement or any action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. Moreover, in the event the Plan or an Award Agreement does not include a provision required by Rule 16b-3 to be stated therein, such provision (other than one relating to eligibility

requirements, or the price and amount of Awards) shall be deemed automatically to be incorporated by reference into the Plan or such Award Agreement insofar as Participants subject to Section 16 of the Exchange Act are concerned.

(ii) Notwithstanding anything contained in the Plan or any Award Agreement to the contrary, if the consummation of any transaction under the Plan would result in the possible imposition of liability on a Participant pursuant to Section 16(b) of the Exchange Act, the Committee shall have the right, in its sole discretion, but shall not be obligated, to defer such transaction to the extent necessary to avoid such liability.

(g) Award Agreement. In the event of any conflict or inconsistency between the Plan and any Award Agreement, the Plan shall govern, and the Award Agreement shall be interpreted to minimize or eliminate any such conflict or inconsistency.

(h) Expenses. The costs and expenses of administering the Plan shall be borne by the Company.

(i) Applicable Law. Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of California without giving effect to conflicts of law principles.

(j) Effective Date. The Plan shall be effective as of the Effective Time of the business combination of Pacific Enterprises and Enova Corporation, pursuant to which such corporations will become subsidiaries of the Company (the "Effective Date"), subject to the approval by the Company's shareholders of the Plan at or prior to the first annual meeting of the Company's shareholders after the Effective Date. If shareholder approval is not obtained at or prior to the first annual meeting of the shareholders of the Company, the Plan and any Awards granted thereunder shall terminate ab initio and be of no further force and effect.

SEMPRA ENERGY

1998 NON-EMPLOYEE DIRECTORS' STOCK PLAN

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1998 NON-EMPLOYEE DIRECTORS' STOCK PLAN

1. Purpose. The purposes of the Sempra Energy 1998 Non-Employee Directors' Stock Plan (the "Plan") are (i) to retain the services of qualified individuals who are not employees of SEMPra ENERGY, a California corporation (the "Company"), to serve as members of the Board and to secure for the Company the benefits of the incentives inherent in increased Common Stock ownership by such individuals by awarding such individuals Director Shares and Options to purchase shares of Common Stock, and (ii) to provide such individuals an opportunity to defer payment of all or a portion of their Director's Fees in accordance with the terms and conditions set forth herein.

2. Definitions. For purposes of the Plan, the following terms shall be defined as follows:

"Affiliate" and "Associate" have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"Annual Meeting" means an annual meeting of the Company's stockholders.

"Beneficiary" or "Beneficiaries" means an individual or entity designated by a Non-Employee Director on a Beneficiary Designation Form to receive Deferred Benefit payments in the event of the Non-Employee Director's death.

"Beneficiary Designation Form" means a document, in a form approved by the Board, to be used by Non-Employee Directors to name their respective Beneficiaries.

"Board" means the Board of Directors of the Company.

A "Change in Control" of the Company shall be deemed to have occurred when:

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

(ii) The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the

election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

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

(iv) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially

the same proportions as their ownership of the Company immediately prior to such sale.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations thereunder.

"Common Stock" means the common stock, with no par value, of the Company.

"Deferral Election" means the election of a Non-Employee Director, made in accordance with the terms and conditions of the Plan, to defer all or a specified percentage of his Director's Fees for a Deferral Period.

"Deferral Election Form" means a document, in a form approved by the Board, pursuant to which a Non-Employee Director makes a Deferral Election.

"Deferral Period" means each period commencing on the date of an Annual Meeting and ending on the date immediately preceding the next Annual Meeting. The first Deferral Period under the Plan shall commence on the date of the Annual Meeting first following the Effective Date. If an individual becomes eligible to participate in the Plan after the commencement of a Deferral Period, the Deferral Period for the individual shall be the remainder of such Deferral Period.

"Deferred Benefit" means an amount that will be paid on a deferred basis under the Plan to a Non-Employee Director who has made a Deferral Election pursuant to Section 7.

"Deferred Compensation Account" means the bookkeeping account established for each Non-Employee Director. A Deferred Compensation Account is established only for purposes of measuring a Deferred Benefit and not to segregate assets or to identify assets that may be used to pay a Deferred Benefit.

"Director's Fees" means the cash portion of (i) any annual fee payable to a Non-Employee Director for service on the Board and (ii) any other fee determined on an annual basis and payable for service on, or for acting as chairperson of, any committee of the Board.

"Director Shares" means shares of Common Stock granted to a Non-Employee Director, which shall be subject to such terms and conditions as are set forth in Section 6 below.

"Election Date" means the day that is 30 days prior to the commencement of a Deferral Period.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

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

"Fair Market Value" means, in the event that the Common Stock is traded on a recognized securities exchange, the closing price of the Common Stock on the date set for valuation, or in the event that the Common Stock is quoted by the National Association of Securities Dealers Automated Quotations on National Market Issues system, an amount equal to the average of the high and low prices of the Common Stock on such quotations system on the date set for valuation or, if no sales of Common Stock were made on said exchange or so quoted on that date, the average of the high and low prices of the Common Stock on the next preceding day on which sales were made on such exchange or quotations system; or, if the Common Stock is not so traded or quoted, that value determined, in its sole discretion, by the Board.

"Non-Employee Director" means a member of the Board who is not an employee of the Company.

"Option" means an option to purchase shares of Common Stock awarded to a Non-Employee Director pursuant to the Plan, which option shall not be intended to qualify, and shall not be treated, as an "incentive stock option" within the meaning of Section 422 of the Code.

"Parent" means any corporation which is a "parent corporation" within the meaning of Section 424 of the Code with respect to the relevant entity.

"Person" means any person, entity, or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (v) a person or group as used in Rule 13d-1(b) under the Exchange Act.

"Phantom Stock Unit" means a bookkeeping unit representing one share of Common Stock.

"Retirement" means a Non-Employee Director ceasing to be a member of the Board as a result of retirement from the Board in accordance with the retirement policy then applicable to Board members from time to time.

3. Administration. The entire Board will be responsible for administering the Plan, provided, however, that the Board may delegate its administrative authority to a committee or to one or more officers of the Company at any time in its sole discretion. The Board will have authority to adopt such rules as it may deem appropriate to carry out the purposes of the Plan, and shall have authority to interpret and construe the provisions of the Plan and any agreements and notices under the Plan and to make determinations pursuant to any Plan provision. Each interpretation, determination or other action made or taken by the Board pursuant to the Plan shall be final and binding on all persons. No member of the Board shall be liable for anything whatsoever in connection with the administration of the Plan except such person's own willful misconduct. In the performance of its functions with respect to the Plan, the Board shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Board deems necessary, and no member of the Board shall be liable for any action taken or not taken in reliance upon any such advice.

4. Shares Available. Subject to the provisions of Section 8 of the Plan, the maximum number of shares of Common Stock which may be issued under the Plan shall not exceed 1.5 million shares (the "Section 4 Limit"). Either authorized and unissued shares of Common Stock or treasury shares may be delivered pursuant to the Plan. For purposes of determining the number of shares that remain available for issuance under the Plan, the following rules shall apply:

(a) the number of shares subject to awards granted under the Plan shall be charged against the Section 4 Limit; and

(b) the Section 4 Limit shall be increased by:

(i) the number of shares subject to an Option that lapses, expires or is otherwise terminated without the issuance of the underlying shares;

(ii) the number of Phantom Stock Units settled by the delivery of consideration other than shares;

(iii) the number of shares tendered to pay the exercise price of an Option; and

(iv) the number of shares withheld to satisfy any tax withholding obligations of a Non-Employee Director with respect to any shares or other payments hereunder.

5. Options. Each Non-Employee Director shall receive grants of Options under the Plan as follows:

(a) Option Grants.

(i) Initial Award. On either (A) the tenth business day after the consummation of the combination of Enova Corporation and Pacific Enterprises to form the Company, for the Company's initial Board or (B) for all other Non-Employee Directors, at the Annual Meeting coincident with or first succeeding a Non-Employee Director's election to the Board (other than reelection for a successive term), such Non-Employee Director (including any Non-Employee Director who is reelected after a period during which he did not serve on the Board) shall receive a grant of an Option to purchase 15,000 shares of Common Stock. Such Option shall have a per share exercise price equal to the Fair Market Value of the Common Stock on the date of grant and shall be subject to the vesting schedule provided for in Section 5(b) and the other terms and conditions provided for herein.

(ii) Annual Awards. At each Annual Meeting other than the Annual Meeting coincident with or first succeeding a Non-Employee Director's initial election to the Board (or reelection after a period during which he or she did not serve on the Board), each Non-Employee Director shall receive as of such date a grant of an Option to purchase 5,000 shares of Common Stock. Such Option shall have a per share exercise price equal to the Fair Market Value of the Common Stock on the date of grant and shall be subject to the vesting schedule provided for in Section 5(b) and the other terms and conditions provided for herein.

(b) Vesting Schedule of Options. Options awarded pursuant to the Plan shall vest and become exercisable on the date of the first Annual Meeting following the date of grant; provided, however, that an Option shall become fully vested and exercisable upon a Non-Employee Director ceasing to be a member of the Board as a result of death, Disability, Retirement or in the event of his involuntary termination of service on the Board other than for cause.

(c) Exercise of Options Following Termination of Service. If a Non-Employee Director ceases to be a member of the Board for any reason, then (A) the Non-Employee Director shall have the right, subject to the terms and

conditions hereof, to exercise the Option, to the extent it has vested as of the date of such termination of service, at any time within one year after the date of such termination, and (B) the unvested portion of any Options awarded to the Non-Employee Director shall be forfeited as of the date of termination of service.

(d) Method of Exercise. The exercise price of an Option may be paid in cash or previously owned shares or a combination thereof and in whole or in part through the withholding of shares subject to the Option with a Fair Market Value equal to the exercise price. In accordance with the rules and procedures established by the Board for this purpose, an Option may also be exercised through a "cashless exercise" procedure approved by the Board involving a broker or dealer approved by the Board, that affords Non-Employee Directors the opportunity to sell immediately some or all of the shares underlying the exercised portion of the Option in order to generate sufficient cash to pay the Option exercise price and/or to satisfy withholding tax obligations related to the Option.

