

# SANFORD J. LEWIS, ATTORNEY

February 19, 2020

VIA e-mail: [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)

Office of Chief Counsel  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N. E.  
Washington D.C. 20549  
Via email: [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)

Re: Sempra Energy Corporation's Supplemental Letter Regarding Shareholder Proposal of *As You Sow* regarding natural gas infrastructure asset stranding risk analysis

Ladies and Gentlemen:

The Stewart Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 (the "Proponents") are beneficial owners of common stock of Sempra Energy Corporation (the "Company"). *As You Sow* has submitted a shareholder proposal (the "Proposal") on behalf of the Proponent to the Company. This letter hereby responds to the supplemental letter dated February 18, 2020 ("Supplemental Letter") sent to the Securities and Exchange Commission by Elizabeth A. Ising, Gibson, Dunn & Crutcher LLP.

The Supplemental Letter claims that the Proponent seeks additional disclosures, "not based on the text of the Proposal submitted by the Proponents to the Company," but this is not the case. As noted in the Proponent's initial Response Letter, "Reading through the proposal in its entirety, it is apparent what would constitute, and *not* constitute, implementation of the essential purpose of the proposal." Evidence provided in the Proponent's initial Response Letter demonstrates the conclusion it draws:

"The Company's broad discussions of climate change and descriptions of certain responsive actions do not provide shareholders with the data or analysis requested by the Proposal. Shareholders are not seeking to understand how the Company is responding generally to climate change, rather they are asking for transparency on how the Company 'is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets.' This question has not been answered by the Company."

The Company's Supplement Letter further incorrectly claims that by "recasting the Proposal in a manner that, if addressed in the Proposal's text, would have resulted in the Proposal's exclusion under ... Rule 14a-8(i)(7) as relating to the Company's ordinary business operations because the Proposal would micromanage the Company." Firstly, the Proposal was not recast in the Proponent's Response Letter, as described above. Furthermore, the Proposal is entirely focused on the risk of stranded assets as the global response to climate change intensifies. It exclusively addresses matters related to the significant policy issue of climate change and does not micromanage. The Proposal does **not**, as the Company alleges, request "that the Company align 'its assets . . . with full decarbonization,'" but rather, the Proposal asks for a report on how it is

comprehensively responding to the possibility of increased global action designed to achieve such ambitious decarbonization levels. As such, no aspect of the Proposal goes beyond the significant policy issue to address excludable ordinary business. It would not be excludable on the basis of Rule 14a-8(i)(7).

We note another inaccuracy of the Company's Supplemental Letter, which states, "the Proponents submitted the Proposal to the Company without prior notice." Although such notice is not required, the Proponent did in fact try to request a dialogue with the Company multiple times in October 2019. The Company did not follow through with scheduling that dialogue. Only after the proposal was filed, did the Company schedule a call with the Proponent.

As previously stated, the Company has provided no basis for the conclusion that the Proposal is excludable from the 2020 proxy statement pursuant to Rule 14a-8. As such, we respectfully request that the Staff inform the company that it is denying the no action letter request.

Sincerely,

A handwritten signature in black ink, appearing to read "Sanford Lewis", written in a cursive style.

Sanford Lewis

Cc: Elizabeth Ising

February 18, 2020

**VIA E-MAIL**

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: *Sempra Energy*  
*Supplemental Letter Regarding Shareholder Proposal of The Stewart*  
*Taggart & Rebecca W. Taggart JT REV TR UAD 08/29/17 et al*  
*Securities Exchange Act of 1934—Rule 14a-8*

Ladies and Gentlemen:

On January 2, 2020, we submitted a letter (the “No-Action Request”) on behalf of our client, Sempra Energy (the “Company”), notifying the staff of the Division of Corporation Finance (the “Staff”) of the Securities and Exchange Commission (the “Commission”) that the Company intends to omit from its proxy statement and form of proxy for its 2020 Annual Meeting of Shareholders (collectively, the “2020 Proxy Materials”) a shareholder proposal (the “Proposal”) and statements in support thereof (the “Supporting Statement”) received from As You Sow on behalf of The Stewart Taggart & Rebecca W. Taggart JT REV TR UAD 08/29/17, the Maida L. Brankman Revocable Trust and the Wynnette M. LaBrosse Trust, the Congregation of Divine Providence and the Providence Trust (collectively, the “Proponents”).

The No-Action Request asked that the Staff concur that the Proposal is excludable under Rule 14a-8(i)(10) because the Company’s Sustainability Disclosures (which are defined in the No-Action Request to include the Company’s Corporate Sustainability Report, dedicated sustainability website, documents filed with the Commission, and numerous press releases and other reports that provide additional information about sustainability matters) substantially implement the Proposal. On February 10, 2020, the Proponents’ representative, Sanford J. Lewis, submitted a letter to the Staff responding to the No-Action Request (the “Response”). We write to briefly respond to the Response in two respects.

**First, the Response opposes exclusion of the Proposal under Rule 14a-8(i)(10) based on additional disclosures and actions now sought by the Proponents and not based on the text of the Proposal submitted by the Proponents to the Company.** The Proposal includes a broadly worded request that the Company “issue a report . . . describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.” However, the Response urges the Staff to ignore the express text of the Proposal. In this regard, the Proposal does not—as suggested by

Office of Chief Counsel  
Division of Corporation Finance  
February 18, 2020  
Page 2

the Response—ask the Company to “estimate the value of assets at risk in the event of a successful policy shift in California” or to demonstrate how “its assets are aligned with full decarbonization, on the timeline required to meet state and global goals” or to “conclude that stranded assets will be avoided.” Response at page 2. *See also* Response at page 12. Instead, the Proposal requests that the Company disclose “how it is responding” to the risk of stranded assets “as the global response to climate change intensifies,” which the Company has done through its Sustainability Disclosures.

Similarly, the Proposal does not—as suggested by the Response—request that the Company “*reconcile* its investment in costly natural gas infrastructure against public goals and efforts to transition to net zero greenhouse gas emissions (GHG)” (*emphasis added*). Response at page 1. *See also* Response at pages 3, 11 and 12. As noted above, the Proposal requests that the Company disclose “how it is responding” to the risk of stranded assets “as the global response to climate change intensifies.” Even where the Proposal *suggests* in the Supporting Statement that investors would benefit from additional information, it describes that information more generally: “*if or how* the Company can reconcile its reliance on natural gas with achieving California’s decarbonization targets” (*emphasis added*). The Company’s Sustainability Disclosures describe that very information.

As documented in the No-Action Request, the Company’s Sustainability Disclosures *provide exactly what the text of the Proposal requests*: they demonstrate in various and different ways “how [the Company] is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.” The fact that the Proponents now seek additional disclosures or actions beyond what they requested in the Proposal is irrelevant to the conclusion that the Company has substantially implemented the Proposal for purposes of Rule 14a-8(i)(10).

**Second, the Response opposes exclusion of the Proposal under Rule 14a-8(i)(10) by recasting the Proposal in a manner that, if addressed in the Proposal’s text, would have resulted in the Proposal’s exclusion under a different Commission rule.** The Response repeatedly asserts that substantial implementation is inappropriate because the Company has not identified how it will achieve decarbonization.<sup>1</sup> However, if the Proposal had requested what is set forth in the Response—that the Company align “its assets . . . with full decarbonization,” for example, by setting targets to achieve it “on the timeline required to meet state and global goals”<sup>2</sup>—the Proposal would have been excludable under Rule 14a-8(i)(7) as relating to the Company’s ordinary business operations because the Proposal would micromanage the

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<sup>1</sup> For example, the Response criticizes the Company’s “existing climate targets [as being] short term” and alleges that “many utility companies are already demonstrating such planning by announcing policies to . . . set[] net zero by 2050 reduction targets.” Response at pages 3 and 6. *See also* Response at pages 8 and 12.

<sup>2</sup> Note that “the global response to climate change” referenced in the Proposal is not limited to “state and global goals” that require “full decarbonization” on specific timelines.

Office of Chief Counsel  
Division of Corporation Finance  
February 18, 2020  
Page 3

Company. *See, e.g., Devon Energy Corp.* (avail. Mar. 4, 2019) (recon. denied, April 1, 2019) (concurring with the exclusion under Rule 14a-8(i)(7) of a shareholder proposal requesting that the company disclose short-, medium- and long-term greenhouse gas targets aligned with the greenhouse gas reduction goals established by the Paris Climate Agreement). It would be inappropriate to allow the Proponents to recast the Proposal now in a manner that would result in its exclusion for other reasons.

Rule 14a-8(i)(10) permits a company to exclude a shareholder proposal from its proxy materials if the company has “substantially implemented” the proposal. As demonstrated in the No-Action Request, the Company’s Sustainability Disclosures have substantially implemented the Proposal’s request that the Company issue a report “describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.” As a result, the Company’s actions implementing the Proposal present precisely the scenario contemplated by the Commission when it adopted the predecessor to Rule 14a-8(i)(10) “to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management.” Exchange Act Release No. 12598 (July 7, 1976). Accordingly, for the reasons set forth above, the Proposal may be excluded from the Company’s 2020 Proxy Materials under Rule 14a-8(i)(10).

We note that the Proponents did not submit the Response until 39 days after they received the No-Action Request (which is almost as long as the time between when the Proponents submitted the Proposal to the Company without prior notice and the Company submitted the No-Action Request). We ask that the Staff not delay any response to the No-Action Request for further correspondence due to the Company’s anticipated deadline to print the 2020 Proxy Materials in advance of filing them with the Commission.

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to [shareholderproposals@gibsondunn.com](mailto:shareholderproposals@gibsondunn.com). If we can be of any further assistance in this matter, please do not hesitate to call me at (202) 955-8287, or at Sempra Energy either George

# GIBSON DUNN

Office of Chief Counsel  
Division of Corporation Finance  
February 18, 2020  
Page 4

W. Bilicic, President and Chief Legal Officer, at (619) 696-1879, or James M. Spira, Associate General Counsel, at (619) 696-4373.

Sincerely,



Elizabeth A. Ising

Enclosures

cc: George W. Bilicic, Sempra Energy  
James M. Spira, Sempra Energy  
Lila Holzman, As You Sow  
Sister Ramona Bezner, Providence Trust  
Sister Patricia Regan, Congregation of Divine Providence  
Sanford J. Lewis, Attorney

# **SANFORD J. LEWIS, ATTORNEY**

February 10, 2020

Office of Chief Counsel  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N. E.  
Washington D.C. 20549  
Via email: [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)

Re: Sempra Energy Corporation's Request to Exclude Shareholder Proposal of As You Sow regarding natural gas infrastructure asset stranding risk analysis

Ladies and Gentlemen:

The Stewart Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 (the "Proponent") is beneficial owner of common stock of Sempra Energy Corporation (the "Company"). As You Sow has submitted a shareholder proposal (the "Proposal") on behalf of the Proponent to the Company. This letter hereby responds to the letter dated January 2, 2020 ("Company Letter") sent to the Securities and Exchange Commission by Elizabeth A. Ising, Gibson, Dunn & Crutcher LLP. In that letter, the Company contends that the Proposal may be excluded from the Company's 2020 proxy statement.

Based upon a review of the Proposal, the letter sent by the Company, and the relevant rules, the Proposal is not excludable and must be included in the Company's 2020 proxy materials under Rule 14a-8. A copy of this letter is being emailed concurrently to Elizabeth A. Ising, Gibson, Dunn & Crutcher LLP.

## **SUMMARY**

The Proposal asks the Company to issue a report describing how it is responding to the risk that its current and planned natural gas-based infrastructure and assets will become stranded in the face of an intensifying global response to climate change, and legislation and policy in the State of California -- one of the company's largest markets and the location of sunken and developing natural gas infrastructure -- intended to achieve 100% clean energy by 2045.

The Company Letter claims that its existing disclosures substantially implement the Proposal. Yet, the Company's disclosures do not reconcile its investment in costly natural gas infrastructure against public goals and efforts to transition toward net zero greenhouse gas emissions (GHG), including transitioning away from natural gas, especially taking into account that California constitutes a substantial portion of the Company's customer base and infrastructure.

Although the Company Letter describes examples of various measures taken to reduce greenhouse gas emissions, increase efficiency, and research projects in new renewable technologies, these disclosures are not responsive to the request of the proposal. In particular, reviewing the Company's existing disclosures:

- They do not estimate the value of assets at risk in the event of a successful policy shift in California.
- When asked to quantify "transition risk" in a public report filed with CDP, the Company asserts a potential financial impact equal to one-year revenue loss and then notes that the transition risk would depend on what infrastructure is at risk – the very question raised in the Proposal. (In contrast, other companies responding to similar requests have detailed the infrastructure and capital at risk.)
- The Company does not suggest in any of its disclosures that its assets are aligned with full decarbonization on the timeline required to meet state and global goals nor does it conclude that stranded assets will be avoided.

The Company's broad discussions of climate change and descriptions of certain responsive actions do not provide shareholders with the data or analysis requested by the Proposal. Shareholders are not seeking to understand how the Company is responding generally to climate change, rather they are asking for transparency on how the Company "is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets." This question has not been answered by the Company. The Proposal is therefore not substantially implemented and not excludable pursuant to Rule 14a-8(i)(10).

## THE PROPOSAL

**Whereas:** The Intergovernmental Panel on Climate Change released a report finding that "rapid, far-reaching" changes are necessary in the next 10 years to avoid disastrous levels of global warming.<sup>1</sup>

The energy sector plays a critical role in mitigating climate risk. Already, the sector is undergoing a rapid transition by moving away from coal, but growing reliance on natural gas creates ongoing risk. Natural gas is a major contributor to climate change due to combustion emissions and methane leaks. In 2018, gas contributed to an *increase* in power sector emissions,<sup>2</sup> jeopardizing chances of achieving reductions in line with the Paris Agreement's goal of keeping global warming below 1.5 degrees Celsius.

Building new gas infrastructure may be uneconomic and result in costly stranded assets

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<sup>1</sup> <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

<sup>2</sup> <https://www.nytimes.com/2019/01/08/climate/greenhouse-gas-emissions-increase.html>



comparable to early retirements now occurring for coal.<sup>3</sup> While some low-carbon scenarios show gas use continuing, they rely on significant carbon removal technologies -- a risky assumption given the technology has not proven economic at scale.<sup>4</sup>

Demand response, energy efficiency, renewables plus storage, and electrification are all increasingly cost-effective means of serving energy needs while reducing gas use and climate impacts.<sup>5</sup> City governments, in recognition of natural gas climate impacts, are setting policies prohibiting gas hookups for new buildings in favor of safer, healthier electric buildings.<sup>6</sup> Furthermore, the state of California has set ambitious mid-century clean energy targets,<sup>7</sup> San Diego is pursuing 100 percent clean energy programs,<sup>8</sup> and civil society pressure continues to mount against fossil fuels. As this opposition to gas grows, Sempra has increased lobbying of local officials to support gas over electrification through proposals that run counter to ratepayer and climate considerations.<sup>9</sup>

Sempra's existing climate targets are short term, and investors lack sufficient information to understand if or how the Company can reconcile its reliance on natural gas with achieving California's decarbonization targets. The Company's disclosures indicate Sempra is continuing to invest in expensive natural gas-related infrastructure and is not sufficiently addressing how those assets and their depreciation timelines reconcile with state decarbonization goals.<sup>10</sup> Notably,<sup>11</sup> the company has proposed increased investment in renewable natural gas. While renewable gas from organic waste material<sup>12</sup> can provide climate benefits compared to fossil gas, renewable natural gas has significant supply constraints<sup>13</sup> and is unlikely to provide the majority of Sempra's future energy needs.

Peer utilities, including NextEra<sup>14</sup> and Xcel,<sup>15</sup> have avoided investing in new gas infrastructure by replacing coal assets with renewables and storage, creating win-win solutions. Shareholders are concerned Sempra is lagging behind and exposing itself to climate-related risks by investing

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<sup>3</sup> <https://rmi.org/a-bridge-backward-the-risky-economics-of-new-natural-gas-infrastructure-in-the-united-states/>

<sup>4</sup> <https://www.ipcc.ch/sr15/chapter/chapter-2/>

<sup>5</sup> <https://www.utilitydive.com/news/renewables-storage-poised-to-undercut-natural-gas-prices-increase-strande/562674/>

<sup>6</sup> <https://www.houstonchronicle.com/business/energy/article/Cities-target-gas-heaters-stoves-in-new-front-of-14537156.php>

<sup>7</sup> <https://www.greentechmedia.com/articles/read/its-official-gov-brown-signs-100-clean-energy-into-law#gs.8TFSrm4>

<sup>8</sup> <https://www.nbcsandiego.com/news/local/San-Diegos-Next-Steps-for-Achieving-100-Renewable-Energy-509333451.html>

<sup>9</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>

<sup>10</sup> <http://investor.sempra.com/static-files/b56277cd-bd7a-43cb-ad18-73015843895b>, p.34, p.65

<sup>11</sup> <https://www.sempra.com/sites/default/files/content/files/node-page/file-list/2019/2018-corporate-sustainability-report-semprav2.pdf>, p.7

<sup>12</sup> <https://www.socalgas.com/smart-energy/renewable-gas/what-is-renewable-natural-gas>

<sup>13</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=18-IEPR-01; TN 226392>

<sup>14</sup> <https://www.greentechmedia.com/articles/read/nextera-inks-even-bigger-windsolarstorage-deal-with-oklahoma-cooperative>

<sup>15</sup> <https://www.utilitydive.com/news/lazard-renewables-can-challenge-existing-coal-plants-on-price/541965/>

in significant gas holdings that may become stranded.

