SEMPRA ENERGY
Form 11-K
June 29, 2007

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

FORM 11-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

o **TRANSITION REPORT PURSUANT TO SECTION 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-14201

SEMPRA ENERGY SAVINGS PLAN, SAN DIEGO GAS & ELECTRIC COMPANY SAVINGS PLAN, SOUTHERN CALIFORNIA GAS COMPANY RETIREMENT SAVINGS PLAN, SEMPRA ENERGY TRADING RETIREMENT SAVINGS PLAN, TWIN OAKS SAVINGS PLAN, AND MESQUITE POWER, LLC SAVINGS PLAN

(Full title of the Plans)

SEMPRA ENERGY

(Name of the issuer of the securities held pursuant to the Plan)

101 Ash Street, San Diego, California 92101

(Address of principal executive office of the issuer)

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NOTE: Other schedules required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are omitted because of the absence of conditions under which they are required or as they are filed by the trustee of the Master Trust in which the Plan participates.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of the
Sempra Energy Savings Plan
San Diego, California:

We have audited the accompanying statements of net assets available for benefits of the Sempra Energy Savings Plan (the Plan) as of December 31, 2006 and 2005, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

San Diego, California
June 29, 2007

SEMPRA ENERGY SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2006 AND 2005

(Dollars in thousands)

	2006	**2005**
CASH AND CASH EQUIVALENTS	$ 19	$ 37
INVESTMENT Investment in Sempra Energy Savings Master Trust	167,589	148,657
RECEIVABLES:		
Dividends	293	338
Employer contributions	940	807
Total receivables	1,233	1,145
NET ASSETS AVAILABLE FOR BENEFITS	$ 168,841	$ 149,839

See notes to financial statements.

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SEMPRA ENERGY SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Dollars in thousands)

	2006	**2005**
ADDITIONS:		
Net investment income Plan interest in Sempra Energy Savings Master Trust investment income	$ 23,892	$ 17,703
Contributions:		
Employer	3,752	3,327
Participating employees	11,716	9,875
Total contributions	15,468	13,202
Transfers from plans of related entities	5,552	655
Total additions	44,912	31,560
DEDUCTIONS:		
Distributions to participants or their beneficiaries	14,096	9,851
Transfers to plans of related entities	16,189	1,586
Administrative expenses	24	25
Total deductions	30,309	11,462
NET INCREASE IN NET ASSETS BEFORE PLAN MERGERS	14,603	20,098
MERGER OF TWIN OAKS SAVINGS PLAN	2,546	
MERGER OF EL DORADO ENERGY, LLC SAVINGS PLAN	1,853	
NET INCREASE IN NET ASSETS	19,002	20,098
NET ASSETS AVAILABLE FOR BENEFITS Beginning of year	149,839	129,741
NET ASSETS AVAILABLE FOR BENEFITS End of year	$ 168,841	$ 149,839

See notes to financial statements.

SEMPRA ENERGY SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. PLAN DESCRIPTION AND RELATED INFORMATION

The following description of the Sempra Energy Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

General The Plan is a defined contribution plan that provides employees of Sempra Energy or any affiliate who has adopted this Plan (the Company or Employer) with retirement benefits. Employees may participate immediately in the Plan and, after one year in which they complete 1,000 hours of service, receive an employer matching contribution. Employees may make regular savings investments in Sempra Energy common stock and other optional investments permitted by the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective March 28, 2005, the Plan was amended to allow former employees that elected to leave their account balances in the Plan to have the option to reinvest the dividends in the Sempra Energy common stock fund as well as to receive distributions of cash dividends on the shares of Sempra Energy common stock in their account balances.

Effective January 1, 2006, the Plan was amended to allow all participants to elect to either receive distributions of cash dividends on the shares of Sempra Energy common stock in their account balances or to reinvest those dividends in Sempra Energy common stock.

Effective January 1, 2006, the net assets of employees that are participants in the Plan or a plan of a related entity and are transferred between the Company and a related entity will be transferred to the plan sponsored by the entity to which they are moved.

During the year, participants with an account balance in two or more plans of the Company and its subsidiaries were informed that their multiple balances would be consolidated into a like plan sponsored by their current or most recent employer, unless they requested to have their balances remain in multiple plans.

Employees transfer between the Company and related entities for various reasons, resulting in the transfer of participant assets from one plan to another.

Plan Mergers In July 2005, the Company purchased the remaining 50% ownership interest in El Dorado Energy, LLC (El Dorado). As a result of this purchase, effective January 1, 2006, the El Dorado Energy, LLC Savings Plan (El Dorado Plan) was merged into the Plan to provide employees of El Dorado and its subsidiaries with retirement benefits. On that same date, the participant balances in the El Dorado Plan were transferred to the Plan. As a result, the Plan has included $1,852,799 as an increase in net assets from the merged plan on the statement of changes in net assets available for benefits for the year ended December 31, 2006.