(e) Restrictions on Transfer. An Option may not be transferred, pledged, assigned, or otherwise disposed of, except by will or by the laws of descent and distribution or pursuant to a "qualified domestic relations order" as defined in the Code or Title I of ERISA (a "QDRO"); provided, however, that the Board may, subject to such terms and conditions as the Board shall specify, permit the transfer of an Option to a Non-Employee Director's family members or to one or more trusts established in whole or in part for the benefit of one or more of such family members. The Option shall be exercisable, during the Non-Employee Director's lifetime, only by the Non-Employee Director or by the person to whom the Option has been transferred in accordance with the previous sentence.

6. Director Shares. A Non-Employee Director may elect to receive all or a specified percentage of his or her Director's Fees for each year of service on the Board in Director Shares, in lieu of cash compensation for such portion thereof, rounded up or down to the next whole share in the event of fractional amounts. The number of Director Shares to be received by each Non-Employee Director shall be determined by dividing the portion of such Non-Employee Director's Director's Fees to be paid in Director Shares by the Fair Market Value of a share of Common Stock on the date such compensation would otherwise have been paid in cash. The Non-Employee Director shall have all the rights and privileges of a stockholder as to such shares, including the right to receive dividends and the right to vote such shares. The Director Shares shall be immediately vested upon grant, shall not be forfeitable to the Company and shall not be subject to any restrictions on transfer (other than those imposed under applicable law or under any trading policy of the Company).

7. Deferral of Director's Fees.

(a) Deferral Elections.

(i) General Provisions. A Non-Employee Director may elect to defer all or a specified percentage of his or her Director's Fees with respect to a Deferral Period in the manner provided in this Section 7; provided, however, that a Non-Employee Director may not elect to defer any Director's Fees which the Non-Employee Director will receive in Director Shares in accordance with Section 6 above. A Non-Employee Director's Deferred Benefit is at all times nonforfeitable. The deferral provisions set forth in this Section 7 shall be non-exclusive and shall not be construed to prevent a Non-Employee Director from deferring Director's Fees under another applicable plan or program of the Company.

(ii) Deferral Election Forms. Before the Election Date applicable to a Deferral Period, each Non-Employee Director will be provided with a Deferral Election Form and a Beneficiary Designation Form. In order for a Non-Employee Director to participate in the Plan for a given Deferral Period, a Deferral Election Form, completed and signed by him, must be delivered to the Company on or prior to the applicable Election Date. A Non-Employee Director electing to participate in the Plan for a given Deferral Period shall indicate on his Deferral Election Form:

(A) the percentage of the Director's Fees for the applicable Deferral Period to be deferred; and

(B) the Non-Employee Director's election either to have distribution of his Deferred Benefit commence following termination of service as a Non-Employee Director or to have such distribution commence as of a date specified by him on such Form, provided, however, that any such election concerning the commencement of distribution of a Non-Employee Director's Deferred Benefit shall be subject to the terms and conditions of Section 7(e); and provided further, however, that in no event may a Non-Employee Director elect to defer any Director's Fees for a period that is less than two years.

(iii) Revocation of Deferral Election. A Non-Employee Director may revoke a Deferral Election applicable to a Deferral Period; provided, that in order to be effective, a revocation must be in writing

and signed by the Non-Employee Director, must express the Non-Employee Director's intention to revoke his Deferral Election applicable to that Deferral Period, and must be delivered to the Company before the close of business on the Election Date applicable to such Deferral Period.

(b) Establishment of Deferred Compensation Accounts. A Non-Employee Director's deferrals will be credited to a Deferred Compensation Account established for that Non-Employee Director. As of the last business day of each calendar quarter, a Non-Employee Director's Deferred Compensation Account will be credited with a number of Phantom Stock Units (including fractions of Phantom Stock Units) determined by dividing (1) the amount of the Director's Fees deferred over such quarter by (2) the average closing price of a share of Common Stock over the applicable calendar quarter. The crediting of Phantom Stock Units to a Non-Employee Director's Deferred Compensation Account shall not confer on the Non-Employee Director any rights as a stockholder of the Company.

(c) Dividend Equivalents on Phantom Stock Deferrals. Each Phantom Stock Unit credited to the Deferred Compensation Account of a Non-Employee Director will be credited with an additional number of Phantom Stock Units (including fractions thereof) as dividend equivalents, determined by dividing (A) the amount of cash, or the value (as determined by the Board) of any securities or other property, paid or distributed as dividends in respect of one outstanding share of Common Stock by (B) the Fair Market Value of a share of Common Stock for the date of such payment or distribution. Such credit shall be made effective as of the date of the dividend or other distribution in respect of the Common Stock.

(d) Manner of Payment of Deferred Benefit. Payments of Deferred Benefits under the Plan will be in cash or shares of Common Stock, or a combination thereof, as the Board in its sole discretion shall determine. To the extent that cash payments are made hereunder, they shall be based on the Fair Market Value of the Common Stock on the day preceding the day on which the payment is due. The Company shall pay a Non-Employee Director's Deferred Benefit either in a single lump sum or in a series of installments, as the Board in its sole discretion shall determine, provided, however, that if the Board elects to pay a Non-Employee Director's Deferred Benefit in a series of installments, such installments shall be paid no more frequently than quarterly and the Deferred Benefit must be distributed over a period not exceeding five years. The unpaid portion of a Non-Employee Director's Deferred Benefit shall continue to be credited with dividend equivalents as provided in Section 7(c) until it is fully paid.

(e) Commencement of Payment of Deferred Benefit. Except as provided in Section 7(f), a Non-Employee Director's Deferred Benefit shall be paid (if payable in a lump sum), or commence to be paid (if payable in a series of installments), to the Non-Employee Director as soon as practicable (but in no event more than 90 days) after the earliest to occur of: (i) termination of service as a Non-Employee Director; (ii) the date specified in the Deferral Election Form executed by the Non-Employee Director; or (iii) the Non-Employee Director's death.

(f) Designation of Beneficiary. Each Non-Employee Director may designate a Beneficiary to receive any Deferred Benefit due under the Plan upon the Non-Employee Director's death by executing a Beneficiary Designation Form. A Beneficiary designation is not binding on the Company until the Company receives the Beneficiary Designation Form. If no designation is made or no designated Beneficiary is alive (or in the case of an entity designated as a Beneficiary, in existence) at the time of the Non-Employee Director's death, payments due under the Plan will be made to the Non-Employee Director's estate.

(g) Restrictions on Transfer. The Company shall pay all Deferred Benefits payable under the Plan only to the Non-Employee Director or Beneficiary designated under the Plan to receive such amounts. Neither a Non-Employee Director nor his Beneficiary shall have any right to anticipate, alienate, sell, transfer, assign, pledge, encumber or change any benefits to which he may become entitled under the Plan, and any attempt to do so shall be void. A Deferred Benefit shall not be subject to attachment, execution by levy, garnishment, or other legal or equitable process for a Non-Employee Director's or Beneficiary's debts or other obligations.

8. Recapitalization or Reorganization.

(a) Authority of the Company and Shareholders. The existence of the Plan shall not affect or restrict in any way the right or power of the Company or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Change in Capitalization. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split, combination or exchange of shares or any other significant corporate event affecting the Common Stock, the Board, in its discretion, may make (i) such proportionate adjustments as it considers appropriate (in the form determined by the Board in its sole discretion) to prevent diminution or enlargement of the rights of Non-Employee Directors under the Plan with respect to the aggregate number of shares of Common Stock authorized to be awarded under the Plan, the number of shares of Common Stock covered by each outstanding Option and the exercise prices in respect thereof, the number of shares of Common Stock covered by future Option awards and the number of Phantom Stock Units credited to a Non-Employee Director's Deferred Compensation Account and/or (ii) such other adjustments as it deems appropriate. The Board's determination as to what, if any, adjustments shall be made shall be final and binding on the Company and all Non-Employee Directors.

9. Change in Control. In the event of a Change in Control (i) all Options then outstanding shall automatically become fully vested and exercisable as of the date of the Change in Control and (ii) all Deferred Benefits shall be paid out in a cash lump sum within five business days of the Change in Control. In the case of a Change in Control involving a merger of, or consolidation involving, the Company in which the Company is (A) not the surviving corporation (the "Surviving Entity") or (B) becomes a wholly owned subsidiary of the Surviving Entity or any Parent thereof, each outstanding Option granted under the Plan and not exercised (a "Predecessor Option") will be converted into an option (a "Replacement Option") to acquire common stock of the Surviving Entity or its Parent, which Replacement Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise prices. Notwithstanding the foregoing, in the event of a Change in Control, the Board expressly reserves the discretion to cancel all outstanding Stock Options, effective as of the date of the Change in Control, in exchange for a cash payment to be made to each of the Non-Employee Directors within five business days following the Change in Control in an amount equal to the excess of the fair market value of the Company's Common Stock on the date of the Change in Control over the exercise price of each such Option, multiplied by the number of shares that are subject to such option. Notwithstanding the foregoing, in the event that the Company becomes a party to a transaction that is intended to qualify for "pooling of interests" accounting treatment and, but for one or more of the provisions of this Plan would so qualify, then this Plan shall be interpreted so as to preserve such accounting treatment, and to the extent that any provision of the Plan would disqualify the transaction from pooling of interests accounting treatment then such provision shall be null and void. All determinations to be made in connection with the preceding sentence shall be made by the independent accounting firm whose opinion with respect to "pooling of

interests" treatment is required as a condition to the Company's consummation of such transaction.

10. Termination and Amendment of the Plan.

(a) Termination. The Plan shall terminate as of the tenth anniversary of the Effective Date (as defined in Section 11(i)). Following the tenth anniversary of the Effective Date, no further awards of Director Shares or Options shall be granted pursuant to the Plan and no additional Director's Fees may be deferred by a Non-Employee Director into his or her Deferred Compensation Account.

(b) General Power of Board. Notwithstanding anything herein to the contrary, the Board may at any time and from time to time terminate, modify, suspend or amend the Plan in whole or in part; provided, however, that no such termination, modification, suspension or amendment shall be effective without shareholder approval if such approval is required to comply with any applicable law or stock exchange rule; and provided further, that the Board may not, without shareholder approval, increase the Section 4 Limit except as provided in Section 8(b) above.