**Resolved:** Shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

## BACKGROUND

“We have been talking about, for the last few years, gas as the bridge . . . . There is an inevitability about bridges, which is that sooner or later you get to the end of the bridge.”<sup>16</sup>

Current global scientific analysis indicates that natural gas production must decline in order to meet the goals of the Paris Agreement.<sup>17</sup> Peter Erickson, a senior scientist with the Stockholm Environment Institute and one of the UN Environmental Programme 2019 Report’s authors, explains, “Globally, coal, oil and gas production all need to decline whether we’re talking about a 2 degrees scenario or a 1.5 degree scenario....So any [production] increase is without question going in the wrong direction and only increases this concept of a fossil fuel production gap.”<sup>18</sup> *Natural gas’ position as the fossil fuel with the least emissions when burned*<sup>19</sup> does not alter this result.<sup>20</sup> (emphasis added).

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<sup>16</sup> Julia Pyper, “Where Does the Natural Gas ‘Bridge’ End?”, GreenTech, January 27, 2020, <https://www.greentechmedia.com/articles/read/natural-gas-bridge-nearing-end>.

<sup>17</sup> As reflected in Intergovernmental Panel on Climate Change (“IPCC”) research and the UN Environmental Programme 2019 Report, *The Production Gap*.

<sup>18</sup> Nathaniel Gronewold, “Planned Fossil Fuel Extraction Would Blow Past Warming Limits”, E&E News, Scientific American, November 22, 2019, <https://www.scientificamerican.com/article/planned-fossil-fuel-extraction-would-blow-past-warming-limits/>

<sup>19</sup> In a best case scenario, switching electricity generation from coal to natural gas only reduces carbon dioxide emissions by half, and methane leaks from the natural gas supply chain further contribute to natural gas’ significant climate impact. Methane emissions across the U.S. supply chain have been found to be up to 60 percent higher than estimated by the Environmental Protection Agency (EPA), equivalent to 2.3 percent of U.S. gas production. See <https://www.eia.gov/tools/faqs/faq.php?id=73&t=11>; and <https://science.sciencemag.org/content/361/6398/186>

<sup>20</sup> The UNEP Report further explains that natural gas is no longer functioning as a “bridge” or “transition” fuel: “Over the past decade, some researchers — and many industry representatives — have suggested that natural gas could serve a valuable role as a “transition fuel.” They argue that gas could replace more carbon-intensive coal and oil while lower-carbon technologies mature, and could help integrate more variable renewables into existing systems. Accordingly, some have seen natural gas as a potential “bridge” to a lower-carbon future. However, more recent studies have increasingly questioned the extent to which gas can play a bridging role. Research has found that increasing natural gas production, and the resulting decrease in gas prices, may instead lead to a net increase in global emissions and risk delaying the introduction of near-zero-emission energy systems. This is due to three principal factors: methane leakage from natural gas systems is often significantly higher than estimated in inventories; lower prices and greater availability of natural gas stimulate higher overall energy use and emissions; and the rapid advance of renewable energy and battery technologies has decreased the need for a potential gas bridge. Thus, the continued rapid expansion of gas supplies and systems risks locking in a much higher gas trajectory than is consistent with a 1.5° C or 2° C future.” (Emphasis added, internal

A December 2019 study by researchers at Stanford University found that natural gas use has grown so quickly that greenhouse gas emissions from natural gas over the past six years have surpassed the decline in emissions resulting from a reduced use of coal,<sup>21</sup> underscoring the need to end investment in natural gas infrastructure.

Regulators, as well as investment and economic analysts, are increasingly recognizing the need to sharply regulate and curtail carbon dioxide emissions from every sector. Since the 2015 Paris Climate Agreement, regulatory activity to tackle greenhouse gas emissions on the local, national, and international level has accelerated. Several governments have adopted policies to restrict fossil fuel production: the governments of Belize, Costa Rica, France, Denmark, and New Zealand have all enacted partial or total bans or moratoria on oil and gas exploration and extraction.<sup>22</sup>

In the U.S., ten states, Washington D.C., and Puerto Rico, have committed to 100 percent clean energy at or before 2050.<sup>23</sup> The Influential states of California and New York have instituted even greater ambitions to achieve net zero greenhouse gas emissions economy wide.<sup>24</sup> Significantly, cities are moving to restrict the use of natural gas for heating and cooking in buildings in favor of cleaner, electrification alternatives -- in California alone, 21 cities have passed legislation banning or disincentivizing gas infrastructure, with others likely to follow suit.<sup>25</sup> New York City<sup>26</sup> recently announced it will “stop any new infrastructure, such as power plant expansions, pipelines, or terminals that expands the supply of fossil fuels,”<sup>27</sup> including natural gas.

### California Context

California has set a regulatory requirement of 60% renewable energy by 2030 and 100% zero carbon electricity by 2045;<sup>28</sup> the state has also adopted an economy wide 2045 carbon-neutrality goal.<sup>29</sup>

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citations omitted) The Production Gap: 2019 Report. UN Environmental Programme. Page 18, Box 2.2 Gas as transition fuel?

<https://wedocs.unep.org/bitstream/handle/20.500.11822/30822/PGR19.pdf?sequence=1&isAllowed=y>

<sup>21</sup> R B Jackson, P Friedlingstein, R M Andrew, J G Canadell, C Le Quéré, G P Peters, “Persistent fossil fuel growth threatens the Paris Agreement and planetary health”, Environmental Research Letters, Vol. 14, Num. 12 (December 2019). <https://iopscience.iop.org/article/10.1088/1748-9326/ab57b3>

<sup>22</sup> The Production Gap: 2019 Report. UN Environmental Programme, p. 5.

<https://wedocs.unep.org/bitstream/handle/20.500.11822/30822/PGR19.pdf?sequence=1&isAllowed=y>

<sup>23</sup> <https://news.energysage.com/states-with-100-renewable-targets/>

<sup>24</sup> <https://www.ca.gov/archive/gov39/wp-content/uploads/2018/09/9.10.18-Executive-Order.pdf>

<sup>25</sup> <https://www.sierraclub.org/ready-for-100/commitments>

<sup>26</sup> <https://www.sierraclub.org/articles/2019/12/forward-looking-cities-lead-way-gas-free-future>

<sup>27</sup> <https://www1.nyc.gov/office-of-the-mayor/news/064-20/state-the-city-2020-mayor-de-blasio-blueprint-save-our-city#/0>

<sup>28</sup> <https://focus.senate.ca.gov/sb100/faqs>

<sup>29</sup> <https://wayback.archive-it.org/5763/20180921190053/https://www.gov.ca.gov/2018/09/10/governor-brown-signs-100-percent-clean-electricity-bill-issues-order-setting-new-carbon-neutrality-goal/>

The California Public Utilities Commission (CPUC) stated, in issuing a new rulemaking on January 27<sup>th</sup> 2020, that “over the next 25 years, state and municipal laws concerning greenhouse gas emissions will result in the replacement of gas-fueled technologies and, in turn, reduce the demand for natural gas.”<sup>30</sup> The CPUC also has noted that “in order to ensure safe and reliable natural gas service at just and reasonable rates in California, the Commission will...implement a long-term planning strategy to manage the state’s transition away from natural gas-fueled technologies to meet California’s decarbonization goals.”<sup>31</sup>

In the state’s policymaking circles, discussion of a natural gas transition has begun – a draft report<sup>32</sup> has been issued laying out the California Energy Commission’s strategic thinking on a transition from natural gas. Other reports detail how winding down gas use in a managed fashion can generate large savings for California.<sup>33</sup> Major population centers such as L.A. and Oakland are initiating serious efforts to bypass gas.<sup>34</sup>

### **Natural Gas Infrastructure and Sempra**

To be successful in avoiding catastrophic climate change, the consensus of climate experts is that gas production, like oil and coal production, must phase down over the next several decades. Thus, companies must begin planning for structural change, a process which requires long planning horizons and implementation timelines. In contrast to Sempra, many utility companies are already demonstrating such planning by announcing policies to reduce their climate footprints and instituting action to align with Paris goals, including by setting net zero by 2050 reduction targets for electricity generation and/or gas distribution, as well as by accelerating adoption of renewables paired with battery storage to replace coal.<sup>35</sup>

In the face of global climate change, a major strategic question faces every company that continues to deeply invest in greenhouse gas-emitting fuels: what are the risks to the company associated with remaining on a path of business and investment practices that are in opposition to established goals to dramatically reduce emissions? And how do companies plan to overcome those risks? Companies such as Sempra that operate in this quickly changing environment will either face disruption, or will undertake advanced planning that adequately addresses risks to investor capital.

Yet Sempra, the largest natural gas distribution company in the U.S. -- its California-based

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<sup>30</sup> <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M324/K792/324792510.PDF>

<sup>31</sup> *Id.*

<sup>32</sup> California Energy Commission, Natural Gas Distribution in California’s Low-Carbon Future: Technology Options, Customer Costs, and Public Health Benefits, October 2019.

<sup>33</sup> <https://energyinnovation.org/wp-content/uploads/2020/01/Insights-from-the-California-Energy-Policy-Simulator.pdf>

<sup>34</sup> <https://www.latimes.com/environment/story/2019-12-10/los-angeles-hydrogen-fueled-intermountain-power-plant>, <https://www.greentechmedia.com/articles/read/oakland-to-swap-jet-fueled-peaker-plant-for-urban-battery>

<sup>35</sup> [https://www.xcelenergy.com/carbon\\_free\\_2050](https://www.xcelenergy.com/carbon_free_2050), <https://news.duke-energy.com/releases/duke-energy-aims-to-achieve-net-zero-carbon-emissions-by-2050>, <https://www.aps.com/en/About/Our-Company/Newsroom/Articles/APS-sets-course-for-100-percent-clean-energy-future>

subsidiaries include SoCalGas with 21.7 million customers and SDG&E with 1.4 million power customers and nearly 900,000 gas customers,<sup>36</sup> has failed to undertake and disclose this crucial planning. Given Sempra's substantial operations in California, and given California's climate ambitions, Sempra's natural gas infrastructure appears to face a particularly heightened risk of asset stranding.

Shareholders believe that failure to consider these risks – consideration that would include advanced planning and sufficient time to implement and guide the Company through an economy increasingly influenced by climate change – risks investor capital. This understanding of climate risk is being echoed in the uppermost echelons of finance. In a letter issued on January 14, 2020 by Larry Fink, CEO of BlackRock -- the world's largest asset manager with over \$7 trillion in assets under management -- the asset manager states that "climate change has become a defining factor in companies' long-term prospects."<sup>37</sup>

To date, the Company has not analyzed or addressed the long term risks to its natural gas infrastructure and future planned investments. The current Proposal offers shareholders the opportunity to understand and weigh in on this critical matter.

## ANALYSIS

**The Proposal is not excludable under Rule 14a-8(i)(10) because the Company's disclosures do not substantially implement the Proposal.**

*The information provided does not satisfy the essential objective of the proposal -- that the Company describe its response to the risk of stranded natural gas infrastructure and assets.*

For a Company to meet its burden of proving substantial implementation pursuant to Rule 14a-8(i)(10), the actions and analysis in question must compare favorably with **the "essential purpose" of the Proposal.**

The resolved clause of the Proposal asks the Company to describe how it is responding to the risk of stranded assets of planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

What would investors who vote in favor of this proposal expect to be included in Company disclosures? Reading through the proposal in its entirety, it is apparent what would constitute, and *not* constitute, implementation of the essential purpose of the proposal.

In the Whereas clauses, the first through third paragraphs provide background on the urgency of

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<sup>36</sup> <https://www.sempira.com/about-us/our-companies>

<sup>37</sup> <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

carbon reduction, and set the table for discussion of stranded assets. The fourth paragraph discusses the specific threat of electrification in the elimination of gas hookups in new buildings, including statewide and local efforts that will impact SoCal, Sempra's major subsidiary in California. The paragraph concludes with a discussion of the Company's efforts to lobby local officials to continue to sustain the use of gas against electrification.

The fifth paragraph then provides the details as to what is lacking in current Sempra activities and disclosures.

We learn that **Sempra's existing climate targets are short term.** We also learn that, based on the company's existing disclosures, the company is continuing to invest in expensive natural gas related infrastructure. The proposal also notes that the Company is investing in some renewable energy and efficiency measures that, according to the Proposal, are unlikely to provide the majority of Sempra's future energy needs.

The sixth paragraph describes how peers are going further than the company to set greenhouse gas reduction goals in line with global climate goals to avoid the potential of stranded assets.

This background thus informs the essential purpose and assessment of whether and how a disclosure would be responsive to the Proposal.

Specifically, based on the fifth paragraph of the whereas clauses one would expect:

- Sufficient information to understand if or how the Company can reconcile its growing reliance on natural gas with the state's ambitious long-term goals.
- An examination of the current efforts to build out gas infrastructure, squaring costs and depreciation timelines against climate stability goals and against the existence of increasingly low cost, clean energy pathways.
- Discussion of the company's renewable energy projects and initiatives and the extent to which they are actually going to substantially prevent stranded assets.

It is clear that the Company has not made such disclosures, and has not therefore addressed the Proposal's fundamental purpose that the Company respond to the risk of stranded assets. Therefore the proposal is not excludable pursuant to Rule 14a-8(i)(10).

***a. The Company's transition risk disclosures fail to identify assets at risk***

The failure of the Company to estimate potential stranded assets is highlighted by its limited disclosure on transition risk to CDP in 2019. (Exhibit 1) The company's 2019 disclosure to CDP under the discussion of "transition risk" notes a \$6 billion "potential financial impact" – which is inexplicably the equivalent of one year of revenue for its natural gas utility and other energy businesses. The Company also makes clear that this particular figure is highly uncertain:

An estimate of financial impact is difficult to determine with specificity, as it depends on the infrastructure in question. The number above represents revenues from our natural gas utility and other energy-related businesses in 2018.<sup>38</sup>

The notion of assigning one year's revenue as the Company's total climate transition risk, without having identified the infrastructure likely to be at risk, is arbitrary and not responsive to the Proposal's request. Moreover, the Company fails to address how adding new gas infrastructure makes sense given growing transition risk.

***b. The Company's disclosures regarding its various sustainability efforts and projects are not responsive to the Proposal's inquiry regarding Company response to the risk of stranded natural gas assets***

Reading the Company Letter, one would think that the Company has misconstrued the purpose of the Proposal as describing its responses to climate change *in general*. The Company laudably claims that it currently provides “cleaner” energy to customers, only loses small amounts of methane from certain operations, and is working to develop efficiency and renewable energy strategies as part of its response to the problem of climate change.

There is no evidence offered by the Company, however, that such methane emissions reductions or modest increases in renewable energy production are sufficient to prevent the Company's massive natural gas resources or infrastructure from being subject to early retirement as the State of California moves towards a 100% clean grid. California's clean energy goal envisions a “fully renewable energy grid *devoid of fossil fuels* by 2045.”<sup>39</sup> (emphasis added). How does the Company's current fossil-fuel based system fit within this planned regulatory future without stranding? Sempra has offered no plans or report as to how the two are compatible. If the Company believes that its various emissions reduction actions are sufficient to avoid the risk of stranded assets, the requested report should fully demonstrate how this is the case.

***i. Renewable natural gas will not eliminate infrastructure risk***

The Company suggests that its publications regarding the introduction of renewable natural gas (RNG) projects are disclosures responsive to the essential purpose of the Proposal, noting that RNG enables “carbon-negative energy” and that the Company has set a 20% by 2030 RNG target for SoCalGas. In reality, while RNG processes (involving sources such as farm waste and landfills) can have climate benefits, particularly for sectors such transportation and nearby industries,<sup>40</sup> the company has made no suggestion, and the available evidence strongly contradicts the idea, that these RNG products are scalable to displace infrastructure at risk.<sup>41</sup>

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<sup>38</sup> In contrast, other companies such as PNM have provided a clear listing for customers of assets at risk in an environment of aggressive climate policies.

<sup>39</sup> <https://finance.yahoo.com/news/california-close-passing-bill-require-152818069.html>

<sup>40</sup> <https://energynews.us/2019/02/14/west/analysis-why-utilities-arent-doing-more-with-renewable-natural-gas/>

<sup>41</sup> Research provided to the California Energy Commission found that use of RNG for distribution applications for rate-paying customers or for electricity generation may not prove cost-effective or achieve the long-term climate



SoCalGas' goal of "20% of the natural gas delivered to core customers... by 2030" highlights this shortcoming, leaving the remaining 80% of its fossil gas, as well as the entirety of Sempra's other gas-reliant California businesses, unaddressed and at risk of stranding as the state of California moves to reach its carbon-neutrality by 2045 ambition.<sup>42</sup> Similarly, Sempra refers vaguely to the potential role processes like "electrolysis" and "biomethanation" could play in its energy system, but does not indicate that such technologies are viable, appropriately scalable, or on pace to sufficiently mitigate the Company's natural gas' climate impact or to justify continued investment in related infrastructure over available alternatives.