In April 2006, the Company sold Twin Oaks Power, LP, a wholly owned subsidiary, to PNM Resources, Inc., and the Twin Oaks Savings Plan (Twin Oaks Plan) was merged into the Plan. On November 30, 2006, any remaining participant balances not distributed or rolled over to another qualified retirement plan as of that date, were merged into the Plan from the Twin Oaks Plan. As a result, the Plan has included $2,545,566 as an increase in net assets from the merged plan on the statement of changes in net assets available for benefits for the year ended December 31, 2006.

Contributions Contributions to the Plan can be made under the following provisions:

Participating Employee Contributions Pursuant to Section 401(a) of the Internal Revenue Code (the IRC), participants may contribute up to 25% of eligible pay on a pre-tax basis, an after-tax basis, or a combination. The IRC limited total individual pre-tax contributions to $15,000 and $14,000, in 2006 and 2005, respectively. Catch-up contributions are permitted for participants of at least 50 years of age. The catch-up provision provides these participants the opportunity to contribute an additional $5,000 and $4,000 on a pre-tax basis in 2006 and 2005, respectively (remaining at $5,000 in 2007, with inflation adjustments after that until December 31, 2010). The Plan allows for automatic enrollment of newly hired employees who either do not elect a specific deferral percentage or do not elect to participate in the Plan. The automatic deferral is an amount equal to 3% of eligible pay and the default investment vehicle is the T. Rowe Price Personal Strategy Balanced Fund.

Employer Nonelective Matching Contributions The Company makes matching contributions to the Plan for all plan participants except for those employed by El Dorado. The matching contributions are equal to 50% of each participant s contribution, up to the first 6% of eligible pay, each pay period. For the participants employed by El Dorado, that company makes matching contributions to the Plan, equal to 100% of each participant s contribution, up to the first 6% of eligible pay, each pay period. Employer contributions are funded, in part, from the Sempra Energy Employee Stock Ownership Plan and Trust. The Company s matching contributions are invested in Sempra Energy common stock. Total employer nonelective matching contributions for the years ended December 31, 2006 and 2005 were $2,642,162 and $2,509,357, respectively.

Discretionary Incentive Contribution If established performance goals and targets of Sempra Energy are met in accordance with the terms of the incentive guidelines established each year, the Company will make an additional incentive contribution for all participants except those employed by El Dorado, as determined by the Board of Directors of Sempra Energy. For participants of the Plan employed by El Dorado, each year, that company will make an additional incentive contribution of not less than 3% and not more than 6% of eligible pay. For 2006, El Dorado contributed 6%. Incentive contributions were made on March 19, 2007 and March 16, 2006 to all employees employed on December 31, 2006 and 2005, respectively. The contributions were made in the form of cash and stock and invested according to each participant s investment election on the date of contribution. Total discretionary incentive contributions for the years ended December 31, 2006 and 2005 were $940,366 and $807,161, respectively. These amounts are reflected in employer contributions receivable on the statements of net assets available for benefits as of December 31, 2006 and 2005, respectively.

Participant Accounts A separate account is established and maintained in the name of each participant and reflects the participant s contributions, the employer s nonelective matching and discretionary incentive contributions, and the earnings and losses attributed to each investment fund less administrative expenses. Participants are allocated a share of each fund s investment earnings net of investment fees on a daily basis, based upon their account balance as a percentage of the total fund balance. Investment expenses, except those for a specific transaction, are allocated quarterly to individual funds based on either fund balance or a participant s pro rata share, as defined in the Plan document.

Effective January 1, 2005, all participants are allowed to redirect up to 100% of the shares in the employer matching account into any of the Plan s designated investments. Prior to that, the Plan allowed participants who had attained age 55 and had 10 years of service with the Company to redirect up to 10% of the shares in the employer matching account or the statutorily calculated amounts for the shares in the Sempra Energy Employee Stock Ownership Plan, whichever was greater, into any of the Plan s designated investments.

Vesting All participant accounts are fully vested and nonforfeitable at all times.

Investment Options All investments are held by the Sempra Energy Savings Master Trust (the Master Trust) (see Note 5). Employees elect to have their contributions invested in increments of 1% in Sempra Energy common stock, specific mutual funds offered by T. Rowe Price, Fidelity Investment Managers, and the Vanguard Group, or a broad range of funds through a brokerage account. Participants may invest a maximum of 50% of the value of their accounts (excluding the employer matching account) in the brokerage account.

Payment of Dividends Cash dividends on the shares of Sempra Energy common stock held in the account balances of active employees are reinvested in Sempra Energy common stock. Effective March 28, 2005, former employees that elect to leave their accounts in the Plan have the option to receive distributions of cash dividends on the shares of Sempra Energy common stock in their account balances or to reinvest the dividends in Sempra Energy common stock. Prior to that, cash dividends were paid to former employees who had elected to leave their accounts in the Plan.

Payment of Benefits Upon termination of employment with the Company, retirement, or permanent disability, participants or the named beneficiary(ies) in the event of death with an account balance greater than $5,000, receive their vested account balance in a single lump-sum payment in cash, or Sempra Energy common stock for any portion of their account held in Sempra Energy common stock. The accounts of terminated participants with account balances from $1,000 to $5,000 that do not elect a lump-sum payment or a rollover to a qualified retirement plan or individual retirement account will be automatically rolled into an individual retirement account with T. Rowe Price. Terminated participants with account balances less than $1,000 automatically receive a lump-sum cash payment.