(c) When Non-Employee Directors' Consents Required. The Board may not alter, amend, suspend, or terminate the Plan without the consent of any Non-Employee Director to the extent that such action would (i) adversely affect his or her rights with respect to Director Shares or Options that have previously been granted or (ii) result in the distribution to such Non-Employee Director of amounts then credited to his Deferred Compensation Account in any manner other than as provided in the Plan or could reasonably be expected to result in the immediate taxation to such Non-Employee Director of Deferred Benefits.

11. Miscellaneous.

(a) Tax Withholding. The obligations of the Company under the Plan shall be conditioned upon the Company's right, to the extent permitted by law, to deduct all applicable taxes, if any, from any payment of any kind otherwise due to the Non-Employee Director.

(b) No Right to Grants or Reelection. No Non-Employee Director shall have any claim or right to receive any grants or awards under the Plan. Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for reelection by the Company's stockholders, nor confer upon any Non-Employee Director the right to remain a

member of the Board for any period of time, or at any particular rate of compensation.

(c) Unfunded Plan.

(i) Generally. This Plan is unfunded. Amounts payable under the Plan will be satisfied solely out of the general assets of the Company subject to the claims of the Company's creditors.

(ii) Deferred Benefits. A Deferred Benefit represents at all times an unfunded and unsecured contractual obligation of the Company and each Non-Employee Director or Beneficiary will be an unsecured creditor of the Company. No Non-Employee Director, Beneficiary or any other Person shall have any interest in any fund or in any specific asset of the Company by reason of any amount credited to him hereunder, nor shall any Non-Employee Director, Beneficiary or any other Person have any right to receive any distribution under the Plan except as, and to the extent, expressly provided in the Plan. The Company will not segregate any funds or assets for Deferred Benefits or issue any notes or security for the payment of any Deferred Benefits. Any reserve or other asset that the Company may establish or acquire to assure itself of the funds to provide benefits under the Plan shall not serve in any way as security to any Non-Employee Director, Beneficiary or other Person for the performance of the Company under the Plan.

(d) Other Compensation Arrangements. Payments received by a Non-Employee Director under any award made pursuant to the provisions of the Plan shall not be included in, nor have any effect on, the determination of benefits under any other arrangement provided by the Company.

(e) Securities Law Restrictions. The Board may require each Non-Employee Director purchasing or acquiring shares of Common Stock pursuant to the Plan to and agree with the Company in writing that such Non-Employee Director is acquiring the shares for investment and not with a view to the distribution thereof. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Board may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission or any exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. No shares of Common Stock shall be issued hereunder unless the Company shall have determined that such

issuance is in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws.

(f) Compliance with Rule 16b-3.

(i) The Plan is intended to comply with Rule 16b-3 under the Exchange Act or its successor under the Exchange Act and the Board shall interpret and administer the provisions of the Plan in a manner consistent therewith. To the extent any provision of the Plan or any action by the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board. Moreover, in the event the Plan does not include a provision required by Rule 16b-3 to be stated therein, such provision (other than one relating to eligibility requirements, or the price and amount of Options) shall be deemed automatically to be incorporated by reference into the Plan.

(ii) Notwithstanding anything contained in the Plan to the contrary, if the consummation of any transaction under the Plan would result in the possible imposition of liability on a Non-Employee Director pursuant to Section 16(b) of the Exchange Act, the Board shall have the right, in its sole discretion, but shall not be obligated, to defer such transaction to the extent necessary to avoid such liability.

(g) Expenses. The costs and expenses of administering the Plan shall be borne by the Company.

(h) Applicable Law. Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of California without giving effect to conflicts of law principles.

(i) Effective Date. The Plan shall be effective as of the Effective Time of the business combination of Pacific Enterprises and Enova Corporation, pursuant to which such corporations will become subsidiaries of the Company (the "Effective Date"), subject to the approval by the Company's shareholders of the Plan at or prior to the first Annual Meeting after the Effective Date. If shareholder approval is not obtained at or prior to the first Annual Meeting, the Plan and any awards thereunder shall terminate ab initio and be of no further force and effect.

ENOVA CORPORATION
1986 LONG-TERM INCENTIVE PLAN

(amended and restated as the
Sempra Energy 1986 Long-Term Incentive Plan)

1. Purpose of the Plan. The purpose of the Sempra Energy 1986 Long-Term Incentive Plan is to promote the interests of Sempra Energy and its shareholders by encouraging officers and key employees to acquire stock or increase their proprietary interest in the Company. By thus providing the opportunity to acquire Company stock and receive incentive payments, the Company seeks to attract and retain such key employees upon whose judgment, initiative, and leadership the success of the Company largely depends.

This amended and restated Plan (a) permits the grant of incentive stock options as defined in section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as options that are not incentive stock options and other awards; (b) extends the term of the Plan; (c) adds provisions for the grant of Common Stock to non-employee directors; (d) adds an individual grant limitation required by section 162(m) of the Code for award income for certain individuals to be tax deductible by the Company; and (e) makes certain additional changes.

2. Definitions. Whenever the following terms are used in this Plan, they will have the meanings specified below unless the context clearly indicates the contrary.

(a) "Board of Directors" or "Board" means the Board of Directors of Sempra Energy.

(b) Prior to the completion of the business combination of Pacific Enterprises and Enova Corporation in which the two corporations became subsidiaries of the Company (the "Effective Time"), "Change-in-Control" meant (1) the dissolution or liquidation of the Company, (2) a reorganization, merger, or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, (3) the acquisition of beneficial ownership, directly or indirectly, of more than 25% of the voting power of the outstanding stock of the Company by one person, group, association, corporation, or other entity, (the group) coupled with the election to the Board of Directors of new members who were not originally nominated by the Board at the last annual meeting and who constitute a new majority of the Board or (4) upon the sale of all or substantially all the property of the Company. The term Change-in-Control shall not apply to any reorganization or merger initiated voluntarily by the Company in which the Company is the surviving entity.

From and after the Effective Time, "Change-in-Control" means the occurrence of any of the following:

- (i) Any person is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing twenty percent or more of the combined voting power of the Company's then outstanding securities; or
- (ii) The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by Sempra's shareholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or
- (iii) There is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least sixty percent of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates other than in connection with the acquisitions by the Company or its affiliates of a business) representing twenty percent or more of the combined voting power of the Company's then outstanding securities; or

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

(c) "Committee" means the committee appointed to administer the Plan pursuant to Section 4.

(d) "Company" means Sempra Energy and its subsidiaries.

(e) "Common Shares" or "Common Stock" means the common shares of Sempra Energy and any class of common shares into which such common shares may hereafter be converted.

(f) "Dividend Equivalent" means the additional amount of Common Stock issued in connection with an option, as described in Section 14.

(g) "Eligible Person" means an Employee eligible to receive an Incentive Award.

(h) "Employee" means any regular full-time common-law employee of the Company, or of any of its present or future subsidiary corporations, as defined in section 424(f) of the Code.

(i) "Fair Market Value" means the mean of the high and low sale prices reported for the Common Stock on the New York Stock Exchange for the five (5) trading days immediately preceding the date as of which such determination is made.

(j) "Good Reason" means termination of employment by the Officer when one or more of the following occurs without the Officer's express written consent within three years after a change of control:

(i) an adverse and significant change in the Holder's position, duties, responsibilities or status with the Company, or a change in business location to a point outside the Company's service territory, except in connection with the termination of employment by the Company for Cause or Disability, or as a result of Voluntary Retirement at or after either the Holder's early (f.i.) or Normal Retirement Date (f.ii.) or death, or for other than for Good Reason;

(ii) a reduction by the Company in base salary or incentive compensation opportunity;

(iii) the taking of any action by the Company to eliminate benefit plans without providing substitutes therefore, to reduce benefits thereunder or to substantially diminish the aggregate value of incentive awards or other fringe benefits including insurance and an automobile provided in accordance with the Company's standard policy; or

(iv) a failure by the Company to obtain from any successor, before the succession takes place, an agreement to assume and perform this Plan.

(k) "Holder" means a person holding an Incentive Award.

(l) "Incentive Award" means any Nonqualified Stock Option, Incentive Stock Option, Common Stock, Restricted Stock, Stock Appreciation Right, Dividend Equivalent, Stock Payment or Performance Award granted under the Plan.

(m) "Incentive Stock Option" means an option as defined under section 422 of the Code, including an Incentive Stock Option granted pursuant to Section 8 of the Plan.

(n) "Nonqualified Stock Option" means an option other than an Incentive Stock Option granted pursuant to Section 7 of the Plan.

(o) "Option" means either a Nonqualified Stock Option or Incentive Stock Option.

(p) "Outside Director" shall mean a member of the Board of Directors who is not an Employee.

(q) "Plan" means the 1986 Long-Term Incentive Plan as amended and restated herein, which may be amended from time to time.

(r) "Restricted Stock" means Company stock sold or granted to an eligible person, which is nontransferable and subject to substantial risk of forfeiture until restrictions lapse.

(s) "Stock Appreciation Right" or "Right" means a right granted pursuant to Section 11 of the Plan to receive a number of shares of Common Stock or, in the discretion of the Committee, an amount of cash or a combination of share and cash, based on the increase in the Fair Market Value or book value of the shares subject to the right.

(t) "Performance Award" means an award whose value may be linked to stock value, book value, or other specific performance criteria which may be set by the Board of Directors, but which is paid in cash, stock, or a combination of both.

(u) "Stock Payment" means a payment in shares of the Common Stock to replace all or any portion of the compensation (other than base salary) that would otherwise become payable to an Employee in cash.

3. Shares of Common Stock Subject to the Plan.

(a) Subject to the provisions of Section 3(c) and Section 15 of the Plan, the aggregate number of shares of Common Stock that may be issued or transferred pursuant to Incentive Awards or covered by Stock Appreciation Rights unrelated to Options under the Plan will not exceed 2,700,000.

(b) The shares to be delivered under the Plan will be made available, at the discretion of the Board of Directors or the Committee, either from authorized but unissued shares of Common Stock or from previously issued shares of Common Stock reacquired by the Company, including shares purchased on the open market.

(c) If Incentive Awards are forfeited or if Incentive Awards terminate for any other reason before being exercised, then such Incentive Awards shall again become available for award under the Plan. If Stock Appreciation Rights are exercised, then only the number of Common Shares (if any) actually issued in settlement of such Stock Appreciation Rights shall reduce the number of Common Shares available under Section 3(a) and the balance shall again become available for award under the Plan. If Restricted Stock is forfeited before any dividends have been paid with respect to such Restricted Stock, then such Restricted Stock shall again become available for award under the Plan.