***c. Company Disclosures Demonstrate A Continued Expansion of Natural Gas Assets in North America and Worldwide, Despite Growing Climate Risk***

The Company's disclosures demonstrate it is continuing to expand natural gas assets in North America and worldwide, increasing its exposure to the risk of natural gas asset stranding. While the Proposal requests information on how the Company can prepare for the possibility of reduced demand, the Company has neglected to consider that possibility, stating that its strategy "relates to expected continued (and increasing) demand for natural gas, which indicates a continued need for natural gas-based infrastructure and assets for years to come." (Company Letter, page 5-6).

The company states that it and others are taking actions to make natural gas resources indispensable: "[the Company] is taking various actions...so that its current and planned natural gas-based infrastructure and assets are *necessary parts of the solution* to the global response to climate change intensifying," (Company Letter, page 5). The Company states that by "growing [its] energy infrastructure businesses, [the Company] will connect even more consumers with cleaner energy, supporting greenhouse gas emissions reduction efforts worldwide."

The Company asserts, but does not explain how the Company's gas systems will facilitate "a transition toward a carbon-free system." Throughout the Company Letter, Sempra points to the fact that the climate impacts of natural gas and in particular LNG are lower than other fossil fuels. This does not answer the question posed by Proponents, which asks the Company to explain how it will address the potential that natural gas and LNG infrastructure will become stranded as the world pursues Paris-aligned, *zero carbon* energy solutions. The Company's disclosures demonstrate it is continuing to expand natural gas assets in California, North America, and worldwide, increasing its exposure to the risk of natural gas asset stranding. This does not substantially implement Proponent's request.

***d. Given California's Context, Sempra's Response is Especially Insufficient.***

California, where Sempra is investing heavily in natural gas infrastructure, is leading the way

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targets sought locally and globally. <https://ww2.energy.ca.gov/2019publications/CEC-500-2019-055/CEC-500-2019-055-D.pdf>, p.iii, p.1, p.4

<sup>42</sup> <https://www.ca.gov/archive/gov39/wp-content/uploads/2018/09/9.10.18-Executive-Order.pdf>



toward a dramatically reduced greenhouse gas energy system and putting laws and plans in place to transition away from natural gas.

On January 16, 2020, the California Public Utilities Commission began a rulemaking specifically focused on the need to better analyze long-term gas plans and manage the state's transition away from natural gas-fueled technologies.<sup>43</sup> In considering long-term natural gas policy and planning, the Utilities Commission stated:

“State laws establishing greenhouse gas reduction requirements are expected to reduce the demand for natural gas in California as retail electricity will be primarily sourced from carbon-free generation sources. While no state law currently mandates building decarbonization, residential and industrial use of gas-fueled heating and cooling appliances could nevertheless decline as municipalities have begun to pass legislation limiting the use of gas.”<sup>44</sup> (emphasis added).

Numerous California cities and counties are moving to restrict new construction involving use of natural gas as a basis for heating and cooking in buildings, in favor of electrification alternatives. The Company's response is to push an effort in other communities to seek to retain natural gas. The Company states in its letter, that “more than 110 local governments across Southern California... have passed resolutions that urge policymakers to safeguard consumers' ability to choose natural gas, propane, or electric appliances for their homes and business.” As the Los Angeles Times has reported:

In city council chambers across Southern California, SoCalGas is working to convince local officials that policies aimed at replacing gas with electricity would be wildly unpopular.<sup>45</sup>

Given this reference to local governments in the Company's Letter, the Proponent is left to wonder whether Sempra is actually staking avoidance of stranded asset risk on its town-by-town lobbying practices, at the expense of ratepayer and climate considerations.<sup>46</sup> If this legislative fight is Sempra's only long term business plan to avoid stranded assets, the Company should report to investors on prospects for successfully protecting its fossil fuel based energy infrastructure through this strategy and how this local strategy reconciles with the more rigorous statewide climate goals of a state that is already grappling with massive climate impacts, including routine uncontrollable fires that erase entire towns.<sup>47</sup>

Alternatively, Sempra may be basing its investments on a belief that California's energy goals will simply be unsuccessful. Sempra subsidiary SoCalGas in its 2019 report “California's Clean Energy Future: Imagine the Possibilities” recognizes the State's ambitious goals for reaching one

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<sup>43</sup> <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M324/K792/324792510.PDF>, p.2.

<sup>44</sup> <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M324/K792/324792510.PDF>, p.16.

<sup>45</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>

<sup>46</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>

<sup>47</sup> <https://www.kqed.org/science/1945910/socalgas-admits-funding-front-group-in-fight-for-its-future>

hundred percent clean energy and carbon neutrality by 2045, but then the report makes a pitch for perpetuating the use of natural gas, and continuing to build natural gas infrastructure stating that “**There is no clear path today to reach California’s carbon neutral vision**”. . . . solar, wind, and batteries alone will not get California where it wants to go.”<sup>48</sup>

Despite Sempra’s belief that the State’s clean energy goals may be difficult to achieve, it must address the reality of those goals. The Company’s climate targets are short term, and investors lack sufficient information to understand if or how the Company can reconcile its reliance on fossil-fuel based natural gas with the state’s carbon neutrality goals. In the absence of effective planning for full implementation of the state’s clean energy goals, Sempra’s business could be disrupted. This necessitates estimation of assets at risk, and plans to avoid stranding of assets. Hence the request of the Proposal, which has not been adequately addressed.

#### **e. Summary of inadequacy of company disclosures**

The Proposal asks for a report on Company-level risk regarding natural gas assets and the Company’s strategic response to that risk in an evolving global and national economy where climate change is playing an increasingly pivotal role. While Sempra touches upon the subject of climate change and natural gas in a broad sense in its various disclosures, the Company’s response and solutions do not address the “essential objective” of the Proposal – a report “describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets.”

The Company’s existing disclosures do not estimate the value of assets at risk consistent with declared legislative and statewide policy positions. The reporting by the Company does not offer a scenario where natural gas phase down consistent with the state’s long-term climate goals could be achieved without stranding of assets. The same type of scenario analysis may be necessary for other regions as well.

If the Company has found that the climate impacts of its assets are aligned with full decarbonization, on the timeline required to meet state and global carbon reduction goals, it should provide such an analysis to shareholders and explain how the climate impacts of those assets will be sufficiently reduced. Current disclosures indicate that the Company has not done such an analysis despite the fact that the climate impacts of its gas assets, current and planned are not compatible with such goals.

Put simply, shareholders lack critical information on Sempra’s long term climate-related plans, how depreciation timelines and carbon emissions for gas assets reconcile with medium and long-term climate goals, and how Sempra could respond to a scenario in which demand for natural gas is dramatically limited by additional climate actions and new technologies.

#### ***Cases Cited by Sempra Are Distinguishable***

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<sup>48</sup> <https://www.socalgas.com/vision>

The Company cites prior Staff decisions finding substantial implementation at a series of energy companies. Those cases are inapposite here. The company cites *PNM Resources, Inc.* (avail. Mar. 30, 2018), a case specifically on point as to the issue of stranded assets, where a proposal requested that PNM "prepare a public report identifying all generation assets that might become stranded due to global climate change within the next fifteen years, quantifying low, medium, and high financial risk associated with each asset." At issue in PNM was coal, rather than natural gas, but the focus on stranded assets was similar to the current proposal. As the Company Letter notes, the Staff agreed that various company public disclosures made available on its sustainability website "compare[d] favorably with the guidelines of the Proposal" despite being in a different format than contemplated by the Proposal." While the PNM disclosures were similar to the Company's in describing elements of its transition plan, contrary to the case here, the report directly responded to the issue of stranded assets:

The Generation Portfolio Report details information regarding PNM's generation portfolio, and **includes a discussion about the manner in which a generation asset may be deemed to be a stranded asset in light of the regulatory and other factors that impact such a determination. The Generation Portfolio Report also includes, for each generation facility, the fuel type and book value associated with such generation asset.** The Company notes that because the Generation Portfolio Report identifies all owned generation assets, such document provides even more information than the guidelines of the Proposal. [emphasis added]

No such claim is made in the present instance. In fact, as demonstrated in the Company's CDP disclosure, the company's response to transition risk is to arbitrarily assign a year's worth of revenue as being at risk and stating that the risk will depend on which infrastructure will be stranded. That is the question that Proponents pose in the Proposal here – what assets are at risk and how will the company avoid stranding of those assets? Answering a question with a guess and a question is insufficient.

***Recent Cases Find that General Statements about an Issue Area Are Insufficient to Demonstrate Substantial Compliance with a Proponent's Specific Request***

Review of other recent energy sector decisions in which a claim of substantial implementation was denied demonstrates similarities to the present instance. In *Exelon Corporation* (March 12, 2019), shareholders requested that the company publish an annual report of "actually incurred Company costs and associated actual/significant benefits accruing to shareholders, public health and the environment from the Company's environment-related activities that are voluntary and exceed federal/state regulatory requirements." Existing company disclosures demonstrated that the company had voluntarily reduced greenhouse gas emissions, had long-term greenhouse gas reduction goals, had divested from coal and invested in nuclear, wind, solar and hydro-generating capacity. Additionally, the company's Corporate Sustainability Report detailed how

the company's utilities:

“had invested almost \$5.3 billion in 2017 in electric transmission, electric distribution and gas distribution systems, which had brought about a wide range of system and customer benefits, such as providing enhanced information to help identify and respond to power outages and better monitor circuit voltage, saving customers money and avoiding excess greenhouse gas emissions. These investments helped customers save over 19.2 million megawatt-hours, which equates to almost 8.7 million metric tons of CO2 emissions avoided.”

The proponent argued that the company's disclosures did not present the type of *assessment* requested in the proposal. Staff agreed. The disclosures, including reporting via the Carbon Disclosure Project and other certification agencies, was not deemed sufficient to substantially implement the proposal's request for assessment of costs and benefits accruing to shareholders. Accordingly, the Staff did not permit exclusion on the basis of Rule 14a-8(i)(10).

An identical proposal was brought in *Duke Energy Corporation* (March 12, 2019). There, Duke, like *Exelon*, argued that the proposal had been substantially implemented because the company discussed costs and benefits in its annual Sustainability Report, in its 2017 Climate Report<sup>1</sup> and, most significantly, in the Integrated Resource Plans (IRPs) publicly filed by its utility subsidiaries. Duke added that the company's IRPs included detailed cost analyses and assumptions used in scenario planning, which addressed the proposal's inquiries relative to costs. As with Exelon, the staff did not find that the cited analyses were responsive to the Proponent's actual request and denied exclusion on the basis of Rule 14a-8(i)(10).

In *Exxon Mobil Corporation* (March 28, 2019), the proposal at issue requested assessment of public health risks related to the company's expanding petrochemical operations and investments in areas increasingly prone to climate change-induced storms, flooding, and sea level rise.. The company argued that existing reporting in its 2018 Energy & Carbon Summary (“ECS”), its Sustainability Report, the company's Form 10-K and other material made available by the Company on its website, substantially implemented the essential objective of the proposal.

The proponents argued in response that the company's safety-related and other disclosures described in the Company Letter did not meet the objectives of the Proposal.

“Reported actions do not appear to have prevented the Company's facilities from harming or endangering nearby communities. In fact, community risk appears to be increasing. Since the impacts of climate change are escalating, Exxon Mobil Corporation has a clear responsibility to shareholders to account for whether and how it might improve measures to mitigate public health consequences from chemical releases during extreme weather events. Disclosures provided to date have yet to satisfy this Proposal.”

Thus, in spite of extensive disclosure on related topics, the company's actions failed to substantially implement the specific request of the proposal. The Staff did not concur with the

company's request for exclusion on the basis of Rule 14a-8(i)(10).

In another Exxon proposal, *Exxon Mobil* (April 2, 2019), Staff similarly did not agree that similar or generally related actions were adequate to address the Proponent's specific request. In that case, the company sought exclusion, on the basis of Rule 14a-8(i)(10), of a proposal requesting that the board charter a new board committee on climate change. The company argued that an existing board committee, the Public Issues and Contributions Committee ("PICC"), already addressed the objective of the Proposal to have independent board members directly responsible for review and oversight of climate strategy and the impact of climate change. The company explained that it considered climate-related matters to already be integrated into multiple aspects of the Company's business and board oversight responsibilities and that 'climate change' need not be treated as a "discrete specialty topic to be separately addressed [by a unique committee]." The company further argued that it already had a "focused board committee on climate change," and therefore had substantially implemented the Proposal. The proponents countered that establishing the committee would clarify the fiduciary duties of committee members, and further that the existing committee structure and agenda left little room for focus on climate change, and thus did not satisfy the proposals request for a focused committee, in which climate change would be the sole priority. The Staff concurred with the proponents, declining to find exclusion on the basis of Rule 14a-8(i)(10).

The same type of failure to meet the essential purpose and guidelines of the proposal at issue has resulted in a lack of substantial implementation in many proposals outside the energy sector. In one recent example, *PepsiCo, Inc.* (March 8, 2019), shareholders requested that the Company disclose quantitative metrics demonstrating measurable progress toward the reduction of synthetic chemical pesticide use in the Company's supply chain. The proposal's supporting statement suggested that disclosure include information on the percentage of supply chain use of pesticides in supply-chain crops, an assessment of the operational and reputational risks posed to the Company by use of pesticides in its supply chain, and metrics demonstrating success in increasing the portion of supply chain crops grown with integrated pest management practices.

The Company argued that it had substantially implemented the proposal because it had already reported metrics on increased uptake of integrated pest management. Proponents replied that this disclosure did not satisfy the proposal's core request for quantitative indicators correlating with reducing pesticide use. Nor had the Company published an assessment of related operational and reputational risks. Accordingly, the Proposal was not considered substantially implemented by the Staff, and not excludable under Rule 14a-8(i)(10).

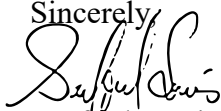
As demonstrated by these precedents, a request for a report on stranded assets is not fulfilled by disclosing some information that is generally relevant to the request, nor is it adequate that some related information may be obtainable in a variety of sources if shareholders were to undertake a research project and attempt to correlate that research with the company's resources, plans, costs, operations, etc. Access to partial information in scattered locations does not fulfill the request for a Company report assessing the potential that its current and future natural gas infrastructure may become stranded, and what the Company's likely business response to such vulnerability may be.

Only the Company can offer an adequate assessment to shareholders, as requested by the Proposal.

### **CONCLUSION**

The Company has provided no basis for the conclusion that the Proposal is excludable from the 2020 proxy statement pursuant to Rule 14a-8. As such, we respectfully request that the Staff inform the company that it is denying the no action letter request.

Sincerely,



Sanford Lewis

Cc: Elizabeth Ising  
Danielle Fugere

## **Exhibit 1**

### **Sempra Risk Disclosures**

**Excerpts From 2019 CDP Survey**

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Transition risk

**Primary climate-related risk driver**

Technology: Substitution of existing products and services with lower emissions options

**Type of financial impact**

Reduced demand for products and services

**Company- specific description**

Climate change policy and public sentiment has encouraged the development of low and zero carbon energy resources and related new technologies such as the push toward electrification and energy storage. Emerging technologies may not be directly compatible with some existing infrastructure; may require us to make expenditures; and/or could possibly result in the obsolescence of certain facilities or assets. Our future success will depend, in part, on our ability to anticipate and successfully adapt to political and technological change; to offer services that meet customer needs and industry standards; and be in a position to recover all, or a portion of our investments. For our California utilities, political headwinds and technologies that could change the utilization of our natural gas and electric infrastructure include energy storage and distributed generation. California legislators and stakeholder, advocacy and activist groups have expressed a desire to further limit or eliminate reliance on natural gas as an energy source by advocating increased use of renewable energy and

electrification in lieu of the use of natural gas. With utilities that deliver natural gas to customers, a substantial reduction or the elimination of natural gas as an energy source in California could have a material adverse effect on SDG&E's, SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations. Sempra LNG works to develop infrastructure to liquefy natural gas for distribution to customers around the world. Technological advances in alternative fuels and other alternative energy sources could someday reduce worldwide demand for natural gas, impacting results for this business.

**Time horizon**

Long-term

**Likelihood**

About as likely as not

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

6,181,000,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

An estimate of financial impact is difficult to determine with specificity, as it depends on the infrastructure in question. The number above represents revenues from our natural gas utility and other energy-related businesses in 2018.

[Emphasis added]



January 2, 2020

**VIA E-MAIL**

Office of Chief Counsel  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: *Sempra Energy*  
*Shareholder Proposal of The Stewart Taggart & Rebecca W Taggart JT*  
*REV TR UAD 08/29/17 et al*  
*Securities Exchange Act of 1934—Rule 14a-8*

Ladies and Gentlemen:

This letter is to inform you that our client, Sempra Energy (the “Company”), intends to omit from its proxy statement and form of proxy for its 2020 Annual Meeting of Shareholders (collectively, the “2020 Proxy Materials”) a shareholder proposal (the “Proposal”) and statements in support thereof (the “Supporting Statement”) received from As You Sow on behalf of The Stewart Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17, the Maida L Brankman Revocable Trust and the Wynnette M. LaBrosse Trust, the Congregation of Divine Providence and the Providence Trust (collectively, the “Proponents”).