Plan Termination Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, the net assets of the Plan will be distributed to the participants.

Related Party Transactions Certain Plan investments, held through the Master Trust, are shares of mutual funds managed by T. Rowe Price, the Plan s record-keeper; therefore, these transactions qualify as party-in-interest transactions.

Certain administrative functions of the Plan are performed by officers or employees of the Company. No such officer or employee of the Company receives compensation from the Plan. Certain administrative expenses are paid directly by the Company, such as legal and accounting fees. All investment expenses are paid by the participants, including recordkeeping, trustee, loan, redemption and investment management fees. Fees paid by the Plan to the recordkeeper for administrative services were $24,413 and $25,263 for the years ended December 31, 2006 and 2005, respectively.

At December 31, 2006 and 2005, the Plan held, through the Master Trust, 996,323 and 1,168,577 shares of common stock of Sempra Energy, the sponsoring employer, with a cost basis of $43,834,316 and $43,350,649, and recorded dividend income of $1,247,501 and $1,424,447, respectively, during the years then ended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and disclosures at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements Effective January 1, 2006, the Plan adopted Financial Accounting Standards Board Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans* (the FSP). Under the FSP, investment contracts held by a defined contribution plan are required to be reported at fair value with an additional line item showing an adjustment of fully benefit-responsive contracts from fair value to contract value. The adoption of the FSP did not have a material effect on the Plan s financial statements and did not impact the amount of net assets available for benefits.

Investment Valuation and Income Recognition The fair value of the Plan s interest in the Master Trust is based on the beginning of year value of the Plan s interest in the Master Trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expense, plus or minus changes in unrealized gains and losses. In the Master Trust, participant loans (see Note 4) are carried at outstanding loan balances plus accrued interest.

The Master Trust s investments are stated at fair value. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Master Trust at year end. Common/collective trust funds are stated at estimated fair value as determined by the issuer of the common/collective trust funds based on the unit values of the funds. Unit values are determined by dividing the fund s net assets, which represent the fair market value of the underlying investments, by its units outstanding at the valuation dates.

The Master Trust invests in the T. Rowe Price Stable Value Common Trust Fund which is a stable value fund. The fund invests principally in guaranteed investment contracts (GICs) issued by insurance companies, investment contracts issued by banks, synthetic investment contracts (SICs) issued by banks, insurance companies and other issuers, and securities supporting such SICs, and other similar instruments which are intended to maintain a constant net asset value. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the fund, plus earnings, less participant withdrawals. Contract value approximates fair value at December 31, 2006 and 2005.

Purchases and sales of securities are recorded on the trade dates. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Benefit Payments Benefits are recorded when paid. Amounts allocated to accounts of persons who have elected to withdraw from the Plan but have not yet been paid were $233,798 and $0 at December 31, 2006 and 2005, respectively.

3. TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated November 14, 2002, that the Plan and related trust were designed in accordance with the applicable regulations of the IRC. The Plan has been amended since receiving the determination letter; however, the Company and Plan management believe that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan s financial statements.

4. PARTICIPANT LOANS

The Plan permits participants to borrow against the balances in their individual accounts within the Master Trust. A participant is limited to borrowing a maximum of 50% of the value of his/her account balance or $50,000, whichever is less. The minimum amount that can be borrowed is $1,000 and the fee charged for processing a loan is paid by the participant who takes out the loan. Participants may have up to two loans outstanding, one of which can be a primary residence loan. Primary residence loans are amortized over 15 years and other loans have a maximum repayment period of five years. All loans bear interest at 1% above the prime rate, as published in the Wall Street Journal, at the time the loan is made. As of December 31, 2006 and 2005, interest rates on loans ranged from 5.00% to 10.50%, in both years, and, as of December 31, 2006, had maturity dates through April 2021. The balance of the Plan s participant loans of $1,854,530 and $2,129,156 is included in Investment in Sempra Energy Savings Master Trust on the statement of net assets available for benefits as of December 31, 2006 and 2005, respectively.

5. INVESTMENTS IN THE MASTER TRUST (DOLLARS IN THOUSANDS)

The Plan s assets are held in a trust account at T. Rowe Price, the trustee of the Plan (the Trustee), and consist of an interest in the Master Trust. Use of the Master Trust permits the commingling of the trust assets of two or more similar employee benefit plans sponsored by Sempra Energy for investment and administrative purposes. The Plan s interest in the net assets of the Master Trust is based on the individual plan participants investment balances. Investment income is allocated on a daily basis through a valuation performed by the Trustee. Expenses relating to the Master Trust are allocated to the individual funds based upon each participant s pro-rata share, per share calculation, or by transaction in a specific fund. At December 31, 2006 and 2005, the Plan s interest in the net assets of the Master Trust was approximately 8% and 9%, respectively.

The net assets available for benefits of the Master Trust at December 31, 2006 and 2005 are summarized as follows:

	2006	2005