4. Administration of the Plan.

(a) The Plan shall be administered by the Committee. The Committee shall consist of two or more disinterested directors of the Company, who shall be appointed by the Board. A member of the Board shall be deemed to be "disinterested" only if he or she satisfies such requirements as the Securities and Exchange Commission may establish for disinterested administrators acting under plans intended to qualify for exemption under Rule 16b-3 under the Securities Exchange Act of 1934 (or any other comparable provisions in effect at the time or times in question). An Outside Director shall not fail to be "disinterested" solely because he or she receives the grants of Common Stock described in Section 6. The Board may also appoint one or more separate committees of the Board, each composed of two or more directors of the Company who need not be disinterested, who may administer the Plan with respect to Employees who are not officers or directors of the Company, may grant Incentive Awards under the Plan to such Employees and may determine all terms of such Awards. Unless and until the Board of Directors appoints other members, and subject to the requirement that they be "disinterested," the members of the Committee shall be the members of the Executive Compensation Committee of the Board of Directors, as such Executive Compensation Committee may be constituted from time to time.

(b) The Committee has and may exercise such powers and authority as may be necessary or appropriate for the Committee to carry out its functions as described in the Plan. The Committee has authority in its discretion to determine the Eligible Persons to whom, and the time or times at which, Incentive Awards may be granted and the number of shares or Rights subject to each award. Subject to the express provisions of the Plan, the Committee also has authority to interpret the Plan, and to determine the terms and provisions of the respective Incentive Award agreements (which need not be identical) and to make all other determinations necessary or advisable for Plan administration. The Committee has authority to prescribe, amend, and rescind rules and regulations relating to the Plan. All interpretations, determinations, and actions by the Committee will be final, conclusive, and binding upon all parties.

(c) No member of the Board of Directors or the Committee will be liable for any action or determination made in good faith by the Committee with respect to the Plan or any Incentive and Performance Award under it.

5. Eligibility and Date of Grant.

(a) The Committee has authority, in its sole discretion, to determine and designate from time to time those Eligible Persons who are to be granted Incentive Awards, the type of Incentive Awards to be granted, and the number of Rights, shares of Common Stock, or the amount of cash subject to each Incentive Award. Each Incentive Award will be evidenced by a written instrument and may include any other terms and conditions consistent with the Plan, as the Committee may determine.

(b) The date of grant of an Incentive Award will be the date the Committee takes the necessary action to approve the grant; provided, however, that if the minutes or appropriate resolutions of the Committee provide that an Incentive Award is to be granted as of a date in the future, the date of grant will be such future date.

(c) Any other provisions of the Plan notwithstanding, the participation of Outside Directors in the Plan shall be limited such that Outside Directors shall receive no Incentive Awards other than the Common Stock granted pursuant to Section 6 hereof.

6. Outside Director Participation. Upon the conclusion of each regular annual meeting of the Company's shareholders, each incumbent Outside Director who will continue serving as a member of the Board thereafter shall receive a grant of 300 Common Shares (subject to adjustment under Section 15 and prorated for partial year service) in consideration of past service as a member of the Board and without additional payment for such Common Shares.

7. Nonqualified Stock Options. The Committee may approve the grant of Nonqualified Stock Options to Eligible Persons, subject to the following terms and conditions:

(a) The purchase price of Common Stock under each Nonqualified Stock Option may not be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date the Nonqualified Stock Option is granted.

(b) No Nonqualified Stock Option may be exercised after ten (10) years and one day from the date of grant.

(c) No fractional shares will be issued pursuant to the exercise of a Nonqualified Stock Option nor will any cash payment be made in lieu of fractional shares.

8. Incentive Stock Options. The Committee may approve the grant of Incentive Stock Options to Eligible Persons, subject to the following terms and conditions:

(a) The purchase price of each share of Common Stock under an Incentive Stock Option will be at least equal to the Fair Market Value of a share of the Common Stock on the date of grant; provided, however, that if an Employee, at the time an Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (as defined in section 424 of the Code), then the Exercise Price of each share of Common Stock subject to such Incentive Stock Option shall be at least one hundred and ten percent (110%) of the Fair Market Value of such share of Common Stock, as determined in the manner stated above.

(b) No Incentive Stock Option may be exercised after ten (10) years from the date of grant; provided, however, that if any Employee, at the time an Incentive Stock Option is granted to him, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (as defined in Section 424 of the Code), the Incentive Stock Option granted shall not be exercisable after the expiration of five (5) years from the date of grant.

(c) No fractional shares will be issued pursuant to the exercise of an Incentive Stock Option nor will any cash payment be made in lieu of fractional shares.

9. Option Rules. Options granted to any Eligible Person prior to April 24, 2005, together with Stock Appreciation Rights granted pursuant to Section 11 hereof during the period, shall in no event cover more than 270,000 shares of Common Stock. The purchase price under each Option may be paid in cash, cash equivalents or secured notes acceptable to the Committee, by arrangement with a broker which is acceptable to the Committee where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the Option shares to the Company, by the surrender of shares of Common Stock owned by the Holder exercising the option and having a Fair Market Value on the date of exercise equal to the purchase price or in any combination of the foregoing. Each Option granted to an Eligible Person shall be exercisable in such manner and at such times as the Committee shall determine. The Committee may modify, accelerate the exercisability of, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or by another issuer) in return for the

grant of new Options for the same or a different number of shares and at the same or a different purchase price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Holder, alter or impair his or her rights or obligations under such Option.

10. Restricted Stock. The Committee may approve the grant of Restricted Stock related or unrelated to Nonqualified Stock Options or Stock Appreciation Rights to Eligible Persons, subject to the following terms and conditions:

(a) The Committee in its discretion will determine the purchase price.

(b) All shares of Restricted Stock sold or granted pursuant to the Plan (including any shares of Restricted Stock received by the Holder as a result of stock dividends, stock splits, or any other forms of capitalization) will be subject to the following restrictions:

(i) The shares may not be sold, transferred, or otherwise alienated or hypothecated until the restrictions are removed or expire.

(ii) The Committee may require the Holder to enter into an escrow agreement providing that the certificates representing Restricted Stock sold or granted pursuant to the Plan will remain in the physical custody of an escrow holder until all restrictions are removed or expire.

(iii) Each certificate representing Restricted Stock sold or granted pursuant to the Plan will bear a legend making appropriate reference to the restrictions imposed on the Restricted Stock.

(iv) The Committee may impose restrictions on any shares sold pursuant to the Plan as it may deem advisable, including, without limitation, restrictions designed to facilitate exemption from or compliance with the Securities Exchange Act of 1934, as amended, with requirements of any stock exchange upon which such shares or shares of the same class are then listed and with any blue sky or other securities laws applicable to such shares.

(c) The restrictions imposed under subparagraph (b) above upon Restricted Stock will lapse in accordance with a schedule or other conditions as determined by the Committee, subject to the provisions of Section 17, subparagraph (d).

(d) Subject to the provisions of subparagraph (b) above and Section 17, subparagraph (d), the holder will have all rights of a shareholder with respect to the Restricted Stock granted or sold, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto.

(e) Notwithstanding the provisions of subparagraph (b) above and Section 17, subparagraph (d), Restricted Stock granted or sold may be held by the trustee of a revocable inter vivos trust, approved by the Company, established in whole or in part by the

Holder and/or the Holder's spouse. So long as the Holder is still an employee, transfer to such trust shall not violate the provisions of subparagraph (b) above and ownership by such trust shall not invoke any right or obligation of the Company under Section 17, subparagraph (d).

11. Stock Appreciation Rights. The Committee may approve the grant of Rights related or unrelated to Options to Eligible Persons, subject to the following terms and conditions:

(a) A Stock Appreciation Right may be granted:

(i) at any time if unrelated to an option;

(ii) either at the time of grant, or at any time thereafter during the option term if related to a Nonqualified Stock Option; or

(iii) only at the time of grant if related to an Incentive Stock Option;

however, Stock Appreciation Rights granted to any Eligible Person prior to April 24, 2005, together with Options granted pursuant to Sections 7 or 8 hereof during the period, shall in no event cover more than 270,000 shares of Common Stock.

(b) A Stock Appreciation Right granted in connection with an Option will entitle the Holder of the related Option, upon exercise of the Stock Appreciation Right, to surrender such Option, or any portion thereof to the extent unexercised, with respect to the number of shares as to which such Stock Appreciation Right is exercised, and to receive payment of an amount computed pursuant to Section 11(d). Such Option will, to the extent surrendered, then cease to be exercisable.

(c) Subject to Section 11(g), a Stock Appreciation Right granted in connection with an Option hereunder will be exercisable at such time or times, and only to the extent that a related Option is exercisable, and will not be transferable except to the extent that such related Option is exercisable, and will not be transferable except to the extent that such related Option may be transferable.

(d) Upon the exercise of a Stock Appreciation Right related to an Option, the Holder will be entitled to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the purchase price of a share of Common Stock specified in the related Option from the Fair Market Value of a share of Common Stock on the date of exercise of such Stock Appreciation Right, by

(ii) The number of shares as to which such Stock Appreciation Right has been exercised.

(e) The Committee may grant Stock Appreciation Rights unrelated to Options to Eligible Persons which will be exercisable at such times as the Committee shall determine. Section 11(d) shall be used to determine the amount payable at exercise under such Stock Appreciation Right if Fair Market Value is used, except that Fair Market Value shall not be used if the Committee specified in the grant of the Right that book value or other measure as deemed appropriate by the Committee was to be used, and in lieu of "price . . . specified in the related option," the initial share value specified in the award shall be used.

(f) Payment of the amount determined under Section 11(d) or (e) may be made solely in whole shares of Common Stock in a number determined at their Fair Market Value on the date of exercise of the Stock Appreciation Right or alternatively, at the sole discretion of the Committee, solely in cash or in a combination of cash and shares as the Committee deems advisable. If the Committee decides to make full payment in shares of Common Stock, and the amount payable results in a fractional share, payment for the fractional share will be made in cash.