Pursuant to Rule 14a-8(j), we have:

- filed this letter with the Securities and Exchange Commission (the “SEC”) no later than eighty (80) calendar days before the Company intends to file its definitive 2020 Proxy Materials with the SEC; and
- concurrently sent copies of this correspondence to the Proponents.

Rule 14a-8(k) and Staff Legal Bulletin No. 14D (Nov. 7, 2008) (“SLB 14D”) provide that shareholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the SEC or the staff of the Division of Corporation Finance (the “Staff”). Accordingly, we are taking this opportunity to inform the Proponents that if the Proponents elect to submit additional correspondence to the SEC or the Staff with respect to this Proposal, a copy of that correspondence should be sent at the same time to the undersigned on behalf of the Company pursuant to Rule 14a-8(k) and SLB 14D.

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 2

## THE PROPOSAL

The Proposal states:

**Resolved:** Shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

A copy of the Proposal and related correspondence from the Proponents is attached hereto as Exhibit A.

## BASIS FOR EXCLUSION

We hereby respectfully request that the Staff concur in our view that the Proposal may be excluded from the 2020 Proxy Materials pursuant to Rule 14a-8(i)(10) because the Company has substantially implemented the Proposal.

## ANALYSIS

### **The Proposal May Be Excluded Under Rule 14a-8(i)(10) As Substantially Implemented.**

#### *A. Background*

Rule 14a-8(i)(10) permits a company to exclude a shareholder proposal from its proxy materials if the company has “substantially implemented” the proposal. The SEC stated in 1976 that the predecessor to Rule 14a-8(i)(10) was “designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management.” Exchange Act Release No. 12598 (July 7, 1976) (“1976 Release”). Originally, the Staff narrowly interpreted this predecessor rule and concurred with the exclusion of a proposal only when proposals were “‘fully’ effected” by the company. *See* Exchange Act Release No. 19135 (Oct. 14, 1982). By 1983, the SEC recognized that the “previous formalistic application of [the Rule] defeated its purpose” because proponents were successfully avoiding exclusion by submitting proposals that differed from existing company policy in minor respects. Exchange Act Release No. 20091, at § II.E.6. (Aug. 16, 1983) (“1983 Release”). Therefore, in the 1983 Release, the SEC adopted a revised interpretation of the rule to permit the omission of proposals that had been “substantially implemented,” and the SEC codified this revised interpretation in Exchange Act Release No. 40018, at n.30 (May 21, 1998). Applying this standard, the Staff has noted that “a determination that the company has substantially implemented the proposal depends upon whether [the company’s] particular policies, practices and procedures compare favorably with the guidelines of the proposal.” *Walgreen Co.* (avail. Sept. 26, 2013); *Texaco, Inc.* (avail. Mar. 28, 1991).

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 3

At the same time, a company need not implement a proposal in exactly the same manner set forth by the proponent. In *General Motors Corp.* (avail. Mar. 4, 1996), the company observed that the Staff has not required that a company implement the action requested in a proposal exactly in all details but has been willing to issue no-action letters under the predecessor of Rule 14a-8(i)(10) in situations where the “essential objective” of the proposal had been satisfied. The company further argued, “[i]f the mootness requirement [under the predecessor rule] were applied too strictly, the intention of [the rule]—permitting exclusion of ‘substantially implemented’ proposals—could be evaded merely by including some element in the proposal that differs from the registrant’s policy or practice.” For example, the Staff has concurred that companies, when substantially implementing a shareholder proposal, can address aspects of implementation on which a proposal is silent or which may differ from the manner in which the shareholder proponent would implement the proposal. *See, e.g., The Dow Chemical Co.* (avail. Mar. 18, 2014) (concurring with exclusion of a proposal requesting that the company prepare a report assessing short- and long-term financial, reputational and operational impacts that the legacy Bhopal disaster may reasonably have on the company’s Indian and global business opportunities and reporting on any actions the company intends to take to reduce such impacts where the company had already adopted human rights policies and provided an annual report on corporate citizenship); *Hess Corp.* (avail. Apr. 11, 2019) (proposal requesting a report on how the company can reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement’s goal was substantially implemented by the company’s recent public disclosures); *Johnson & Johnson* (avail. Feb. 17, 2006) (proposal that requested the company to confirm the legitimacy of all current and future U.S. employees was substantially implemented because the company had verified the legitimacy of over 91% of its domestic workforce). Therefore, if a company has satisfactorily addressed both the proposal’s underlying concerns and its “essential objective,” the proposal will be deemed “substantially implemented” and, therefore, may be excluded as moot. *See, e.g., Quest Diagnostics, Inc.* (avail. Mar. 17, 2016); *Exelon Corp.* (avail. Feb. 26, 2010); *Anheuser-Busch Companies, Inc.* (avail. Jan. 17, 2007); *ConAgra Foods, Inc.* (avail. July 3, 2006); *Johnson & Johnson* (avail. Feb. 17, 2006); *Talbots* (avail. Apr. 5, 2002); *Masco Corp.* (avail. Mar. 29, 1999); *The Gap, Inc.* (avail. Mar. 8, 1996).

## B. *The Company’s Public Disclosures Substantially Implement The Proposal*

The Company has published a Corporate Sustainability Report (the “Sustainability Report”),<sup>1</sup> maintains a sustainability website,<sup>2</sup> files documents with the SEC, has issued numerous press releases<sup>3</sup> and has published other reports that provide additional information

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<sup>1</sup> See Sempra Energy Corporate Sustainability Report, available at <https://www.sempra.com/sites/default/files/content/files/node-page/file-list/2019/2018-corporate-sustainability-report-semprav2.pdf>. This was the eleventh sustainability report issued by the Company, reflecting its commitment to sustainability transparency.

<sup>2</sup> Available at <https://www.sempra.com/sustainability>.

<sup>3</sup> Available at <https://www.sempra.com/newsroom/spotlight-articles>.

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 4

(collectively with the Sustainability Report, the “Sustainability Disclosures”) about the Company’s actions that are responsive to the report requested in the Proposal (which is broadly worded and does not prescribe a particular Company action to be taken or require changes to the Company’s existing strategy). As discussed below, the Company’s Sustainability Disclosures substantially implement the Proposal for purposes of Rule 14a-8(i)(10) because they implement the Proposal’s essential objective.

## 1. Background

As disclosed in its SEC filings and other public disclosures, the Company (through its subsidiaries) provides energy services to more than 40 million consumers worldwide.<sup>4</sup> The Company’s activities involving “current and planned natural gas-based infrastructure and assets” (as referenced by the Proposal) are focused in its: California public utilities (Southern California Gas Company or SoCalGas, and San Diego Gas & Electric Company or SDG&E); Sempra LNG, which develops and builds liquefied natural gas (“LNG”) facilities and natural gas storage and pipelines; and Infraestructura Energética Nova S.A.B. de C.V. or IEnova, the Company’s subsidiary that develops, builds and operates energy infrastructure in Mexico, including natural gas pipelines and storage and an LNG re-gasification facility. As disclosed in the Company’s SEC filings, most of the Company’s current natural gas assets outside of its California public utilities are under long-term contracts<sup>5</sup> or, in the case of its California public utilities, in its regulator-approved rate base.<sup>6</sup> Both directly affect the usefulness of these assets. For natural gas assets outside of the California public utilities, it generally means that customers have agreed to purchase the output of these assets for many years to come. In the case of the California public utilities, it generally means that the California regulatory agencies to which these utilities are subject have already approved their current natural gas assets and will do so with respect to future assets. As a result, the California utilities’ natural gas assets are already included in the value of property on which it is permitted to earn a specified rate of return by the California regulators, who also happen to be helping set and implement California’s decarbonization goals.

As disclosed in the Company’s SEC filings, there are risks that this approach may change given the evolving global response to climate change.<sup>7</sup> However, it is important to understand the role of natural gas in this context. While natural gas is a fossil fuel, it is the cleanest burning fossil fuel.<sup>8</sup> This means that natural gas is a lower-carbon alternative to higher-carbon intensive fossil fuels such as traditional coal-fired generation. Natural gas options include LNG, which is

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<sup>4</sup> Included in the 40 million consumers worldwide is Sempra South American Utilities, which currently is reported as discontinued operations and is under contract to be sold. The Company expects the sale to be completed in the first quarter of 2020. For that reason, we omit further discussions of these operations.

<sup>5</sup> See the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the “Form 10-K”), page 57.

<sup>6</sup> Form 10-K, page 30.

<sup>7</sup> See, e.g., Form 10-K, page 36-65.

<sup>8</sup> See What Is Natural Gas?, available at <https://www.aga.org/natural-gas/energy-education/>.

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 5

a lower-carbon energy source currently transported to consumers around the world to support efforts to shift towards lower-emissions natural gas. As a result, based on the actions that the Company is taking as described below, the Company believes that its natural gas system “can be used today to facilitate a quicker, cleaner and more affordable transition to a carbon-free system” while helping to satisfy the current and growing worldwide demand for energy.<sup>9</sup>

## 2. Disclosures About Company Responses Involving Company Strategy

The Company has disclosed that its responses to the “global response to climate change” include changes to Company strategy, which thereby reduces the chances of the Company’s “current and planned natural gas-based infrastructure and assets” becoming what the Proposal refers to as “stranded.”

The Sustainability Report describes the Company’s expectation “that the global economy will continue to shift toward lower-emission sources of energy”<sup>10</sup> and notes that the Company has responded by “incorporat[ing] this expectation of a lower-carbon economy into [its] long-term business strategy.” For example, the Sustainability Report discusses a 2018 strategic portfolio review<sup>11</sup> that resulted in the Company focusing its strategy: “[b]y growing our energy infrastructure businesses, [the Company] will connect even more consumers with cleaner energy, supporting greenhouse gas emissions reduction efforts worldwide.”<sup>12</sup> As a result, the Company’s mission includes “play[ing] a key role in the delivery of cleaner energy to customers in North America and—through [its] LNG business—worldwide.”<sup>13</sup>

In other words, the Company has disclosed to shareholders and others that it is taking various actions (including actions described below) so that its “current and planned natural gas-based infrastructure and assets” are *necessary parts of the solution* to “the global response to climate change intensif[y]ing.” And by the Company’s natural gas system “facilitat[ing] a quicker, cleaner and more affordable transition to a carbon-free system,”<sup>14</sup> it reduces the chances of those “infrastructure and assets” becoming what the Proposal refers to as “stranded.”

Moreover, the Company has disclosed to shareholders how this strategy relates to expected continued (and increasing) demand for natural gas, which indicates a continued need

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<sup>9</sup> Sustainability Report, page 34.

<sup>10</sup> Sustainability Report, page 10.

<sup>11</sup> See the Company’s Current Report on Form 8-K filed on June 28, 2018.

<sup>12</sup> Sustainability Report, page 25.

<sup>13</sup> Sustainability Report, page 10. See also the Company’s Proxy Statement for its 2019 Annual Shareholders Meeting filed on March 22, 2019 (the “2019 Proxy Statement”), pages 3-4.

<sup>14</sup> Sustainability Report, page 34.

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 6

for natural gas-based infrastructure and assets for years to come (as opposed to what the Proposal refers to as becoming “stranded”). For example, the Company’s 2019 Investor Day materials<sup>15</sup> discussed that:

- natural gas is projected to grow the most of any energy type through 2040;
- natural gas is expected to take market share from all other fossil fuels;
- LNG demand is expected to grow 75% from 2019 through 2035; and
- as a result, a shortfall in global LNG supply is projected to start in the mid-2020s.

### 3. Disclosures About Other Company Responses

The Sustainability Disclosures provide significant additional detail about how the Company is responding to the “global response to climate change” by implementing its strategy, which thereby reduces the chances of the Company’s “current and planned natural gas-based infrastructure and assets” becoming what the Proposal refers to as “stranded.”

First, the Sustainability Disclosures disclose that the Company is responding by “minimiz[ing] [its] impact, including [its] greenhouse gas emissions.”<sup>16</sup>

- This involves “deliver[ing] cleaner energy to millions of customers,” including through the Company’s natural gas distribution system.<sup>17</sup> At SoCalGas in 2018, 99.75% of the natural gas in its system successfully reached its destination—just 0.25% was lost. At SDG&E, these numbers were 99.77% delivered and 0.23% lost.<sup>18</sup> Our California utilities continue to reduce methane emissions in a number of ways, including those described in the Sustainability Report.<sup>19</sup>
- The Company also actively encourages more efficient consumption of natural gas by its customers, which has the effect of contributing to lowering greenhouse gas (“GHG”) emissions associated with the natural gas delivered by the Company. For example, SoCalGas (in partnership with the Los Angeles Department of Water & Power) recently completed a two-year, \$1 million energy efficiency project at Angelus Plaza in downtown Los Angeles. The energy efficiency upgrades are

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<sup>15</sup> See 2019 Investor Day – Sempra North American Infrastructure, slides 4-5, available at <https://investor.sempira.com/static-files/b56277cd-bd7a-43cb-ad18-73015843895b>. The third-party sources for the cited data are set forth in the relevant slides.

<sup>16</sup> Sustainability Report, page 26.

<sup>17</sup> *Id.*

<sup>18</sup> Sustainability Report, page 32.

<sup>19</sup> *Id.*



Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 7

estimated to save over \$150,000 annually in natural gas, equal to 160,000 therms of gas. This project will reduce emissions equal to taking nearly 200 cars off the road each year.<sup>20</sup>

Second, the Sustainability Disclosures disclose that the Company is responding by “actively manag[ing] climate risks.”<sup>21</sup>

- This includes the Company’s work to “set and achieve goals, including clean energy goals . . . [and] develop new energy resources and technologies, including renewable natural gas,” which is also referred to as RNG.<sup>22</sup> The Company’s investments in RNG, some of which are described below, are one example of the Company working to find ways to deliver carbon-negative energy sources—which actually reduces the GHG in the atmosphere rather than contributing to the GHG in the atmosphere.
- For example, the Sustainability Report describes how “a renewable natural gas-based system could make the entire economy – not just the energy sector – cleaner” and “captur[ing] and add[ing] [renewable natural gas] to the natural gas distribution system . . . would have a very significant effect” on reducing emissions.<sup>23</sup> In this regard, SoCalGas announced in March 2019<sup>24</sup> its vision to be the cleanest natural gas utility in North America, including by having 20% of the natural gas delivered to core customers come from renewable gas sources by 2030.<sup>25</sup>
- While the Proposal expresses concern about the scalability of these efforts, the Company’s Sustainability Disclosures describe how the Company is making progress by collaborating with members of the community on RNG. For example, in 2019 SoCalGas announced “the next phase in construction of four new dairy biomethane projects in California,” noting that “[w]hen completed, biogas from anaerobic digesters at 35 dairies will be collected and then cleaned to produce pipeline-quality renewable natural gas” and “will have the ability to produce enough renewable natural gas to fuel close to 40,000 homes each year.”<sup>26</sup> It also announced its intention to “pursue regulatory authority to implement a broad renewable natural gas

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<sup>20</sup> See *SoCalGas and LADWP Mark Completion of Million-Dollar Energy Efficiency Project at Angelus Plaza, Largest HUD Project in the Western U.S.*, available at <https://www.sempra.com/socalgas-and-ladwp-mark-completion-million-dollar-energy-efficiency-project-angelus-plaza-largest>.

<sup>21</sup> Sustainability Report, page 26.

<sup>22</sup> Sustainability Report, page 27.

<sup>23</sup> Sustainability Report, page 34.

<sup>24</sup> See <https://sempra.mediaroom.com/index.php?s=19080&item=137611>.

<sup>25</sup> Sustainability Report, page 12.

<sup>26</sup> See *SoCalGas Granted Approval from California Public Utilities Commission to Move Forward with Dairy Biomethane Projects*, available at <https://www.sempra.com/socalgas-granted-approval-california-public-utilities-commission-move-forward-dairy-biomethane>.

procurement program with a goal of replacing five percent of its natural gas supply with RNG by 2022.”<sup>27</sup> This gas will be distributed using SoCalGas’s current and planned infrastructure.

- The Company has disclosed numerous other actions it has taken to support RNG. For example, SoCalGas recently “awarded the City of Corona more than \$44,000 in incentive funding following completion of a renewable energy project at one of the city’s Department of Water & Power facilities.”<sup>28</sup>

Third, the Sustainability Disclosures disclose that the Company is responding by seeking to “identify climate-related opportunities for growth.”<sup>29</sup>

- The Sustainability Report summarizes the opportunities the Company is exploring as including “increased demand for lower carbon energy and the infrastructure to deliver it; increased demand for LNG, including from countries that currently rely on coal or fuel-oil to generate power; increased energy efficiency requirements, which [its] utilities would help to implement; and increased demand for clean transportation, energy storage and renewable natural gas.”<sup>30</sup>
- For example, the Company’s SEC filings<sup>31</sup> and the Sustainability Report discuss how the Company is “building natural gas liquefaction facilities, in collaboration with partners, which will allow the export of [LNG] worldwide” to facilitate this change.<sup>32</sup>
- Another opportunity for growth that the Company is exploring is creating the ability to store energy that comes from renewable sources. This would allow “California’s existing natural gas distribution system [which includes the Company’s natural gas infrastructure]. . . [to] be the world’s largest renewable energy battery” through “a process called electrolysis which creates hydrogen and oxygen from water.”<sup>33</sup>

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<sup>27</sup> See *SoCalGas and Calgren Announce Completion of Dairy Renewable Natural Gas Facility, Expected to be Largest in U.S.*, available at <https://www.sempra.com/socalgas-and-calgren-announce-completion-dairy-renewable-natural-gas-facility-expected-be-largest>.

<sup>28</sup> See *SoCalGas Awards City of Corona more than \$44,000 for Completion of Renewable Natural Gas Project at City’s Water & Power Facility*, available at <https://www.sempra.com/socalgas-awards-city-corona-more-44000-completion-renewable-natural-gas-project-citys-water-power>.

<sup>29</sup> Sustainability Report, page 26.

<sup>30</sup> Sustainability Report, page 18.

<sup>31</sup> See Form 10-K, page 93.

<sup>32</sup> Sustainability Report, page 29. See also *Cameron LNG Liquefaction-Export Facility Begins Production at Train 2*, available at <https://www.sempra.com/cameron-lng-liquefaction-export-facility-begins-production-train-2> (“Sempra LNG develops and builds natural gas liquefaction facilities and is pursuing the development of five strategically located LNG projects in North America with a goal of delivering 45 million tonnes per annum, or Mtpa, of clean natural gas to the largest world markets.”).

<sup>33</sup> Sustainability Report, page 35.



Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 9

- Similarly, SoCalGas recently commissioned “the nation’s first scalable biomethanation reactor system” to “recycl[e] carbon dioxide from a myriad of sources, such as ethanol plants and anaerobic digesters, preventing greenhouse gas emissions”—allowing storage of excess renewable energy.<sup>34</sup>
4. Disclosure On Reconciling The Company’s Reliance On Natural Gas With California’s Decarbonization Targets

The Company’s public disclosures also respond to the concern in the Supporting Statement that “investors lack sufficient information to understand if or how the Company can reconcile its reliance on natural gas with achieving California’s decarbonization targets.” For example, SoCalGas “released a broad, inclusive and integrated plan to help achieve California’s ambitious environmental goals” (the “SoCalGas Report”), which details a plan that “embraces an all-of-the-above approach to fight climate change, keeps energy affordability as a key focus, calls for developing long-term renewable energy storage using existing infrastructure, and can aid in promoting rapid consumer adoption.”<sup>35</sup> As noted in the SoCalGas Report, while California has set these goals, “[t]here is no clear path today to reach California’s carbon neutral vision.”<sup>36</sup> As part of the ongoing conversation about how to achieve that vision, the SoCalGas Report suggests an inclusive and cost-efficient approach that “welcomes all ideas, considers all forms of energy, and that encourages and allows for innovation” to realize California’s 2045 goal of carbon neutrality and 100% clean energy.<sup>37</sup>

The Company believes that its extensive efforts can help California achieve those goals. In addition to the efforts discussed above, the SoCalGas Report notes that “[a]dding less than 20 percent renewable gas to California’s gas supply by 2030 can achieve the same outcome as electrifying the entire building sector; while continuing to allow consumer choice to meet their energy needs, as well as avoiding future building and appliance change-out mandates.”<sup>38</sup> Moreover, the Company is not alone in seeking to achieve California’s goals in a manner that includes natural gas: “more than 110 local governments across Southern California, representing approximately 8 million people have passed resolutions . . . [that] urge policymakers to

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<sup>34</sup> See *SoCalGas and Electrochaea Announce Commissioning of New Biomethanation Reactor System Pilot Project*, available at <https://www.sempra.com/socalgas-and-electrochaea-announce-commissioning-new-biomethanation-reactor-system-pilot-project>.

<sup>35</sup> See *SoCalGas Outlines Plan to Help Achieve California’s Environmental Goals*, available at <https://www.sempra.com/newsroom/spotlight-articles/socalgas-outlines-plan-help-achieve-californias-environmental-goals>.

<sup>36</sup> See SoCalGas Report, page 5, available at <https://www.socalgas.com/sites/default/files/1443742344191/scg-vision-paper-04032019.pdf>.

<sup>37</sup> *Id.*

<sup>38</sup> SoCalGas Report, page 16.

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 10

safeguard consumers' ability to choose natural gas, propane, or electric appliances for their homes and business.”<sup>39</sup>

For these reasons, the Sustainability Disclosures have substantially implemented the Proposal's request that the Company issue a report “describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.” As a result, the Company's actions implementing the Proposal present precisely the scenario contemplated by the SEC when it adopted the predecessor to Rule 14a-8(i)(10) “to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management.” 1976 Release.

When a company has already taken action that implements a shareholder proposal, Rule 14a-8(i)(10) does not require the company and its shareholders to reconsider the issue. In this regard, the Staff has on numerous occasions concurred with the exclusion of shareholder proposals under Rule 14a-8(i)(10) where the company similarly addressed a shareholder proposal's essential objective. For example, the Staff recently concurred with the exclusion of a similar shareholder proposal in *PNM Resources, Inc.* (avail. Mar. 30, 2018). The proposal requested that PNM “prepare a public report identifying all generation assets that might become stranded due to global climate change within the next fifteen years, quantifying low, medium, and high financial risk associated with each asset.” The Staff agreed that various company public disclosures made available on its sustainability website “compare[d] favorably with the guidelines of the Proposal” despite being in a different format than contemplated by the Proposal. *See also ExxonMobil Corp.* (avail. Apr. 3, 2019) (concurring with the exclusion of a shareholder proposal requesting that “Exxon issue a report...on how it can reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement's goal of maintaining global warming well below 2 degrees Celsius” because a report previously issued by Exxon provided details regarding the company's GHG emission reduction efforts and addressed many, but not necessarily all, of the requests in the proposal's supporting statement); *Dominion Resources, Inc.* (avail. Feb. 9, 2016) (concurring with the exclusion of a proposal requesting a report on how the company measures, mitigates, sets reduction targets, and discloses methane emissions because the public disclosures made in the company's Methane Management Report 2015 substantially implemented the proposal); *Mondelēz International, Inc.* (avail. Mar. 7, 2014) (concurring with the exclusion of a proposal requesting a report on the human rights risks of the company's operations and supply chain where the company had achieved the essential objective of the proposal by publicly disclosing its risk-management processes); *Caterpillar, Inc.* (avail. Mar. 11, 2008) (concurring with the exclusion of a shareholder proposal requesting that the company prepare a global warming report where the company had already published a report that contained information relating to its environmental

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<sup>39</sup> See *Riverside County Joins 113 California Local Governments in Voting to Keep Their Natural Gas Choice*, available at <https://www.sempra.com/riverside-county-joins-113-california-local-governments-voting-keep-their-natural-gas-choice>.

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 11

initiatives); *Wal-Mart Stores, Inc.* (avail. Mar. 10, 2008) (same); *PG&E Corp.* (avail. Mar. 6, 2008) (same); *The Dow Chemical Co.* (avail. Mar. 5, 2008) (same); *Johnson & Johnson* (avail. Feb. 22, 2008) (same).

Similarly, the Proposal has been substantially implemented by the Company's extensive Sustainability Disclosures, which document how the Company has responded and continues to respond to the "global response to climate change" in a manner that reduces the chances of the Company's "current and planned natural gas-based infrastructure and assets" becoming what the Proposal refers to as "stranded." For example, as discussed above, the Company has disclosed to shareholders both that it recognizes that "the global response to climate change [is] intensif[ying]" and that it is acting to "grow[] [its] energy infrastructure businesses" in order to "connect even more consumers with cleaner energy, supporting greenhouse gas emissions reduction efforts worldwide."<sup>40</sup>

Moreover, the Staff consistently has concurred with the exclusion of similar shareholder proposals where companies' public disclosures provided information that compared favorably to the proposal's request even if they did not provide all of the information requested or give the answer that the proponent expected. For example, in *The Dow Chemical Co.* (avail. Mar. 18, 2014, *recon. denied* Mar. 25, 2014), the Staff concurred with the exclusion of a shareholder proposal requesting that the company prepare a report "assessing the short and long term financial, reputational and operational impacts" of an environmental incident in Bhopal, India. The company argued that statements in a document included on its website providing "Q and A" with respect to the Bhopal incident substantially implemented the proposal. In making its determination, the Staff noted that "it appears that [the company's] public disclosures compare favorably with the guidelines of the proposal and that [the company] has, therefore, substantially implemented the proposal." *See also Target Corp. (Johnson and Thompson)* (avail. Mar. 26, 2013) (concurring with the exclusion of a proposal asking the board to study the feasibility of adopting a policy prohibiting the use of treasury funds for direct and indirect political contributions where the company had addressed company reviews of use of company funds for political purposes in a statement in opposition set forth in a previous proxy statement and five pages excerpted from a company report).

In this regard, substantial implementation does not require implementation in full or exactly as the Proposal presents it, and the Staff has concurred in the exclusion of proposals related to climate change under substantial implementation even where the company's actions were not exactly as dictated by the proposal. *See, e.g., Duke Energy Corp.* (avail. Feb. 21, 2012) (concurring with exclusion of a shareholder proposal requesting that a committee of independent directors assess actions the company is taking or could take to "reduce greenhouse gas and other air emissions by providing comprehensive energy efficiency and renewable energy programs to its customers" where the requested information was already available in the company's

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<sup>40</sup> Sustainability Report, page 25.

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 12

sustainability reports); *Entergy Corp.* (avail. Feb. 14, 2014) (concurring with exclusion of a shareholder proposal requesting a report “on policies the company could adopt to take additional near-term actions to reduce its greenhouse gas emissions consistent with the national goal of 80% reduction in greenhouse gas emissions by 2050” where the company’s public disclosures compared favorably with the guidelines of the proposal).

Here the Sustainability Disclosures describe how the Company is “responding to the risk of stranded assets . . . as the global response to climate change intensifies” and addresses how the Company can “reconcile its reliance on natural gas with achieving California’s decarbonization targets.” While the Sustainability Disclosures do not use the phrase “stranded assets,” the Company has addressed the risks identified in the Proposal and need not use the Proposal’s exact language to address the Proposal’s essential objective. The Sustainability Disclosures make clear that the Company has disclosed to shareholders how it has and is responding in a variety of ways so that the Company’s “current and planned natural gas-based infrastructure and assets” will be needed—whether due to historical reasons (*e.g.*, subject to long-term contracts or being included in the rate base) or due to the Company’s responses involving: its strategy; minimizing the GHG emissions of its operations by making natural gas more efficient; actively managing climate risks by developing new energy resources and technologies such as renewable natural gas; and identifying climate-related opportunities for growth by providing LNG to other parts of the world that are heavily dependent on carbon-intensive energy sources and researching how to store energy that comes from renewable sources. The Sustainability Disclosures also need not agree with the Proponents’ specific view on how to respond to climate change (*e.g.*, “[d]emand response, energy efficiency, renewables plus storage, and electrification”). The Company need only substantially implement the Proposal’s broadly worded request regarding how the Company is responding, which it has done through the Sustainability Disclosures.

As a result, the essential objective of the Proposal has been satisfied. Accordingly, for the reasons set forth above, the Proposal may be excluded from the Company’s 2020 Proxy Materials under Rule 14a-8(i)(10).

## CONCLUSION

Based upon the foregoing analysis, we respectfully request that the Staff concur that it will take no action if the Company excludes the Proposal from its 2020 Proxy Materials.

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to [shareholderproposals@gibsondunn.com](mailto:shareholderproposals@gibsondunn.com). If we can be of any further assistance in this

# GIBSON DUNN

Office of Chief Counsel  
Division of Corporation Finance  
January 2, 2020  
Page 13

matter, please do not hesitate to call me at (202) 955-8287 or at Sempra Energy either George W. Bilicic, President and Chief Legal Officer, at (619) 696-1879, or James M. Spira, Associate General Counsel, at (619) 696-4373.

Sincerely,



Elizabeth A. Ising

Enclosures

cc: George W. Bilicic, Sempra Energy  
James M. Spira, Sempra Energy  
Lila Holzman, As You Sow  
Sister Ramona Bezner, Providence Trust  
Sister Patricia Regan, Congregation of Divine Providence

**EXHIBIT A**



**VIA FEDEX & EMAIL**

November 20, 2019

Jennifer F. Jett  
Corporate Secretary  
Sempra Energy  
488 8th Avenue  
San Diego, CA 92101

Dear Jennifer Jett,

The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 is a shareholder of Sempra Energy. We submit the enclosed shareholder proposal on behalf of The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 (Proponent) for inclusion in the company's 2020 proxy statement, and for consideration by shareholders in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934.

A letter from the Proponent authorizing *As You Sow* to act on its behalf is enclosed. A representative of the Proponent will attend the stockholders' meeting to move the resolution as required.

We are available to discuss this issue and are optimistic that such a discussion could result in resolution of the Proponent's concerns. To schedule a dialogue, please contact Lila Holzman, Energy Program Manager at [lholtzman@asyousow.org](mailto:lholtzman@asyousow.org). Please send all correspondence to Ms. Holzman **with a copy to** [shareholderengagement@asyousow.org](mailto:shareholderengagement@asyousow.org). Also, please note that our address has changed. Our new address is set forth above.

Sincerely,

Lila Holzman  
Energy Program Manager

Enclosures

- Shareholder Proposal
- Shareholder Authorization

**Whereas:** The Intergovernmental Panel on Climate Change released a report finding that "rapid, far-reaching" changes are necessary in the next 10 years to avoid disastrous levels of global warming.<sup>1</sup>

The energy sector plays a critical role in mitigating climate risk. Already, the sector is undergoing a rapid transition by moving away from coal, but growing reliance on natural gas creates ongoing risk. Natural gas is a major contributor to climate change due to combustion emissions and methane leaks. In 2018, gas contributed to an *increase* in power sector emissions,<sup>2</sup> jeopardizing chances of achieving reductions in line with the Paris Agreement's goal of keeping global warming below 1.5 degrees Celsius.

Building new gas infrastructure may be uneconomic and result in costly stranded assets comparable to early retirements now occurring for coal.<sup>3</sup> While some low-carbon scenarios show gas use continuing, they rely on significant carbon removal technologies -- a risky assumption given the technology has not proven economic at scale.<sup>4</sup>

Demand response, energy efficiency, renewables plus storage, and electrification are all increasingly cost-effective means of serving energy needs while reducing gas use and climate impacts.<sup>5</sup> City governments, recognizing gas' climate impacts, are setting policies prohibiting gas hookups for new buildings in favor of safer, healthier electric buildings.<sup>6</sup> Furthermore, the state of California has set ambitious mid-century clean energy targets,<sup>7</sup> San Diego is pursuing 100 percent clean energy programs,<sup>8</sup> and civil society pressure continues to mount against fossil fuels. As this opposition to gas grows, Sempra has increased lobbying of local officials to support gas over electrification through proposals that run counter to ratepayer and climate considerations.<sup>9</sup>

Sempra's existing climate targets are short term, and investors lack sufficient information to understand if or how the Company can reconcile its reliance on natural gas with achieving California's decarbonization targets. The Company's disclosures indicate Sempra is continuing to invest in expensive natural gas-related infrastructure and is not sufficiently addressing how

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<sup>1</sup> <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

<sup>2</sup> <https://www.nytimes.com/2019/01/08/climate/greenhouse-gas-emissions-increase.html>

<sup>3</sup> <https://rmi.org/a-bridge-backward-the-risky-economics-of-new-natural-gas-infrastructure-in-the-united-states/>

<sup>4</sup> <https://www.ipcc.ch/sr15/chapter/chapter-2/>

<sup>5</sup> <https://www.utilitydive.com/news/renewables-storage-poised-to-undercut-natural-gas-prices-increase-strande/562674/>

<sup>6</sup> <https://www.houstonchronicle.com/business/energy/article/Cities-target-gas-heaters-stoves-in-new-front-of-14537156.php>

<sup>7</sup> <https://www.greentechmedia.com/articles/read/its-official-gov-brown-signs-100-clean-energy-into-law#gs.8TFSrm4>

<sup>8</sup> <https://www.nbcsandiego.com/news/local/San-Diegos-Next-Steps-for-Achieving-100-Renewable-Energy-509333451.html>

<sup>9</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>



those assets and their depreciation timelines reconcile with state decarbonization goals.<sup>10, 11</sup> Notably, the company has proposed increased investment in renewable natural gas. While renewable gas from organic waste material<sup>12</sup> can provide climate benefits compared to fossil gas, renewable natural gas has significant supply constraints<sup>13</sup> and is unlikely to provide the majority of Sempra's future energy needs.