(g) The Committee shall, at the time a Stock Appreciation Right is granted, impose such conditions on the exercise of the Stock Appreciation Right as may be required to satisfy the requirements of Rule 16b-3 under the Securities Exchange Act of 1934 (or any other comparable provisions in effect at the time or times in question). In addition, a Stock Appreciation Right granted under the Plan may provide that it will be exercisable only in the event of a Change-in-Control.

12. Performance Awards. The Committee may approve Performance Awards to Eligible Persons. Such awards may be based on Common Stock performance over a period determined in advance by the Committee or any other measures as determined appropriate by the Committee. Payment will be in cash unless replaced by a Stock Payment in full or in part as determined by the Committee.

13. Stock Payment. The Committee may approve Stock Payments of Common Stock to Eligible Persons for all or any portion of the compensation (other than base salary) that would otherwise become payable to an Employee in cash.

14. Dividend Equivalents. A Holder may also be granted at no additional cost "Dividend Equivalents" based on the dividends declared on the Common Stock on record dates during the period between the date an Option is granted and the date such Option is exercised, or such other equivalent period, as determined by the Committee. Such Dividend Equivalents shall be converted to additional shares or cash by such formula as may be determined by the Committee.

Dividend Equivalents shall be computed, as of each dividend record date, both with respect to the number of shares under the Option and with respect to the number of Dividend Equivalent shares previously earned by the Holder (or his successor in interest) and not issued during the period prior to the dividend record date.

15. Adjustment Provisions.

(a) Subject to Section 15(b), if the outstanding shares of Common Stock are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock, or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares provided in Section 3 of the Plan, (ii) the number and kind of shares or other securities subject to the then outstanding Incentive Awards, and (iii) the price for each share or other unit of any other securities subject to then outstanding Incentive Awards without change in the aggregate purchase price or value as to which Incentive Awards remain exercisable or subject to restrictions.

(b) Unless a successor corporation, or its parent or a subsidiary, agrees to substitute new options, stock appreciation rights, performance awards or restricted stock covered by its stock, with appropriate adjustments as to the number and kind of shares and price, for all Incentive Awards then outstanding and to continue the Plan, all Incentive Awards then outstanding under the Plan shall be fully vested and exercisable without restrictions upon a Change-in-Control. Even if the substitution of new awards and the continuation of the Plan are provided for upon a Change-in-Control, as described in the preceding sentence, all Incentive Awards then outstanding under the Plan shall immediately become fully vested and exercisable without restrictions by any Holder who within three years after a Change-in-Control occurs is terminated for reasons other than cause, retirement, death, or disability or who terminates employment due to Good Reason.

(c) Despite the provisions of Section 15(a), upon dissolution or liquidation of the Company, or upon a reorganization, merger, or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, or upon the sale of all or substantially all the property of the Company, all Options, Stock Appreciation Rights, and Performance Awards then outstanding under the Plan will be fully vested and exercisable and all restrictions on Restricted Stock will immediately cease, unless provisions are made in connection with such transaction for the continuance of the Plan and the substitution for such Incentive Awards of new Options, Stock Appreciation Rights, Performance Awards, or Restricted Stock covering the stock of a successor employer corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices.

(d) Adjustments under Section 15(a) and 15(b) will be made by the Committee, whose determination as to what adjustments will be made and the extent thereof will be final, binding and conclusive. No fractional interest will be issued under the Plan on account of any such adjustments.

16. General Provisions.

(a) With respect to any shares of Common Stock issued or transferred under any provision of the Plan, such shares may be issued or transferred subject to such conditions, in addition to those specifically provided in the Plan, as the Committee may direct.

(b) Nothing in the Plan or in any instrument executed pursuant to the Plan will confer upon any Holder any right to continue in the employ of the Company or any of its subsidiaries or affect the right of the Company to terminate the employment of any Holder at any time and for any reason.

(c) No shares of Common Stock will be issued or transferred pursuant to an Incentive Award unless and until all then applicable requirements imposed by federal and state securities and other laws, rules, and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issue of shares pursuant to the grant or exercise of an Incentive Award, the Company may require the Holder to take any reasonable action to meet such requirements.

(d) No Holder (individually or as a member of a group) and no beneficiary or other person claiming under or through such Holder will have any right, title, or interest in or to any shares of Common Stock allocated or reserved under the Plan or subject to any Incentive Award except as to such shares of Common Stock, if any, that have been issued or transferred to such Holder.

(e) The Company may make such provisions as it deems appropriate to withhold any taxes which it determines it is required to withhold in connection with any Incentive or Performance Award.

(f) No Incentive Award and no right under the Plan, contingent or otherwise, will be assignable or subject to any encumbrance, pledge (other than a pledge to secure a loan from the Company), or charge of any nature except that, under such rules and regulations as the Company may establish pursuant to the terms of the Plan, a beneficiary may be designated with respect to an Incentive Award in the event of death of a Holder of such Incentive Award. If such beneficiary is the executor or administrator of the estate of the Holder of such Incentive Award, any rights with respect to such Incentive Award may be transferred to the person or persons or entity (including a trust) entitled thereto under the will of the Holder of such Incentive Award, or, in the case of intestacy, under the laws relating to intestacy. Except as permitted by the Committee, no Incentive Award which is comprised of a "derivative security," as that term is defined in the Rules promulgated under Section 16 of the Exchange Act, which includes Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, or Performance Awards, shall be transferable by any Eligible Person other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

(g) The Committee may permit a Holder to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Common Stock that otherwise would be issued to him or her or by surrendering all or a portion of any Common Stock that he or she previously acquired. Such Common Stock shall be valued at its Fair Market Value on the date when taxes otherwise would be withheld in cash. Any payment of taxes by assigning Common Stock to the Company may be subject to restrictions, including any restrictions required by rules of the Securities and Exchange Commission.

17. Amendment and Termination.

(a) The Board of Directors will have the power, in its discretion, to amend, suspend, or terminate the Plan at any time, except that the provisions of Section 6 relating to Common Stock grants to Outside Directors shall not be amended more than once in any six-month period after the Plan becomes effective. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent required by applicable laws, regulations and or rules.

(b) The Committee may, with the consent of a Holder, make such modifications in the terms and conditions of the Incentive Award as it deems advisable or cancel the Incentive Award (with or without consideration) with the consent of the Holder.

(c) No amendment, suspension, or termination of the Plan will, without the consent of the Holder, alter, terminate, impair, or adversely affect any right or obligation under any Incentive Award previously granted under the Plan.

(d) In the event a Holder of Restricted Stock ceases to be an Employee, all such Holder's Restricted Stock which remains subject to substantial risk of forfeiture at the time his or her employment terminates will be repurchased by the Company at the original price at which such Restricted Stock had been purchased unless the Committee determines otherwise.

(e) In the event a Holder of a Performance Award ceases to be an Employee, all such Holder's Performance Awards will terminate except in the case of retirement, death, or permanent and total disability. The Committee, in its discretion, may authorize full or partial payment of Performance Awards in all cases involving retirement, death, or permanent and total disability.

(f) The Committee may in its sole discretion determine, with respect to an Incentive Award, that any Holder who is on unpaid leave of absence for any reason will be considered as still in the employ of the Company, provided that rights to such Incentive Award during an unpaid leave of absence will be limited to the extent to which such right was earned or vested at the commencement of such leave of absence.

18. Effective Date of Plan and Duration of Plan. This amended and restated Plan became effective upon its approval by the shareholders of the Company within twelve (12) months following the date of its adoption by the Board of Directors. Unless previously terminated by the Board of Directors, the Plan will terminate ten (10) years after its approval by the shareholders of the Company.

PACIFIC LIGHTING CORPORATION

STOCK INCENTIVE PLAN

(amended and restated as the Sempra Energy Stock Incentive Plan)

I

PURPOSE

The purpose of this Plan is to further the growth and development of Sempra Energy (the "Company") by strengthening the ability of the Company to attract and retain outstanding management employees upon whose judgment, initiative and efforts the continued success of the Company is dependent, by providing additional incentives for high levels of performance by management employees and by increasing the commonality of interests of management employees and the Company's shareholders. This Plan seeks to accomplish these purposes by providing management employees with a proprietary interest in the Company through the grant of incentive awards relating to the Company's Common Stock and consisting of stock options, restricted stock and other stock based awards.

II

ADMINISTRATION

This Plan shall be administered by the Compensation Committee of the Company's Board of Directors. The Compensation Committee shall consist of three or more of the Company's Directors and shall be appointed by the Company's Board of Directors. No Director shall be eligible for appointment to the Compensation Committee who, at the time of exercising discretion in administering this Plan, is eligible or, at any time within one year prior thereto, has been eligible for selection as a person to whom stock may be allocated or to whom stock options or stock appreciation rights may be granted pursuant to this Plan or any other plan of the Company or any of its affiliates entitling the participants therein to acquire stock, stock options or stock appreciation rights of the Company or any of its affiliates.

The Compensation Committee shall, subject to the express provisions of this Plan, have full and final authority in its sole discretion:

(a) To grant incentive awards relating to the Company's Common Stock and consisting of stock options, restricted stock and stock based awards to employees eligible for selection to participate in this Plan;

(b) To determine the terms and conditions (which need not be identical) of each incentive award;

(c) To modify or amend any incentive award granted under this Plan (by cancellation and regrant or substitution of incentive awards or otherwise and with terms and conditions more or less favorable to the employee) or waive any restrictions or conditions applicable to any incentive award or the exercise or realization thereof, except that the

Compensation Committee may not adversely affect the rights of an employee previously granted incentive awards without the consent of the employee;

(d) To construe and interpret this Plan and any related incentive award agreement and define the terms employed herein and therein;

(e) To prescribe, amend and rescind rules, regulations and policies for the administration of this Plan; and

(f) To make all other determinations necessary or advisable with respect to this Plan and any incentive award granted hereunder. No member of the Board of Directors or the Compensation Committee of the Company will be liable for any action or determination made with respect to this Plan or any incentive award granted under this Plan.

III

PARTICIPATION

Officers and other management employees of the Company or any of its subsidiaries (any corporation of which 50% or more of the issued and outstanding stock having ordinary voting rights is owned directly or indirectly by the Company or any other business entity or association of which 50% or more of the outstanding equity interest is so owned) shall be eligible for selection to participate in this Plan. Directors who are not employees of the Company or its subsidiaries shall not be eligible for selection to participate in this Plan.