Peer utilities, including NextEra<sup>14</sup> and Xcel,<sup>15</sup> have avoided investing in new gas infrastructure by replacing coal assets with renewables and storage, creating win-win solutions. Shareholders are concerned Sempra is lagging behind and exposing itself to climate-related risks by investing in significant gas holdings that may become stranded.

**Resolved:** Shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

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<sup>10</sup> <http://investor.sempra.com/static-files/b56277cd-bd7a-43cb-ad18-73015843895b>, p.34, p.65

<sup>11</sup> <https://www.sempra.com/sites/default/files/content/files/node-page/file-list/2019/2018-corporate-sustainability-report-semprav2.pdf>, p.7

<sup>12</sup> <https://www.socalgas.com/smart-energy/renewable-gas/what-is-renewable-natural-gas>

<sup>13</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=18-IEPR-01>; TN 226392

<sup>14</sup> <https://www.greentechmedia.com/articles/read/nextera-inks-even-bigger-windsolarstorage-deal-with-oklahoma-cooperative>

<sup>15</sup> <https://www.utilitydive.com/news/lazard-renewables-can-challenge-existing-coal-plants-on-price/541965/>

November 14, 2019

Andrew Behar  
CEO  
As You Sow  
2150 Kittredge St., Suite 450  
Berkeley, CA 94704

**Re: Authorization to File Shareholder Resolution**

Dear Mr. Behar,

The undersigned (the "Stockholder") authorizes *As You Sow* to file or co-file a shareholder resolution on Stockholder's behalf with the named Company for inclusion in the Company's 2020 proxy statement, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. The resolution at issue relates to the below described subject.

Stockholder: The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17

Company: Sempra Energy

Subject: Climate change risk reporting

The Stockholder has continuously owned over \$2,000 worth of Company stock, with voting rights, for over a year. The Stockholder intends to hold the required amount of stock through the date of the Company's annual meeting in 2020.

The Stockholder gives *As You Sow* the authority to address on the Stockholder's behalf any and all aspects of the shareholder resolution, including designating another entity as lead filer and representative of the shareholder. The Stockholder understands that the Stockholder's name may appear on the company's proxy statement as the filer of the aforementioned resolution, and that the media may mention the Stockholder's name in relation to the resolution.

The shareholder further authorizes *As You Sow* to send a letter of support of the resolution on Stockholder's behalf.

Sincerely,

DocuSigned by:  
  
EE9EDC08A60D415

Stewart Taggart

Trustee

The Stewart W Taggart & Rebecca W  
Taggart JT REV TR UAD 08/29/17



**James M. Spira**  
Associate General Counsel

488 8<sup>th</sup> Avenue, HQ09  
San Diego, CA 92101-7123

Tel: 619.696.4373  
Fax: 619.696.1890  
jspira@sempra.com

November 25, 2019

**VIA OVERNIGHT MAIL AND EMAIL**

Lila Holzman  
As You Sow  
2150 Kittredge St., Suite 450  
Berkeley, CA 94704  
lholzman@asyousow.org

Dear Ms. Holzman:

I am writing on behalf of Sempra Energy (the "Company"), which received on November 20, 2019, the shareholder proposal you submitted on behalf of The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 (the "Proponent") pursuant to Securities and Exchange Commission ("SEC") Rule 14a-8 for inclusion in the proxy statement for the Company's 2020 Annual Shareholders Meeting (the "Proposal").

The Proposal contains certain procedural deficiencies, which SEC regulations require us to bring to your attention.

Your correspondence did not include sufficient documentation demonstrating that you had the legal authority to submit the Proposal on behalf of the Proponent as of the date the Proposal was submitted (November 20, 2019). In Staff Legal Bulletin No. 14I (Nov. 1, 2017) ("SLB 14I"), the SEC's Division of Corporation Finance ("Division") noted that proposals submitted by proxy, such as the Proposal, may present challenges and concerns, including "that shareholders may not know that proposals are being submitted on their behalf." Accordingly, in evaluating whether there is a basis to exclude a proposal under the eligibility requirements of Rule 14a-8(b), as addressed below, SLB 14I states that in general the Division would expect any shareholder who submits a proposal by proxy to provide documentation to:

- identify the shareholder-proponent and the person or entity selected as proxy;
- identify the company to which the proposal is directed;
- identify the annual or special meeting for which the proposal is submitted;
- identify the specific proposal to be submitted (e.g., proposal to lower the threshold for calling a special meeting from 25% to 10%); and
- be signed and dated by the shareholder.

The documentation that you provided with the Proposal raises the concerns referred to in SLB 14I. Specifically, the Proposal raises the concerns referred to in SLB 14I because the documentation from the Proponent purporting to authorize you to act on the Proponent's behalf



does not identify the Proposal as the specific proposal to be submitted. The documentation provided by the Proponent describes the proposal that you are authorized to submit as “[c]limate change risk reporting.” In contrast, the subject matter of the Proposal is not focused on the overly broad topic of “climate change risk reporting,” but instead addresses how the Company plans to respond to the risk of stranded assets of current and planned natural gas-based infrastructure and assets. To remedy this defect, the Proponent should provide documentation that confirms that as of the date you submitted the Proposal, the Proponent had instructed or authorized you to submit the Proposal to the Company on the Proponent’s behalf. Such documentation should identify the specific proposal authorized to be submitted.

To the extent the Proponent authorized you to submit the Proposal to the Company, please note the following. Rule 14a-8(b) under the Securities Exchange Act of 1934, as amended, provides that shareholder proponents must submit sufficient proof of their continuous ownership of at least \$2,000 in market value, or 1%, of a company’s shares entitled to vote on the proposal for at least one year as of the date the shareholder proposal was submitted. The Company’s stock records do not indicate that the Proponent is the record owner of sufficient shares to satisfy this requirement. In addition, to date we have not received proof that the Proponent has satisfied Rule 14a-8’s ownership requirements as of the date that the Proposal was submitted to the Company.

To remedy this defect, the Proponent must submit sufficient proof of the Proponent’s continuous ownership of the required number or amount of Company shares for the one-year period preceding and including November 20, 2019, the date the Proposal was submitted to the Company. As explained in Rule 14a-8(b) and in SEC staff guidance, sufficient proof must be in the form of:

- (1) a written statement from the “record” holder of the Proponent’s shares (usually a broker or a bank) verifying that the Proponent continuously held the required number or amount of Company shares for the one-year period preceding and including November 20, 2019; or
- (2) if the Proponent has filed with the SEC a Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5, or amendments to those documents or updated forms, reflecting the Proponent’s ownership of the required number or amount of Company shares as of or before the date on which the one-year eligibility period begins, a copy of the schedule and/or form, and any subsequent amendments reporting a change in the ownership level and a written statement that the Proponent continuously held the required number or amount of Company shares for the one-year period.

If the Proponent intends to demonstrate ownership by submitting a written statement from the “record” holder of the Proponent’s shares as set forth in (1) above, please note that most large U.S. brokers and banks deposit their customers’ securities with, and hold those securities through, the Depository Trust Company (“DTC”), a registered clearing agency that acts as a

securities depository (DTC is also known through the account name of Cede & Co.). Under SEC Staff Legal Bulletin No. 14F, only DTC participants are viewed as record holders of securities that are deposited at DTC. You can confirm whether the Proponent's broker or bank is a DTC participant by asking the Proponent's broker or bank or by checking DTC's participant list, which is available at <http://www.dtcc.com/~media/Files/Downloads/client-center/DTC/alpha.ashx>. In these situations, shareholders need to obtain proof of ownership from the DTC participant through which the securities are held, as follows:

- (1) If the Proponent's broker or bank is a DTC participant, then the Proponent needs to submit a written statement from the Proponent's broker or bank verifying that the Proponent continuously held the required number or amount of Company shares for the one-year period preceding and including November 20, 2019.
- (2) If the Proponent's broker or bank is not a DTC participant, then the Proponent needs to submit proof of ownership from the DTC participant through which the shares are held verifying that the Proponent continuously held the required number or amount of Company shares for the one-year period preceding and including November 20, 2019. You should be able to find out the identity of the DTC participant by asking the Proponent's broker or bank. If the Proponent's broker is an introducing broker, you may also be able to learn the identity and telephone number of the DTC participant through the Proponent's account statements, because the clearing broker identified on the account statements will generally be a DTC participant. If the DTC participant that holds the Proponent's shares is not able to confirm the Proponent's individual holdings but is able to confirm the holdings of the Proponent's broker or bank, then the Proponent needs to satisfy the proof of ownership requirements by obtaining and submitting two proof of ownership statements verifying that, for the one-year period preceding and including November 20, 2019, the required number or amount of Company shares were continuously held: (i) one from the Proponent's broker or bank confirming the Proponent's ownership, and (ii) the other from the DTC participant confirming the broker or bank's ownership.

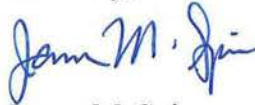
The SEC's rules require that any response to this letter be postmarked or transmitted electronically no later than 14 calendar days from the date you receive this letter. Please address any response to me at 488 8th Avenue, San Diego, CA 92101-3071. Alternatively, you may transmit any response by email to me at [JSpira@sempra.com](mailto:JSpira@sempra.com) or by facsimile at (619) 699-5027.



Lila Holzman  
November 25, 2019  
Page 4

If you have any questions with respect to the foregoing, please contact me at (619) 696-4373. For your reference, I enclose a copy of Rule 14a-8 and Staff Legal Bulletin No. 14F.

Sincerely,

A handwritten signature in blue ink, appearing to read "James M. Spira".

James M. Spira  
Associate General Counsel

Enclosures

cc: The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17



**VIA FEDEX & EMAIL**

November 20, 2019

Jennifer F. Jett  
Corporate Secretary  
Sempra Energy  
488 8th Avenue  
San Diego, CA 92101

Dear Jennifer Jett,

The following Sempra Energy shareholders are co-filing a shareholder proposal for action at the next annual meeting of the company.

- Maida L Brankman Revocable Trust
- Wynnette M. LaBrosse Trust

The shareholders are co-filing this resolution with The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17, who is the lead filer of the proposal. The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 has submitted the enclosed shareholder proposal for inclusion in the 2020 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 (represented by *As You Sow*) is authorized to act on the co-filers' behalfs with regard to withdrawal of the proposal.

Letters authorizing *As You Sow* to act on co-filers' behalf are enclosed. A representative of the lead filer will attend the stockholders' meeting to move the resolution as required. To schedule a dialogue, please contact Lila Holzman, Energy Program Manager at [lholtzman@asyousow.org](mailto:lholtzman@asyousow.org). Please send all correspondence to Ms. Holzman **with a copy to** [shareholderengagement@asyousow.org](mailto:shareholderengagement@asyousow.org). Also, please note that our address has changed. Our new address is set forth above.

Sincerely,

Lila Holzman  
Energy Program Manager

Enclosures

- Shareholder Proposal
- Shareholder Authorizations



**Whereas:** The Intergovernmental Panel on Climate Change released a report finding that "rapid, far-reaching" changes are necessary in the next 10 years to avoid disastrous levels of global warming.<sup>1</sup>

The energy sector plays a critical role in mitigating climate risk. Already, the sector is undergoing a rapid transition by moving away from coal, but growing reliance on natural gas creates ongoing risk. Natural gas is a major contributor to climate change due to combustion emissions and methane leaks. In 2018, gas contributed to an *increase* in power sector emissions,<sup>2</sup> jeopardizing chances of achieving reductions in line with the Paris Agreement's goal of keeping global warming below 1.5 degrees Celsius.

Building new gas infrastructure may be uneconomic and result in costly stranded assets comparable to early retirements now occurring for coal.<sup>3</sup> While some low-carbon scenarios show gas use continuing, they rely on significant carbon removal technologies -- a risky assumption given the technology has not proven economic at scale.<sup>4</sup>

Demand response, energy efficiency, renewables plus storage, and electrification are all increasingly cost-effective means of serving energy needs while reducing gas use and climate impacts.<sup>5</sup> City governments, recognizing gas' climate impacts, are setting policies prohibiting gas hookups for new buildings in favor of safer, healthier electric buildings.<sup>6</sup> Furthermore, the state of California has set ambitious mid-century clean energy targets,<sup>7</sup> San Diego is pursuing 100 percent clean energy programs,<sup>8</sup> and civil society pressure continues to mount against fossil fuels. As this opposition to gas grows, Sempra has increased lobbying of local officials to support gas over electrification through proposals that run counter to ratepayer and climate considerations.<sup>9</sup>

Sempra's existing climate targets are short term, and investors lack sufficient information to understand if or how the Company can reconcile its reliance on natural gas with achieving California's decarbonization targets. The Company's disclosures indicate Sempra is continuing to invest in expensive natural gas-related infrastructure and is not sufficiently addressing how

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<sup>1</sup> <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

<sup>2</sup> <https://www.nytimes.com/2019/01/08/climate/greenhouse-gas-emissions-increase.html>

<sup>3</sup> <https://rmi.org/a-bridge-backward-the-risky-economics-of-new-natural-gas-infrastructure-in-the-united-states/>

<sup>4</sup> <https://www.ipcc.ch/sr15/chapter/chapter-2/>

<sup>5</sup> <https://www.utilitydive.com/news/renewables-storage-poised-to-undercut-natural-gas-prices-increase-strande/562674/>

<sup>6</sup> <https://www.houstonchronicle.com/business/energy/article/Cities-target-gas-heaters-stoves-in-new-front-of-14537156.php>

<sup>7</sup> <https://www.greentechmedia.com/articles/read/its-official-gov-brown-signs-100-clean-energy-into-law#gs.8TFSrm4>

<sup>8</sup> <https://www.nbcsandiego.com/news/local/San-Diegos-Next-Steps-for-Achieving-100-Renewable-Energy-509333451.html>

<sup>9</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>

those assets and their depreciation timelines reconcile with state decarbonization goals.<sup>10, 11</sup> Notably, the company has proposed increased investment in renewable natural gas. While renewable gas from organic waste material<sup>12</sup> can provide climate benefits compared to fossil gas, renewable natural gas has significant supply constraints<sup>13</sup> and is unlikely to provide the majority of Sempra's future energy needs.

Peer utilities, including NextEra<sup>14</sup> and Xcel,<sup>15</sup> have avoided investing in new gas infrastructure by replacing coal assets with renewables and storage, creating win-win solutions. Shareholders are concerned Sempra is lagging behind and exposing itself to climate-related risks by investing in significant gas holdings that may become stranded.

**Resolved:** Shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

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<sup>10</sup> <http://investor.sempra.com/static-files/b56277cd-bd7a-43cb-ad18-73015843895b>, p.34, p.65

<sup>11</sup> <https://www.sempra.com/sites/default/files/content/files/node-page/file-list/2019/2018-corporate-sustainability-report-semprav2.pdf>, p.7

<sup>12</sup> <https://www.socalgas.com/smart-energy/renewable-gas/what-is-renewable-natural-gas>

<sup>13</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=18-IEPR-01>; TN 226392

<sup>14</sup> <https://www.greentechmedia.com/articles/read/nextera-inks-even-bigger-windsolarstorage-deal-with-oklahoma-cooperative>

<sup>15</sup> <https://www.utilitydive.com/news/lazard-renewables-can-challenge-existing-coal-plants-on-price/541965/>

11/5/2019 | 3:38:26 PM PST

Andrew Behar  
CEO  
As You Sow  
2150 Kittredge St., Suite 450  
Berkeley, CA 94704

**Re: Authorization to File Shareholder Resolution**

Dear Andrew Behar,

As of the date of this letter, the undersigned authorizes As You Sow (AYS) file, cofile, or endorse the shareholder resolution identified below on Stockholder's behalf with the identified company, and that it be included in the proxy statement as specified below, in accordance with Rule 14-a8 of the General Rules and Regulations of the Securities and Exchange Act of 1934.

The Stockholder: Maida L Brankman Rev Tr  
Company: Sempra Energy  
Annual Meeting/Proxy Statement Year: 2020  
Resolution Subject: Climate change risk reporting

The Stockholder gives As You Sow the authority to deal on the Stockholder's behalf with any and all aspects of the shareholder resolution, including designating another entity as lead filer and representative of the shareholder. The Stockholder understands that the Stockholder's name may appear on the company's proxy statement as the filer of the aforementioned resolution, and that the media may mention the Stockholder's name related to the resolution.

Sincerely,

DocuSigned by:  
  
A03B8A7C132A45B...

Name: Maida Lynn

Title: Trustee

11/8/2019 | 11:54:06 AM PST

Andrew Behar  
CEO  
As You Sow  
2150 Kittredge St., Suite 450  
Berkeley, CA 94704

**Re: Authorization to File Shareholder Resolution**

Dear Andrew Behar,

As of the date of this letter, the undersigned authorizes As You Sow (AYS) file, cofile, or endorse the shareholder resolution identified below on Stockholder's behalf with the identified company, and that it be included in the proxy statement as specified below, in accordance with Rule 14-a8 of the General Rules and Regulations of the Securities and Exchange Act of 1934.

The Stockholder: Wynnette LaBrosse Tr (S)  
Company: Sempra Energy  
Annual Meeting/Proxy Statement Year: 2020  
Resolution Subject: Climate change risk reporting

The Stockholder gives As You Sow the authority to deal on the Stockholder's behalf with any and all aspects of the shareholder resolution, including designating another entity as lead filer and representative of the shareholder. The Stockholder understands that the Stockholder's name may appear on the company's proxy statement as the filer of the aforementioned resolution, and that the media may mention the Stockholder's name related to the resolution.

Sincerely,

DocuSigned by:  
  
6A6CFBAFEE40454...

Name: wynnette M. LaBrosse

Title: Trustee



**James M. Spira**  
Associate General Counsel

488 8<sup>th</sup> Avenue, HQ09  
San Diego, CA 92101-7123

Tel: 619.696.4373  
Fax: 619.696.1890  
jspira@sempra.com

November 25, 2019

**VIA OVERNIGHT MAIL AND EMAIL**

Lila Holzman  
As You Sow  
2150 Kittredge St., Suite 450  
Berkeley, CA 94704  
lholzman@asyousow.org

Dear Ms. Holzman:

I am writing on behalf of Sempra Energy (the "Company"), which received on November 20, 2019, the shareholder proposal you submitted on behalf of Maida L Brankman Revocable Trust and Wynnette M. LaBrosse Trust (each a "Proponent" and, collectively, the "Proponents") pursuant to Securities and Exchange Commission ("SEC") Rule 14a-8 for inclusion in the proxy statement for the Company's 2020 Annual Shareholders Meeting (the "Proposal").

The Proposal contains certain procedural deficiencies, which SEC regulations require us to bring to your attention.

**1. Proposals by Proxy**

Your correspondence did not include sufficient documentation demonstrating that you had the legal authority to submit the Proposal on behalf of each Proponent as of the date the Proposal was submitted (November 20, 2019). In Staff Legal Bulletin No. 14I (Nov. 1, 2017) ("SLB 14I"), the SEC's Division of Corporation Finance ("Division") noted that proposals submitted by proxy, such as the Proposal, may present challenges and concerns, including "that shareholders may not know that proposals are being submitted on their behalf." Accordingly, in evaluating whether there is a basis to exclude a proposal under the eligibility requirements of Rule 14a-8(b), as addressed below, SLB 14I states that in general the Division would expect any shareholder who submits a proposal by proxy to provide documentation to:

- identify the shareholder-proponent and the person or entity selected as proxy;
- identify the company to which the proposal is directed;
- identify the annual or special meeting for which the proposal is submitted;
- identify the specific proposal to be submitted (e.g., proposal to lower the threshold for calling a special meeting from 25% to 10%); and
- be signed and dated by the shareholder.



The documentation that you provided with the Proposal raises the concerns referred to in SLB 14I. Specifically, the Proposal raises the concerns referred to in SLB 14I because the documentation from each of the Proponents purporting to authorize you to act on each Proponent's behalf does not identify the Proposal as the specific proposal to be submitted. The documentation provided by each Proponent describes the proposal that you are authorized to submit as "[c]limate change risk reporting." In contrast, the subject matter of the Proposal is not focused on the overly broad topic of "[c]limate change risk reporting," but instead addresses how the Company plans to respond to the risk of stranded assets of current and planned natural gas-based infrastructure and assets. To remedy this defect, each Proponent should provide documentation that confirms that as of the date you submitted the Proposal, each Proponent had instructed or authorized you to submit the Proposal to the Company on each Proponent's behalf. Such documentation should identify the specific proposal authorized to be submitted.

## **2. Proof of Continuous Ownership**

To the extent the Proponents authorized you to submit the Proposal to the Company, please note the following. Rule 14a-8(b) under the Securities Exchange Act of 1934, as amended, provides that shareholder proponents must submit sufficient proof of their continuous ownership of at least \$2,000 in market value, or 1%, of a company's shares entitled to vote on the proposal for at least one year as of the date the shareholder proposal was submitted. The Company's stock records do not indicate that the Proponents are the record owners of sufficient shares to satisfy this requirement. In addition, to date we have not received proof that the Proponents have satisfied Rule 14a-8's ownership requirements as of the date that the Proposal was submitted to the Company.

To remedy this defect, each Proponent must submit sufficient proof of the Proponent's continuous ownership of the required number or amount of Company shares for the one-year period preceding and including November 20, 2019, the date the Proposal was submitted to the Company. As explained in Rule 14a-8(b) and in SEC staff guidance, sufficient proof must be in the form of:

- (1) a written statement from the "record" holder of the Proponent's shares (usually a broker or a bank) verifying that the Proponent continuously held the required number or amount of Company shares for the one-year period preceding and including November 20, 2019; or
- (2) if the Proponent has filed with the SEC a Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5, or amendments to those documents or updated forms, reflecting the Proponent's ownership of the required number or amount of Company shares as of or before the date on which the one-year eligibility period begins, a copy of the schedule and/or form, and any subsequent amendments reporting a change in the ownership level and a written statement that the Proponent continuously held the required number or amount of Company shares for the one-year period.



If any Proponent intends to demonstrate ownership by submitting a written statement from the “record” holder of the Proponent’s shares as set forth in (1) above, please note that most large U.S. brokers and banks deposit their customers’ securities with, and hold those securities through, the Depository Trust Company (“DTC”), a registered clearing agency that acts as a securities depository (DTC is also known through the account name of Cede & Co.). Under SEC Staff Legal Bulletin No. 14F, only DTC participants are viewed as record holders of securities that are deposited at DTC. You can confirm whether the Proponent’s broker or bank is a DTC participant by asking the Proponent’s broker or bank or by checking DTC’s participant list, which is available at <http://www.dtcc.com/~media/Files/Downloads/client-center/DTC/alpha.ashx>. In these situations, shareholders need to obtain proof of ownership from the DTC participant through which the securities are held, as follows:

- (1) If the Proponent’s broker or bank is a DTC participant, then the Proponent needs to submit a written statement from the Proponent’s broker or bank verifying that the Proponent continuously held the required number or amount of Company shares for the one-year period preceding and including November 20, 2019.
- (2) If the Proponent’s broker or bank is not a DTC participant, then the Proponent needs to submit proof of ownership from the DTC participant through which the shares are held verifying that the Proponent continuously held the required number or amount of Company shares for the one-year period preceding and including November 20, 2019. You should be able to find out the identity of the DTC participant by asking the Proponent’s broker or bank. If the Proponent’s broker is an introducing broker, you may also be able to learn the identity and telephone number of the DTC participant through the Proponent’s account statements, because the clearing broker identified on the account statements will generally be a DTC participant. If the DTC participant that holds the Proponent’s shares is not able to confirm the Proponent’s individual holdings but is able to confirm the holdings of the Proponent’s broker or bank, then the Proponent needs to satisfy the proof of ownership requirements by obtaining and submitting two proof of ownership statements verifying that, for the one-year period preceding and including November 20, 2019, the required number or amount of Company shares were continuously held: (i) one from the Proponent’s broker or bank confirming the Proponent’s ownership, and (ii) the other from the DTC participant confirming the broker or bank’s ownership.

### **3. Intent to Hold Shares**

As discussed above, under Rule 14a-8(b) of the Exchange Act, a shareholder must have continuously held at least \$2,000 in market value, or 1%, of the Company’s securities entitled to be voted on the Proposal at the shareholders’ meeting for at least one year as of the date the Proposal was submitted to the Company, and must provide to the Company a written statement of the shareholder’s intent to continue to hold the required number or amount of shares through the date of the shareholders’ meeting at which the Proposal will be voted on by the shareholders.



Lila Holzman  
November 25, 2019  
Page 4

Your correspondence did not include such a statement. To remedy this defect, each Proponent must submit a written statement that it intends to continue holding the required number or amount of Company shares through the date of the Company's 2020 Annual Shareholders Meeting.

The SEC's rules require that any response to this letter be postmarked or transmitted electronically no later than 14 calendar days from the date you receive this letter. Please address any response to me at 488 8th Avenue, San Diego, CA 92101-3071. Alternatively, you may transmit any response by email to me at JSpira@sempira.com or by facsimile at (619) 699-5027.

If you have any questions with respect to the foregoing, please contact me at (619) 696-4373. For your reference, I enclose a copy of Rule 14a-8 and Staff Legal Bulletin No. 14F.

Sincerely,



James M. Spira  
Associate General Counsel

Enclosures

cc: Maida L Brankman Revocable Trust  
Wynnette M. LaBrosse Trust



December 9, 2019

**VIA E-MAIL**

James Spira  
Associate General Counsel  
488 8<sup>th</sup> Avenue  
San Diego, CA 92101-3071  
[jspira@sempra.com](mailto:jspira@sempra.com)

**Re: Response to Notice of Deficiency Letter**

Dear Mr. Spira,

I write in response to your letter issued November 25, 2019 alleging deficiencies in our November 20, 2019 letter submitting a shareholder proposal (the Proposal) on behalf of The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17, Maida L Brankman Revocable Trust, Wynnette M. LaBrosse Trust (each a “Proponent” and, collectively, the “Proponents”) for inclusion in Semptra Energy’s (the Company) 2020 proxy statement.

The Proposal asks the Company to prepare a report “describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.” Both the authorization letter and our prior transmittal to the Proponents about the Proposal make clear that the Proponents had full information about the focus of the Proposal prior to authorizing the filing.

The Trustee of The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17, Stewart Taggart, actively communicated with me about the Proponent’s concerns regarding premature write-down risk for the Company’s natural gas-related assets due to climate change. Mr. Taggart saw multiple drafts of the Proposal before filing (see attached email dated 11/13/2019)<sup>1</sup> and confirmed the Proponent’s wish to be represented by *As You Sow* in the filing of the Proposal by signing the previously provided authorization letter. Furthermore, the Proponent withdrew a previously submitted and similar shareholder proposal to the Company, instead authorizing *As You Sow* to submit the Proposal at issue on its behalf.

Similarly, Trustees of Maida L Brankman Revocable Trust and Wynnette M. LaBrosse Trust both reviewed a summary of the Proposal stating that the Proposal addresses: “the growing risks of climate change and how the company should address those risks.”

The authorization letters state that the resolution at issue requests “climate change risk reporting,” a description which correctly encapsulates the objective of the Proposal, i.e., seeking information on how the Company is responding to concerns that it is “exposing itself to climate-related risks by investing in significant gas holdings that may become stranded.”

---

<sup>1</sup> Portions of this email that are irrelevant to the issue raised in your deficiency notice have been redacted.



Based on the above, the Proponents' authorization letters sufficiently identify the objective of the Proposal – that the Company reduce its climate-related risk – thereby satisfying the purpose of the Securities and Exchange Commission (SEC)'s guidance in Staff Legal Bulletin No. 14I.D (Nov. 1, 2017) (SLB 14I) of ensuring that shareholders know that proposals are being submitted on their behalf.

In response to the alleged deficiency concerning proof of the Proponent's continuous ownership of the Company's shares, we also enclose a proof of ownership letter establishing the Proponent's ownership of the Company's common stock in the requisite amount and in the timeframe necessary to meet eligibility requirements. We also enclose an addendum letter confirming intent to hold shares until the Company's shareholder meeting.

SEC Rule 14a-8(f) requires a company to provide notice of specific deficiencies in a shareholder's proof of eligibility to submit a proposal. We therefore request that you notify us if you believe any deficiencies remain.

Please confirm receipt of this correspondence.

Sincerely,

Lila Holzman  
Energy Program Manager  
*As You Sow*

Enclosures:

- Proof of ownership letters
- Authorization addendum letter
- 11/13/2019 email and attached shareholder proposal

November 27, 2019

RE: Sempra Energy

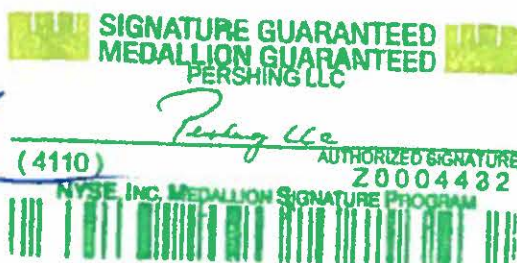
To Whom It May Concern:

Pershing LLC, a DTC participant with a DTC number of 0443, acts as the custodian for The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17. As of the date of this letter, The Stewart W Taggart & Rebecca W Taggart JT REV TR UAD 08/29/17 held, and has held continuously for at least 395 days, 30 shares of Sempra Energy common stock, CUSIP #816851109.

Regards,

Authorized Signature

  
Joseph LaVara  
Vice President



12/5/2019 | 9:20:10 AM PST

Andrew Behar

CEO

As You Sow

2150 Kittredge St., Suite 450

Berkeley, CA 94704

**Re: ADDENDUM LETTER to Authorization to File Shareholder Resolution**

Dear Andrew Behar,

The undersigned submits the addendum below to an earlier signed letter that authorizes *As You Sow* to file, co-file, or endorse a shareholder resolution on Stockholder's behalf for inclusion in the company's proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. The company name, resolution name, and resolution date are set forth below.

**The Stockholder:** Wynnette M. LaBrosse Trust

**Company:** Sempra Energy


**Annual Meeting/Proxy Statement Year:** 2020

**Resolution Name:** Climate change risk reporting

The Stockholder has continuously owned over \$2,000 worth of company stock, with voting rights, for over a year. **ADDENDUM:** The Stockholder intends to hold the required amount of stock through the date of the company's annual meeting in 2020.

Sincerely,

DocuSigned by:

  
6A6CFBAFEE40454...

Name: Wynnette M. LaBrosse

Title: Trustee

**Subject:** Utility Resolution Updates  
**Date:** Wednesday, November 13, 2019 at 4:49:40 PM Pacific Standard Time  
**From:** Lila Holzman  
**To:** Stewart Taggart  
**CC:** Andy Behar, Kwan Hong Teoh  
**Attachments:** [REDACTED] Resolution\_Sempra\_Climate-Gas\_20191112\_DRAFT.docx,  
[REDACTED]

Hi Stewart,

I'm writing with a few updates on our progress.

- I know we sent you a previous draft of our Sempra and [REDACTED] resolutions. We have since made further updates, and both of these draft resolutions are attached to this email. We are continuing to edit and refine these in advance of their fast-approaching deadlines! Can you please confirm that 1) you have withdrawn your resolutions at these two companies and 2) are providing my colleague Kwan (cc'd) with your authorization and associated paperwork to file our Sempra & [REDACTED] resolutions using your shares? We'd like to have this paperwork squared away to be able to file as soon as the resolutions are finalized next week. Thank you!

- [REDACTED]

Best Regards,  
Lila

**Lila Holzman**  
**Energy Program Manager**  
**As You Sow**  
2150 Kittredge St., Suite 450  
Berkeley, CA 94704  
(510) 735-8153 (direct line) | (415) 483-9533 (cell)  
[holzman@asyousow.org](mailto:holzman@asyousow.org) | [www.asyousow.org](http://www.asyousow.org)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



**Whereas:** The Intergovernmental Panel on Climate Change released a report finding that "rapid, far-reaching" changes are necessary in the next 10 years to avoid disastrous levels of global warming.<sup>1</sup>

The energy sector plays a critical role in mitigating climate risks. Already, the sector is undergoing a rapid transition in response to climate concerns and other market forces.

Natural gas is a major contributor to climate change due to methane leaks and routine combustion emissions. In 2018, gas contributed to an *increase* in power sector emissions,<sup>2</sup> jeopardizing chances of achieving reductions in line with the Paris Agreement's goal of keeping global warming below 1.5 degrees Celsius. Analysts have concluded that building new gas infrastructure may be uneconomic and result in costly stranded assets comparable to early retirements now occurring for coal.<sup>3</sup> While some low-carbon scenarios show gas use continuing, this is reliant on carbon removal technologies -- a risky assumption given the technology has not proven economic at scale.<sup>4</sup>

Options such as renewables plus storage, demand response, electrification, and energy efficiency are all increasingly cost-effective means of serving energy needs while reducing gas use and climate impacts.<sup>5</sup> City governments, recognizing gas' harmful climate impacts, are setting policies prohibiting gas hookups for new buildings in favor of safer, healthier electric buildings.<sup>6</sup> Furthermore, the state of California has set ambitious mid century clean energy targets,<sup>7</sup> San Diego is pursuing 100 percent clean energy programs,<sup>8</sup> and civil society pressure continues to mount against fossil fuels. As this opposition to gas grows, Sempra's response has been to lobby local officials to support gas over electrification through passage of resolutions, running counter to ratepayer and climate considerations.<sup>9</sup>

Sempra's existing climate targets are short term, and investors lack sufficient information to understand if or how the Company can reconcile its growing reliance on natural gas with achieving California's decarbonization targets. Notably, the company has proposed increased investment in fossil and renewable natural gas. While renewable gas from organic waste material<sup>10</sup> can provide some short term benefits compared to fossil gas, in the long-term

<sup>1</sup> <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

<sup>2</sup> <https://www.nytimes.com/2019/01/08/climate/greenhouse-gas-emissions-increase.html>

<sup>3</sup> <https://rmi.org/a-bridge-backward-the-risky-economics-of-new-natural-gas-infrastructure-in-the-united-states/>

<sup>4</sup> <https://www.ipcc.ch/sr15/chapter/chapter-2/>

<sup>5</sup> <https://www.utilitydive.com/news/renewables-storage-poised-to-undercut-natural-gas-prices-increase-strande/562674/>

<sup>6</sup> <https://www.houstonchronicle.com/business/energy/article/Cities-target-gas-heaters-stoves-in-new-front-of-14537156.php>

<sup>7</sup> <https://www.greentechmedia.com/articles/read/its-official-gov-brown-signs-100-clean-energy-into-law#gs.8TFSrm4>

<sup>8</sup> <https://www.nbcсандiego.com/news/local/San-Diegos-Next-Steps-for-Achieving-100-Renewable-Energy-509333451.html>

<sup>9</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>

<sup>10</sup> <https://www.socalgas.com/smart-energy/renewable-gas/what-is-renewable-natural-gas>

renewable natural gas faces supply constraints.<sup>11</sup> The Company's disclosures indicate Sempra is continuing to invest in expensive gas infrastructure and is not sufficiently addressing how those assets and their depreciation timelines reconcile with state decarbonization goals.<sup>12, 13</sup>

Peer utilities, including NextEra<sup>14</sup> and Xcel,<sup>15</sup> have avoided investing in new gas infrastructure by replacing coal assets with renewables and storage, creating win-win solutions. Shareholders are concerned Sempra is lagging behind and exposing itself to climate-related risks by investing in significant gas holdings that may become stranded.