IV

SHARES SUBJECT TO INCENTIVE AWARDS

Incentive awards granted under this Plan shall relate to shares of Common Stock of the Company. The number of such shares which may have been issued pursuant to incentive awards granted under this Plan shall not have exceeded 2,500,000 shares of Pacific Enterprises stock.

If any incentive award granted under this Plan shall expire or terminate for any reason without shares of the Company's Common Stock having been issued pursuant thereto or any shares so issued shall be forfeited to the Company such shares shall again be available for issuance under this Plan except that shares subject to a stock option that is accepted for alternative settlement shall not be available for such issuance.

If the outstanding shares of the Company's Common Stock are increased or decreased as a result of split-up or consolidation thereof, stock dividend thereon or a similar transaction, or are changed into or exchanged for a different number or kind of securities as a result of a reclassification or recapitalization or of a reorganization, merger or consolidation then, in each such case, an appropriate and proportionate adjustment shall be made in the number and the kind of securities as to which incentive awards may be granted under this Plan. A corresponding adjustment shall likewise be made in the number and kind of securities to which incentive awards then outstanding shall relate. Any such adjustment, however, in an outstanding incentive awards shall be made without change in the total price, if any, applicable to the securities to which such award relates but with a corresponding adjustment in the price for each such security.

STOCK OPTIONS

The Compensation Committee may grant stock options to purchase shares of the Company's Common Stock to employees eligible for selection to participate in this Plan. Stock options may be granted alone or in addition to other incentive awards granted under this Plan.

General Terms and Conditions

Each stock option granted under this Plan shall be subject to the following terms and conditions:

(a) Option Price. The option price of each share purchasable upon exercise of a stock option shall be determined by the Compensation Committee at the time of the grant of such stock option but shall be not less than 85% of the fair market value of the shares on such date.

(b) Option Term. The term of each stock option shall be fixed by the Compensation Committee at the time of the grant of such stock option but no stock option shall be exercisable more than ten years after the date such stock option is granted.

(c) Exercisability. Each stock option shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Compensation Committee.

(d) Method of Exercise. Each stock option may be exercised in whole or in part at any time during the term of the stock option by giving written notice of exercise to the Company specifying the number of shares

to be purchased, accompanied by payment in full of the option price in cash; provided, however, that the Compensation Committee may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit the option price to be paid, in whole or in part, in shares of the Company's Common Stock owned by the option holder and valued at the fair market value of such shares on the date the option is exercised.

(e) Non-Transferability of Options. Each stock option shall be non-transferable by the option holder other than by will or the laws of descent and distribution and shall be exercisable during the option holder's lifetime only by the option holder or by the option holder's guardian or legal representative.

Each stock option granted under this Plan shall be subject to such additional terms and conditions, not inconsistent with the terms of this Plan, as the Compensation Committee may provide.

Incentive Stock Options

In addition to the foregoing terms and conditions each stock option granted pursuant to this Plan that is intended to be an "incentive stock option" as defined in Section 422A of the Internal Revenue Code of 1986 shall also comply with the following additional terms and conditions:

(a) Designation. Such stock option shall be designated as an "incentive stock option" by the Compensation Committee.

(b) Option Price. The option price of each share purchasable upon exercise of such stock option shall be determined by the Compensation Committee at the time of the grant of such stock option but shall not be less than 100% of the fair market value of the shares on such date.

(c) Limitation on Grant. No such stock option shall be granted to any person who, at the time the stock option is granted, owns stock of the Company possessing more than lot of the voting power of all classes of stock of the Company provided that this paragraph shall not apply if at the time such stock option is granted, the option price is at least 110% of the fair market value of the shares subject to such stock option and such stock option by its terms is not exercisable after the expiration of 5 years from the date the option is granted.

(d) Limitation on Amount. The aggregate fair market value (determined at the time the stock option is granted) of the shares with respect to which incentive stock options are exercisable for the first time by such option holder during any calendar year (under all stock option plans of the Company and its subsidiaries) shall not exceed the \$100,000 limitation set forth in the Internal Revenue Code.

Alternative Settlement of Stock Options

The Compensation Committee may, in its sole discretion and upon such terms and conditions as it may deem appropriate, accept the surrender of the right to exercise any stock option granted under this Plan as to any or all of the shares as to which such option is then exercisable, by payment to the person entitled to exercise the option of an amount not to exceed the difference between the option price and the then fair market value of the shares as to which such right to exercise is surrendered. Such payment shall be in cash or in shares of the Company's Common Stock (valued at the then fair market value thereof) or in any combination thereof as the Compensation Committee shall determine in its sole discretion.

VI

RESTRICTED STOCK

The Compensation Committee may grant restricted stock to employees eligible for selection to participate in this Plan. Restricted stock will consist of shares of the Company's Common Stock that are subject to forfeiture by the employee to the Company under circumstances specified by the Compensation Committee. Restricted stock may be granted alone or in addition to other incentive awards granted under this Plan.

Each grant of restricted stock under this Plan shall be subject to the following terms and conditions:

(a) Forfeiture Conditions. The Compensation Committee shall specify the circumstances (which may include, without limitation, the termination of the employee's employment with the Company and its subsidiaries under certain circumstances or within certain time periods or

the failure by the Company or the employee to attain specified performance objectives) under which shares of restricted stock may be forfeited by the employee to the Company.

(b) Nontransferability of Shares. Shares of restricted stock shall not be transferable by the employee until they are no longer subject to forfeiture.

(c) Restricted Stock Agreement. An employee granted restricted stock shall not have any rights with respect to the grant unless, within a period of sixty days (or such other period as the Compensation Committee may specify) after the date of the award, the employee (i) enters into a restricted stock agreement with the Company evidencing the grant and the forfeiture conditions and transfer restrictions applicable to the shares of restricted stock, (ii) pays to the Company the amount of \$1.00 (or such other amount as shall be determined by the Compensation Committee) for each share of restricted stock, and (iii) delivers to the Company an appropriate stock power, endorsed in blank, relating to the stock certificates evidencing the shares of restricted stock.

(d) Stock Certificate. A stock certificate evidencing the shares of restricted stock and bearing a legend referring to the forfeiture conditions and transfer restrictions applicable to such shares shall be issued in the name of an employee who is granted restricted stock and who has entered into a related restricted stock agreement but such certificate shall be retained in the custody of the Company (or an escrow agent

specified by the Compensation Committee) until such shares are no longer subject to forfeiture.

(e) Rights as a Shareholder. Unless otherwise specified by the Compensation Committee and except with respect to the forfeiture conditions and transfer restrictions applicable thereto, an employee holding shares of restricted stock shall have all rights of a shareholder with respect to such shares including the right to vote such shares and to receive all dividends and distributions with respect thereto. Each grant of restricted stock under this Plan shall be subject to such

additional terms and conditions not inconsistent with the terms of this Plan as the Compensation Committee may provide.

VII

STOCK BASED AWARDS

The Compensation Committee may grant stock based awards to employees eligible for selection to participate in this Plan. Stock based awards will consist of awards that are valued in whole or in part by reference to, or are otherwise based on the Company's Common Stock, including, without limitation, stock appreciation rights, restricted stock units, performance shares, performance share units, dividend equivalents and tax-offset payments. Stock based awards may be granted alone or in addition to other incentive awards granted under this Plan.

Stock based awards shall be subject to such terms and conditions as shall be specified by the Compensation Committee and may require, without limitation, continued

employment or the attainment by the employee or the Company of specified performance objectives. Payment or settlement of stock based awards shall be in cash or in shares of the Company's Common Stock, or in any combination thereof as the Compensation Committee shall determine in its sole discretion.

VIII

CHANGE IN CONTROL

Upon the occurrence of a change in control of the Company:

(a) Any time periods relating to the exercise or realization of any stock option granted under this Plan shall be accelerated so that such options may be immediately exercised or realized in full;

(b) All shares of restricted stock granted under this Plan shall immediately cease to be forfeitable;

(c) All conditions relating to the realization of any stock based award granted under this Plan shall immediately terminate; and

(d) The Company shall, upon the request of any employee granted an incentive award under this Plan, purchase the award for an amount of cash which could have been attained upon the exercise or realization of the award had such award been fully exercisable or realizable.

The Compensation Committee may make such further provisions with respect to a change in controls of the Company as it shall deem equitable and in the best interests of the Company.

Such provision may be made in any agreement relating to an incentive award granted under this Plan, by amendment to any such agreement or by resolution of the Compensation Committee.

The phrase "change in control of the Company" shall have such meaning as from time to time ascribed thereto by the Compensation Committee and set forth in any agreement relating to any incentive award granted under this Plan or by resolution of the Compensation Committee; provided, however, that notwithstanding the foregoing, a "change in control of the Company" shall be deemed to have occurred if:

(a) Any "Person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 but excluding any benefit plan for employees of the Company or its subsidiaries or any trustee, agent or other fiduciary for any such plan acting in such person's capacity as such fiduciary), directly or indirectly, becomes the beneficial owner of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities;

(b) During any two consecutive years, individuals who at the beginning of such a period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(c) The shareholders of the Company shall have approved (i) any consolidation or merger of the Company in which the Company is not

the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock are converted into cash, securities or other property other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, or (iii) any plan or proposal for the liquidation or dissolution of the Company.

IX

AMENDMENTS TO STOCK OPTION PLANS

Upon the approval of this Plan by shareholders of the Company, the Company's 1979 Stock Option Plan shall terminate as to the grant of additional stock options.

The provisions of Article VIII of this Plan shall be applicable to all stock options (other than stock options intended to qualify as "incentive stock options") granted under the Company's 1970 Amended Stock Option Plan and the Company's 1979 Stock Option Plan as if such options were stock options granted under this Plan.

The Compensation Committee may, in its sole discretion, and upon such terms and conditions as it may deem appropriate permit the option price of stock options (other than stock options intended to qualify as "incentive stock options") granted under the Company's 1970 Stock Option Plan or the Company's 1979 Stock Option Plan to be paid, in whole or in part,

in shares of the Company's Common Stock owned by the option holder and valued at the fair market value of such shares on the date such option is exercised.