**Resolved:** Shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

<sup>11</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=18-IEPR-01>; TN 226392

<sup>12</sup> <http://investor.sempra.com/static-files/b56277cd-bd7a-43cb-ad18-73015843895b>, p.34, p.65

<sup>13</sup> <https://www.sempra.com/sites/default/files/content/files/node-page/file-list/2019/2018-corporate-sustainability-report-semprav2.pdf>, p.7

<sup>14</sup> <https://www.greentechmedia.com/articles/read/nextera-inks-even-bigger-windsolarstorage-deal-with-oklahoma-cooperative>

<sup>15</sup> <https://www.utilitydive.com/news/lazard-renewables-can-challenge-existing-coal-plants-on-price/541965/>

**Subject:** Fwd: Quick question  
**Date:** Monday, December 9, 2019 at 4:09:30 PM Pacific Standard Time  
**From:** Lila Holzman  
**To:** Kwan Hong Teoh, Danielle Fugere  
**Category:** Internal

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**From:** Stewart Taggart \*\*\* >  
**Sent:** Monday, December 9, 2019 6:40:30 PM  
**To:** Lila Holzman <lholzman@asyousow.org>  
**Subject:** Re: Quick question

I did.

On Dec 10, 2019, at 6:57 AM, Lila Holzman <lholzman@asyousow.org> wrote:

Hi Stewart,  
Working on our paperwork. Just looking for a quick confirmation that you reviewed our Sempra proposal before submission. Can you reply to this email confirming for our records?  
Many thanks,  
Lila

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**From:** Patricia Regan <[PRegan@CDPTexas.org](mailto:PRegan@CDPTexas.org)>  
**Sent:** Saturday, November 23, 2019 8:15:43 AM  
**To:** Jett, Jennifer <[jjett@sempira.com](mailto:jjett@sempira.com)>  
**Subject:** [EXTERNAL] resolutions

\*\*\* EXTERNAL EMAIL - Be cautious of attachments, web links, and requests for information \*\*\*

Please see attached resolutions filed for Providence Trust and Congregation of Divine Providence

**Sister Patricia Regan, CDP**  
**General Treasurer**

**P:** (210) 587-1150  
**F:** (210) 431-9965  
**E:** [pregan@cdptexas.org](mailto:pregan@cdptexas.org)

CONGREGATION OF DIVINE PROVIDENCE  
SAN ANTONIO, TEXAS

*Abandonment to Divine Providence • Simplicity • Poverty • Charity*



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# CONGREGATION OF DIVINE PROVIDENCE

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SAN ANTONIO, TEXAS

November 22, 2019

Jennifer F. Jett  
Corporate Secretary  
Semptra Energy  
488 8th Ave.  
San Diego, CA 92101

Email: [jjett@semptra.com](mailto:jjett@semptra.com)

Dear Ms. Jett:

I am writing you on behalf of Congregation of Divine Providence to co-file the stockholder resolution on Report on Reducing GHG. In brief, the proposal states: **RESOLVED**, shareholders request that Semptra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

I am hereby authorized to notify you of our intention to co-file this shareholder proposal with As You Sow. I submit it for inclusion in the 2020 proxy statement for consideration and action by the shareholders at the 2020 annual meeting in accordance with Rule 14-a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. We are the beneficial owner, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of \$2,000 worth of the shares.

We have been a continuous shareholder for one year of \$2,000 in market value of Semptra Energy stock and will continue to hold at least \$2,000 of Semptra Energy stock through the next annual meeting. Verification of our ownership position will be sent by our custodian. A representative of the filers will attend the stockholders' meeting to move the resolution as required by SEC rules.

We truly hope that the company will be willing to dialogue with the filers about this proposal. We consider As You Sow the lead filer of this resolution. As such, As You Sow, serving as the primary filer, is authorized to act on our behalf in all aspects of the resolution, including negotiation and deputize them to withdraw the resolution on our behalf if an agreement is reached. Please note that the contact person for this resolution/proposal will be Lila Holzman, of As You Sow who may be reached by email: [lholtzman@asyousow.org](mailto:lholtzman@asyousow.org).

As a co-filer, however, we respectfully request direct communication from the company and to be listed in the proxy.

Sincerely,



Sister Patricia Regan  
General Treasurer

## 2020 Sempra Energy Report on Reducing GHG

**Whereas:** The Intergovernmental Panel on Climate Change released a report finding that "rapid, far-reaching" changes are necessary in the next 10 years to avoid disastrous levels of global warming.<sup>1</sup>

The energy sector plays a critical role in mitigating climate risk. Already, the sector is undergoing a rapid transition by moving away from coal, but growing reliance on natural gas creates ongoing risk. Natural gas is a major contributor to climate change due to combustion emissions and methane leaks. In 2018, gas contributed to an increase in power sector emissions,<sup>2</sup> jeopardizing chances of achieving reductions in line with the Paris Agreement's goal of keeping global warming below 1.5 degrees Celsius.

Building new gas infrastructure may be uneconomic and result in costly stranded assets comparable to early retirements now occurring for coal.<sup>3</sup> While some low-carbon scenarios show gas use continuing, they rely on significant carbon removal technologies -- a risky assumption given the technology has not proven economic at scale.<sup>4</sup>

Demand response, energy efficiency, renewables plus storage, and electrification are all increasingly cost-effective means of serving energy needs while reducing gas use and climate impacts.<sup>5</sup> City governments, recognizing gas' climate impacts, are setting policies prohibiting gas hookups for new buildings in favor of safer, healthier electric buildings.<sup>6</sup> Furthermore, the state of California has set ambitious mid-century clean energy targets,<sup>7</sup> San Diego is pursuing 100 percent clean energy programs,<sup>8</sup> and civil society pressure continues to mount against fossil fuels. As this opposition to gas grows, Sempra has increased lobbying of local officials to support gas over electrification through proposals that run counter to ratepayer and climate considerations.<sup>9</sup>

Sempra's existing climate targets are short term, and investors lack sufficient information to understand if or how the Company can reconcile its reliance on natural gas with achieving California's decarbonization targets. The Company's disclosures indicate Sempra is continuing to invest in expensive natural gas-related infrastructure and is not sufficiently addressing how those assets and their depreciation timelines reconcile with state decarbonization goals.<sup>10, 11</sup> Notably, the company has proposed increased investment in renewable natural gas. While renewable gas from organic waste material<sup>12</sup> can provide climate benefits compared to fossil gas, renewable natural gas has significant supply constraints<sup>13</sup> and is unlikely to provide the majority of Sempra's future energy needs.

Peer utilities, including NextEra<sup>14</sup> and Xcel,<sup>15</sup> have avoided investing in new gas infrastructure by replacing coal assets with renewables and storage, creating win-win solutions. Shareholders are concerned Sempra is lagging behind and exposing itself to climate-related risks by investing in significant gas holdings that may become stranded.

**Resolved:** Shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

<sup>1</sup> <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

<sup>2</sup> <https://www.nytimes.com/2019/01/08/climate/greenhouse-gas-emissions-increase.html>

<sup>3</sup> <https://rmi.org/a-bridge-backward-the-risky-economics-of-new-natural-gas-infrastructure-in-the-united-states/>

<sup>4</sup> <https://www.ipcc.ch/sr15/chapter/chapter-2/>

<sup>5</sup> <https://www.utilitydive.com/news/renewables-storage-poised-to-undercut-natural-gas-prices-increase-stranded/562674/>

<sup>6</sup> <https://www.houstonchronicle.com/business/energy/article/Cities-target-gas-heaters-stoves-in-new-front-of-14537156.php>

<sup>7</sup> <https://www.greentechmedia.com/articles/read/its-official-gov-brown-signs-100-clean-energy-into-law#gs.8TFSrm4>

<sup>8</sup> <https://www.nbcсандiego.com/news/local/San-Diegos-Next-Steps-for-Achieving-100-Renewable-Energy-509333451.html>

<sup>9</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>

<sup>10</sup> <http://investor.sempra.com/static-files/b56277cd-bd7a-43cb-ad18-73015843895b>, p.34, p.65

<sup>11</sup> <https://www.sempra.com/sites/default/files/content/files/node-page/file-list/2019/2018-corporate-sustainability-report-semprav2.pdf>, p.7

<sup>12</sup> <https://www.socalgas.com/smart-energy/renewable-gas/what-is-renewable-natural-gas>

<sup>13</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=18-IEPR-01; TN 226392>

<sup>14</sup> <https://www.greentechmedia.com/articles/read/nextera-inks-even-bigger-windsolar-storage-deal-with-oklahoma-cooperative>

<sup>15</sup> <https://www.utilitydive.com/news/lazard-renewables-can-challenge-existing-coal-plants-on-price/541965/>

PROVIDENCE TRUST

SAN ANTONIO, TEXAS

November 22, 2019

Jennifer F. Jett  
Corporate Secretary  
Sempra Energy  
488 8th Ave.  
San Diego, CA 92101

Email: [jjett@sempra.com](mailto:jjett@sempra.com)

Dear Ms. Jett:

I am writing you on behalf of Providence Trust to co-file the stockholder resolution on Report on Reducing GHG. In brief, the proposal states: **RESOLVED**, shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

I am hereby authorized to notify you of our intention to co-file this shareholder proposal with As You Sow. I submit it for inclusion in the 2020 proxy statement for consideration and action by the shareholders at the 2020 annual meeting in accordance with Rule 14-a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. We are the beneficial owner, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of \$2,000 worth of the shares.

We have been a continuous shareholder for one year of \$2,000 in market value of Sempra Energy stock and will continue to hold at least \$2,000 of Sempra Energy stock through the next annual meeting. Verification of our ownership position will be sent by our custodian. A representative of the filers will attend the stockholders' meeting to move the resolution as required by SEC rules.

We truly hope that the company will be willing to dialogue with the filers about this proposal. We consider As You Sow the lead filer of this resolution. As such, As You Sow, serving as the primary filer, is authorized to act on our behalf in all aspects of the resolution, including negotiation and deputize them to withdraw the resolution on our behalf if an agreement is reached. Please note that the contact person for this resolution/proposal will be Lila Holzman, of As You Sow who may be reached by email: [lholtzman@asyousow.org](mailto:lholtzman@asyousow.org).

As a co-filer, however, we respectfully request direct communication from the company and to be listed in the proxy.

Sincerely,



Sister Ramona Bezner  
Trustee



## 2020 Sempra Energy Report on Reducing GHG

**Whereas:** The Intergovernmental Panel on Climate Change released a report finding that "rapid, far-reaching" changes are necessary in the next 10 years to avoid disastrous levels of global warming.<sup>1</sup>

The energy sector plays a critical role in mitigating climate risk. Already, the sector is undergoing a rapid transition by moving away from coal, but growing reliance on natural gas creates ongoing risk. Natural gas is a major contributor to climate change due to combustion emissions and methane leaks. In 2018, gas contributed to an increase in power sector emissions,<sup>2</sup> jeopardizing chances of achieving reductions in line with the Paris Agreement's goal of keeping global warming below 1.5 degrees Celsius.

Building new gas infrastructure may be uneconomic and result in costly stranded assets comparable to early retirements now occurring for coal.<sup>3</sup> While some low-carbon scenarios show gas use continuing, they rely on significant carbon removal technologies -- a risky assumption given the technology has not proven economic at scale.<sup>4</sup>

Demand response, energy efficiency, renewables plus storage, and electrification are all increasingly cost-effective means of serving energy needs while reducing gas use and climate impacts.<sup>5</sup> City governments, recognizing gas' climate impacts, are setting policies prohibiting gas hookups for new buildings in favor of safer, healthier electric buildings.<sup>6</sup> Furthermore, the state of California has set ambitious mid-century clean energy targets,<sup>7</sup> San Diego is pursuing 100 percent clean energy programs,<sup>8</sup> and civil society pressure continues to mount against fossil fuels. As this opposition to gas grows, Sempra has increased lobbying of local officials to support gas over electrification through proposals that run counter to ratepayer and climate considerations.<sup>9</sup>

Sempra's existing climate targets are short term, and investors lack sufficient information to understand if or how the Company can reconcile its reliance on natural gas with achieving California's decarbonization targets. The Company's disclosures indicate Sempra is continuing to invest in expensive natural gas-related infrastructure and is not sufficiently addressing how those assets and their depreciation timelines reconcile with state decarbonization goals.<sup>10, 11</sup> Notably, the company has proposed increased investment in renewable natural gas. While renewable gas from organic waste material<sup>12</sup> can provide climate benefits compared to fossil gas, renewable natural gas has significant supply constraints<sup>13</sup> and is unlikely to provide the majority of Sempra's future energy needs.

Peer utilities, including NextEra<sup>14</sup> and Xcel,<sup>15</sup> have avoided investing in new gas infrastructure by replacing coal assets with renewables and storage, creating win-win solutions. Shareholders are concerned Sempra is lagging behind and exposing itself to climate-related risks by investing in significant gas holdings that may become stranded.

**Resolved:** Shareholders request that Sempra issue a report, at reasonable cost and omitting proprietary information, describing how it is responding to the risk of stranded assets of current and planned natural gas-based infrastructure and assets, as the global response to climate change intensifies.

<sup>1</sup> <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

<sup>2</sup> <https://www.nytimes.com/2019/01/08/climate/greenhouse-gas-emissions-increase.html>

<sup>3</sup> <https://rmi.org/a-bridge-backward-the-risky-economics-of-new-natural-gas-infrastructure-in-the-united-states/>

<sup>4</sup> <https://www.ipcc.ch/sr15/chapter/chapter-2/>

<sup>5</sup> <https://www.utilitydive.com/news/renewables-storage-poised-to-undercut-natural-gas-prices-increase-stranded/562674/>

<sup>6</sup> <https://www.houstonchronicle.com/business/energy/article/Cities-target-gas-heaters-stoves-in-new-front-of-14537156.php>

<sup>7</sup> <https://www.greentechmedia.com/articles/read/its-official-gov-brown-signs-100-clean-energy-into-law#gs.8TFSrm4>

<sup>8</sup> <https://www.nbcsandiego.com/news/local/San-Diegos-Next-Steps-for-Achieving-100-Renewable-Energy-509333451.html>

<sup>9</sup> <https://www.latimes.com/environment/story/2019-10-22/southern-california-gas-climate-change>

<sup>10</sup> <http://investor.sempra.com/static-files/b56277cd-bd7a-43cb-ad18-73015843895b>, p.34, p.65

<sup>11</sup> <https://www.sempra.com/sites/default/files/content/files/node-page/file-list/2019/2018-corporate-sustainability-report-semprav2.pdf>, p.7

<sup>12</sup> <https://www.socalgas.com/smart-energy/renewable-gas/what-is-renewable-natural-gas>

<sup>13</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=18-IEPR-01; TN 226392>

<sup>14</sup> <https://www.greentechmedia.com/articles/read/nextera-inks-even-bigger-wind-solar-storage-deal-with-oklahoma-cooperative>

<sup>15</sup> <https://www.utilitydive.com/news/lazard-renewables-can-challenge-existing-coal-plants-on-price/541965/>

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November 22, 2019

Jennifer F. Jett  
Corporate Secretary  
Sempra Energy  
488 8<sup>th</sup> Ave  
San Diego, CA 92101

Sent by Email: [jjett@sempra.com](mailto:jjett@sempra.com)

Re: Co-filing of shareholder resolution: Report on Reducing GHG

As of November 22, 2019, Congregation of the Divine Providence and Providence Trust held, and has held continuously for at least one year, 49 shares and 141 shares of Sempra Energy (SRE) common stock. These shares have been held with Morgan Stanley, DTC 0015.

If you need further information please contact us at 1-800-733-3041.

Sincerely,



**Heidi Siller**

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