X

GENERAL PROVISIONS

(a) Nothing in this Plan or in related agreement will confer upon any employee any right to continue in the employ of the Company or any of its subsidiaries or affect the right of the Company to terminate the employment of any employee at any time with or without cause.

(b) No employee (individually or as a member of a group) and no beneficiary or other person claiming under or through such employee will have any right, title, or interest in or to any shares allocated or reserved under this Plan or subject to any incentive award except as to such shares, if any, that have been issued to such employee.

(c) The Company may make such provisions as it deems appropriate to withhold any taxes which it determines it is required to withhold in connection with any incentive award.

(d) No incentive award and no right under this Plan, contingent or otherwise, will be assignable or subject to any encumbrance, pledge or charge of any nature except that, under such rules and regulations as the Company may establish pursuant to the terms of the Plan, a beneficiary may be designated with respect to an incentive award in the event of death of a holder of such award.

(e) No shares will be issued under this Plan or any incentive award granted under this Plan unless and until all then applicable requirements imposed by federal and

state securities and other laws, rules, and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the shares may be listed, have been fully met.

XI

AMENDMENT AND TERMINATION

The Board of Directors of the Company may at any time, suspend, amend, modify or terminate this Plan, provided that no amendment or modification shall become effective which would:

- (i) materially increase the benefits accruing to participants in this Plan,
- (ii) materially increase the number of shares which may be issued under this Plan, or
- (iii) materially modify the requirements as to eligibility for participation in this Plan

unless approved by the affirmative vote of the holders of a majority of the Company's shares present, or represented, and entitled to vote at a meeting duly held in accordance with applicable law. No such suspension, amendment, modification or termination of this Plan shall alter or impair any rights or obligations under any award theretofore granted under this Plan.

XII

EFFECTIVE DATE

This Plan shall be effective upon the adoption thereof by the Board of Directors of the Company subject to approval by the affirmative vote of the holders of a majority of the Company's shares present, or represented and entitled to vote at a meeting of shareholders duly held in accordance with the laws of the State of California within twelve months following the date of the adoption of this Plan by the Board of Directors of the Company. Any incentive award granted under this Plan prior to such approval shall be granted subject to such approval being so obtained.

XIII

EXPIRATION DATE

Unless previously terminated by the Board of Directors, this Plan shall expire as to the grant of incentive awards at the close of business on the tenth anniversary of the date this Plan is adopted by the Board of Directors of the Company. No such expiration shall alter or impair any rights or obligations under any incentive award theretofore granted under this Plan.

PACIFIC ENTERPRISES

EMPLOYEE STOCK OPTION PLAN

(amended and restated as the Sempra Energy Employee Stock Option Plan)

I

PURPOSE

The purpose of this Plan is to further the growth and development of Sempra Energy (the "Company") by strengthening the ability of the Company to attract and retain outstanding employees upon whose judgment, initiative and efforts the continued success of the Company is dependent, by providing employees with additional incentives for high levels of performance and by increasing the commonality of interests of employees and the Company's shareholders. This Plan seeks to accomplish these purposes by providing employees with a proprietary interest in the Company through the grant of stock options to purchase shares of the Company's Common Stock.

II

ADMINISTRATION

This Plan shall be administered by the Compensation Committee of the Company's Board of Directors.

The Compensation Committee shall, subject to the express provisions of this Plan, have full and final authority in its sole discretion:

(a) To grant stock options to persons eligible for selection to participate in this Plan provided that no employee may be granted in any calendar year stock options to purchase more than an aggregate of 112,785 shares of the Company's Common Stock;

(b) To determine the terms and conditions (which need not be identical) of each stock option;

(c) To modify or amend any stock option granted under this Plan (except to reduce the option price thereof or increase the number of shares subject thereto, other than as required or permitted pursuant to Article IV of this Plan) or waive any restrictions or conditions applicable thereto or to the exercise thereof, provided that an optionee's rights may not be adversely affected in any material respect without the consent of the optionee;

(d) To construe and interpret this Plan and any related stock option and define the terms employed herein and therein;

(e) To prescribe, amend and rescind rules, regulations and policies for the administration of this Plan; and

(f) To make all other determinations necessary or advisable with respect to this Plan and any stock option granted hereunder. The Compensation Committee, in its sole discretion and upon such terms and

conditions as it may prescribe, may designate one or more officers or a committee of officers of the Company or its subsidiaries to exercise any or all of the foregoing authority of the Compensation Committee except authority with respect to the grant of stock options to, or stock

options held by, any person who, at the time such authority is exercised, is subject to Section 16 of the Securities Act of 1934 in respect of equity securities of the Company.

No member of the Board of Directors or the Compensation Committee or agent or designee thereof will be liable for any action or inaction in respect of this Plan or any stock option granted under this Plan.

III

PARTICIPATION

Officers and other employees of the Company or any of its subsidiaries (any corporation of which 50% or more of the issued and outstanding stock having ordinary voting rights is owned directly or indirectly by the Company or any other business entity or association of which 50% or more of the outstanding equity interest is so owned) shall be eligible for selection to participate in this Plan. Directors who are not also employees of the Company or its subsidiaries shall not be eligible for selection to participate in this Plan.

IV

SHARES SUBJECT TO STOCK OPTIONS

Stock options granted under this Plan shall be for the purchase of shares of Common Stock of the Company. The maximum number of shares as to which stock options may be granted under this Plan during 1998 shall be 1,251,723 shares. During each subsequent year the maximum number of shares as to which stock options may be granted under this Plan shall be a number of shares equal to 1% of the number of shares of the Company's Common Stock outstanding at the beginning of such year. If any stock option granted under this Plan shall for any reason expire or terminate during the year in which it is granted without having been

exercised in full, then any unexercised shares which were subject to such option shall again be available for the grant of stock options under this Plan during such year.

If the outstanding shares of the Company's Common Stock are increased or decreased as a result of split-up or consolidation thereof, stock dividend thereon or a similar transaction, or are changed into or exchanged for a different number or kind of securities as a result of a reclassification or recapitalization or of a reorganization, merger or consolidation then, in each such case, an appropriate and proportionate adjustment shall be made in the number and the kind of securities as to which stock options may be granted under this Plan and to any employee. A corresponding adjustment shall likewise be made in the number and kind of securities to which stock options then outstanding shall relate. Any such adjustment, however, in an outstanding stock option shall be made without change in the total purchase price applicable to the securities to which such stock option relates but with a corresponding adjustment in the option price for each such security.

V

TERMS OF STOCK OPTIONS

Each stock option granted under this Plan shall be subject to the following terms and conditions:

(a) Option Price. The option price of each share purchasable upon exercise of a stock option shall be determined by the Compensation Committee but shall be not less than 100% of the fair market value of the shares subject to the stock option on the date the stock option is granted. Unless a higher option price is specified by the Compensation Committee, the

option price of each share purchasable upon exercise of a stock option shall be 100% of the fair market value on the date the stock option is granted.

(b) Option Term. The term of each stock option shall be determined by the Compensation Committee. Unless a different term is specified by the Compensation Committee, the term of a stock option shall be for ten years from the date the stock option is granted.

(c) Exercisability. Each stock option shall be exercisable either immediately or at such time or times as may be determined by the Compensation Committee. Unless a different determination is specified by the Compensation Committee, a stock option shall become and remain exercisable in cumulative installments of 20% of the shares originally subject thereto on each of the first five anniversaries of the date the stock option is granted.

(d) Dividend Equivalents. Each stock option may provide for the payment upon the exercise of the stock option of dividend equivalents (the amount of dividends that would have been paid on the shares as to which a stock option is exercised had the shares been outstanding from the date the stock option was granted) as may be determined by the Compensation Committee. Unless a different determination is specified by the Compensation Committee, full dividend equivalents shall be paid by the Company in cash to the employee upon the exercise of a stock option.

(e) Termination of Employment. Each option shall expire at such times following the optionee's termination of employment with the Company and its subsidiaries as may be determined by the Compensation Committee. Unless a different determination is specified by the Compensation Committee:

(1) Upon the termination of employment by reason of the retirement by the optionee after having attained age 60, a stock option shall expire on the earlier

of (a) three years from the date of retirement or (b) the date on which it would otherwise have expired, and during that period shall be exercisable only as to the shares as to which it was exercisable on the last day of employment.

(2) Upon the termination of employment by reason of the death of the optionee, a stock option shall expire on the earlier of (a) three years from the date of the employee's death or (b) the date on which it would otherwise have expired, and during that period shall be exercisable only as to the shares as to which it was exercisable on the last day of employment.

(3) Upon the termination of employment for any other reason, a stock option shall expire on the earlier of (a) three months from the date of termination of employment or (b) the date on which it would otherwise have expired, and during that period shall be exercisable only as to the shares as to which it was exercisable on the last day of employment. (f) Non-Transferability. Each stock option shall be non-transferable by the

optionee other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

(g) Additional Terms and Conditions. Each stock option shall be subject to such additional terms and conditions, not inconsistent with the terms of this Plan, as may be determined by the Compensation Committee including, without limitation, provisions for increases in the option price or changes in the term of the stock option, individual or corporate performance conditions to the exercisability of the stock option or the payment of dividend equivalents and limitations on amounts payable as dividend equivalents.

VI

CHANGE IN CONTROL

Upon the occurrence of a change in control of the Company, any time periods relating to the exercise of any stock option granted under this Plan and held by any optionee who is an employee of the Company or its subsidiaries at the time of the change of control shall be accelerated and any conditions to exercise thereof shall immediately terminate so that immediately upon the change in control the stock option thereafter may be exercised at any time or from time to time in whole or in part as to all shares remaining subject to the stock option until the expiration date thereof.

The Compensation Committee may make such further provisions with respect to a change in control of the Company as it shall deem equitable and in the best interests of the Company. Such provision may be made in any stock option granted under this Plan or any agreement relating thereto, by amendment or supplement to any such stock option or agreement, or by resolution of the Compensation Committee.

The phrase "change in control of the Company" shall have such meaning as from time to time ascribed thereto by the Compensation Committee and set forth in any stock option granted under this Plan or any agreement relating thereto or by any amendment or supplement to any such stock option or agreement, or by resolution of the Compensation Committee; provided, however, that notwithstanding the foregoing, a "change in control of the Company" shall be deemed to have occurred if:

- (i) Any person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by

such person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(ii) During any period of three consecutive years, the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who at the beginning of such three-year period constitute the Board of Directors of the Company and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board of Directors of the Company or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such three-year period or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) There is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an

employee benefit plan of the Company or its subsidiaries, at least 60% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

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

Notwithstanding the foregoing, no event or transaction which would otherwise constitute a change of control under clauses (i) through (iv) shall constitute a change of control for purposes of any stock option if effected in connection with either (a) the currently pending business combination of the Company and Enova Corporation or (b) any other substantially similar business combination of the Company and Enova Corporation that is effected on or prior to

December 31, 1999. In addition, any event or transaction which would otherwise constitute a change in control under clauses (i) through (iv) shall not constitute a change of control for purposes of any stock option granted to an individual who in connection with the event or transaction participates as an equity investor in the acquiring entity or any of its affiliates. For purposes of the preceding sentence, an individual shall not be deemed to have participated as an equity investor in the acquiring entity or any of its affiliates by virtue of (a) obtaining beneficial ownership of any equity interest in the acquiring entity or any of its affiliates as a result of the grant to the individual of an incentive compensation award under one or more incentive plans of the acquiring entity or any of its affiliates (including, but not limited to, the conversion in connection with such event or transaction of incentive compensation awards of the Company or its subsidiaries into incentive compensation awards of the acquiring entity or any of its affiliates), on terms and conditions substantially equivalent to those applicable to other executives of the Company or its subsidiaries immediately prior to such event or transaction, after taking into account normal differences attributable to job responsibilities, title and the like, (b) obtaining beneficial ownership of any equity interest in the acquiring entity or any of its affiliates on terms and conditions substantially equivalent to those obtained in such transaction by all other shareholders of the Company, or (c) having previously obtained beneficial ownership of any equity interest in the acquiring entity or any of its affiliates in a manner unrelated to such event or transaction.

For purposes of this Article VI, the following definitions shall be applicable:

(i) "affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(ii) "beneficial owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(iii) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(iv) "person" shall have the meaning set forth in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (a) the Company or any of its subsidiaries, (b) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, (d) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (v) a person or group as used in Rule 13d-1(b) under the Exchange Act.

With respect to stock options granted under the Plan from and after (but not before) the completion of business combination of Pacific Enterprises and Enova Corporation in which the two corporations became subsidiaries of the Company (the "Effective Time"), the text of this Article VI shall read as follows:

In the event of a Change in Control, all stock options then outstanding shall automatically become fully vested and exercisable as of the date of the Change in Control. In addition to the foregoing, in the case of a Change in Control involving a merger of, or consolidation involving, the Company in which the Company is (A) not the surviving corporation (the "Surviving Entity") or (B) becomes a wholly-owned subsidiary of the Surviving Entity or any corporation which is a parent corporation thereof (within the meaning of Section

424(d) of the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations thereunder), each outstanding stock option granted under this Plan and not exercised (a "Predecessor Option") will be converted into an option (a "Replacement Option") to acquire common stock of the Surviving Entity or its parent corporation, which Replacement Option will have substantially the same terms and conditions as the Predecessor Option, with appropriate adjustments as to the number and kind of shares and exercise prices. Notwithstanding the foregoing, in the event of a Change in Control, the Compensation Committee expressly reserves the discretion to cancel all outstanding stock options effective as of the date of the Change in Control, in exchange for a cash payment to be made to each option holder within five business days following the Change in Control in an amount equal to the excess of the fair market value of the Company's Common Stock on the date of the Change in Control over the exercise price of each such stock option, multiplied by the number of shares that are subject to such option. Notwithstanding the foregoing, in the event that the Company becomes a party to a transaction that is intended to qualify for "pooling of interests" accounting treatment and, but for one or more of the provisions of this Plan or any stock option would so qualify, then this Plan and any stock option shall be interpreted so as to preserve such accounting treatment, and to the extent that any provision of the Plan or any stock option would disqualify the transaction from pooling of interests accounting treatment (including, if applicable, an entire stock option), then such provision shall be null and void. All determinations to be made in connection with the preceding sentence shall be made by the independent accounting firm whose opinion with respect to "pooling of interests" treatment is required as a condition to the Company's consummation of such transaction.

For purposes of the foregoing, a "Change in Control" shall be deemed to have occurred when:

(i) Any Person is or becomes the beneficial owner (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; or

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

(iii) There is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or

any subsidiary of the Company, at least sixty percent (60%) of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by any Person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; or

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

For purposes of the foregoing definition of "Change in Control," the term "Person" means any person, entity, or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder (the "Exchange Act"), except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates (as defined in Rule 12b-2

promulgated under the Exchange Act), (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (v) a person or group as used in Rule 13d-1(b) under the Exchange Act.

VII

TERMINATION OF 1988 INCENTIVE PLAN

Upon the approval of this Plan by shareholders of the Company, the Company's Stock Incentive Plan approved by the Company's Board of Directors and shareholders in 1988 shall terminate as to the grant of additional incentive awards.

VIII

GENERAL PROVISIONS

(a) Nothing in this Plan or in related agreement will confer upon any employee any right to continue in the employ of the Company or any of its subsidiaries or affect the right of the Company to terminate the employment of any employee at any time with or without cause.

(b) No employee (individually or as a member of a group) and no beneficiary or other person claiming under or through such employee will have any right, title, or interest in or to any shares allocated or reserved under this Plan or subject to any stock option except as to such shares, if any, that have been issued to such employee.

(c) The Company may make such provisions as it deems appropriate to withhold any taxes which it determines it is required to withhold in connection with the exercise of any stock option.

(d) No stock option and no right under this Plan, contingent or otherwise, will be assignable or subject to any encumbrance, pledge or charge of any nature except that, under such rules and regulations as the Company may establish pursuant to the terms of the Plan, a beneficiary may be designated with respect to a stock option in the event of death of the employee granted the stock option.

(e) No shares will be issued under this Plan or any stock option granted under this Plan unless and until all then applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the shares may be listed, have been fully met.

(f) In the event that any member of the Compensation Committee shall fail to be a "disinterested person" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 or an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, the Board of Directors of the Company may appoint a committee of two or more directors, each of whom shall be a disinterested director and an outside director, to administer this Plan and, upon such appointment, such committee shall become the administrator of this Plan and shall succeed to all of the authority vested in the Compensation Committee by this Plan.

IX

AMENDMENT AND TERMINATION

The Board of Directors of the Company may at any time, suspend, amend, modify or terminate this Plan, provided that no amendment or modification shall become effective which, within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, would:

(i) materially increase the benefits accruing to participants in this Plan,

(ii) materially increase the number of shares which may be issued under this Plan, or

(iii) materially modify the requirements as to eligibility for participation in this Plan,

unless approved by the affirmative vote of the holders of a majority of the Company's shares present, or represented, and entitled to vote at a meeting duly held in accordance with applicable law. No such suspension, amendment, modification or termination of this Plan shall alter or impair any rights or obligations under any stock option theretofore granted under this Plan.

X

EFFECTIVE DATE

This Plan shall be effective upon the adoption thereof by the Board of Directors of the Company subject to approval by the affirmative vote of the holders of a majority of the Company's shares present, or represented, and entitled to vote at a meeting of shareholders duly held in accordance with the laws of the State of California within twelve months following the date of the adoption of this Plan by the Board of Directors of the Company. Any stock option granted under this Plan prior to such approval shall be granted subject to such approval being so obtained.

SHEARMAN & STERLING
555 California Street
San Francisco, California 94104-1522

June 5, 1998

Sempra Energy
101 Ash Street
San Diego, California 92101

Ladies and Gentlemen:

We have acted as counsel for Sempra Energy, a California corporation (the "Company"), in connection with the Registration Statement on Form S-8 (the "Registration Statement") of the Company filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), with respect to approximately 64,000,000 shares (the "Shares") of common stock, no par value, of the Company (the "Common Stock"), to be issued from time to time pursuant to the Company's 1998 Long Term Incentive Plan, the Company's 1998 Non-Employee Directors' Stock Plan, Enova 1986 Corporation Long-Term Incentive Plan, San Diego Gas & Electric Company Savings Plan, Pacific Lighting Corporation Stock Incentive Plan, Pacific Enterprises Employee Stock Option Plan, Southern California Gas Company Retirement Savings Plan, Sempra Energy Trading Retirement Savings Plan, Sempra Energy Savings Plan, and Pacific Enterprises Retirement Savings Plan (each, a "Plan").

In so acting, we have examined the Registration Statement and we have also examined and relied as to factual matters upon the representations and warranties contained in originals, or copied certified or otherwise identified to our satisfaction, of such documents, records, certificates and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents, certificates and instruments submitted to us as originals and the conformity with originals of all documents submitted to us as copies.

The opinion expressed below is limited to the General Corporation Law of California and the federal law of the United States, and we do not express any opinion herein concerning any other law.

Based upon the foregoing and having regard for such legal considerations as we have deemed relevant, we are of the opinion that the Shares have been duly authorized by the

2

Company and, when (a) issued and delivered by the Company in accordance with the terms of the relevant Plan and (b) paid for in full in accordance with the terms of the relevant Plan, the Shares will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

SHEARMAN & STERLING

Independent Auditors' Consent for Pacific Enterprises

We consent to the incorporation by reference in this Registration Statement of Sempra Energy on Form S-8 of our reports dated January 27, 1998 and January 31, 1996, appearing in and incorporated by reference in the Annual Report on Form 10-K of Pacific Enterprises and subsidiaries for the years ended December 31, 1997 and December 31, 1995, respectively.

DELOITTE & TOUCHE LLP
Los Angeles, CA
June 4, 1998

Independent Auditors' Consent for Enova Corporation

We consent to the incorporation by reference in this Registration Statement of Sempra Energy on Form S-8 of our reports dated February 23, 1998, appearing in the Annual Report on Form 10-K, as amended, of Enova Corporation for the year ended December 31, 1997, and February 16, 1996, on San Diego Gas & Electric Company, appearing in the Annual Report on Form 10-K of Enova Corporation and San Diego Gas & Electric Company for the year ended December 31, 1995 incorporated by reference in Registration Statement No. 333-21229 of Mineral Energy Company (now Sempra Energy) on Form S-4 dated February 5, 1997.

DELOITTE & TOUCHE LLP
San Diego, CA
June 4, 1998