

SOUTHERN CALIFORNIA GAS CO  
Form DEF 14C  
April 25, 2013

**SCHEDULE 14C INFORMATION**

**Information Statement Pursuant to Section 14(c)  
of the Securities Exchange Act of 1934 (Amendment No. )**

Check the appropriate box:

- Preliminary Information Statement  **Confidential, for Use of the Commission Only**  
(as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

**Southern California Gas Company**

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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# SOUTHERN CALIFORNIA GAS COMPANY

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Southern California Gas Company ( SoCalGas ) will be held on June 11, 2013, at 10:00 a.m., local time, at 101 Ash Street, San Diego, California. SoCalGas is a subsidiary of Sempra Energy.

The Annual Meeting will be held for the following purposes:

- (1) To elect directors for the ensuing year.
- (2) To obtain advisory approval of our executive compensation.
- (3) To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on April 18, 2013, are entitled to notice of and to vote at the Annual Meeting.

The Annual Meeting is a business-only meeting. It will not include any presentations by management and the company does not encourage shareholder attendance.

**Only shareholders are entitled to attend the Annual Meeting. Shareholders who own shares registered in their names will be admitted to the meeting upon verification of record share ownership. Shareholders who own shares through banks, brokers or other nominees must present proof of beneficial share ownership (such as the most recent account statement prior to April 18, 2013) to be admitted.**

Additional information regarding the company is included in its Annual Report on Form 10-K and other documents filed with the Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549. These documents also are available on the Sempra Energy website at [www.sempra.com](http://www.sempra.com) under the Investors and Company SEC Filings tabs. The company will furnish a copy of its 2012 Form 10-K (excluding exhibits, except those that are specifically requested) without charge to any of its shareholders who so request by writing to the office of the Corporate Secretary at 101 Ash Street, San Diego, California, 92101-3017. Information on the website does not constitute part of this Information Statement.

Jennifer F. Jett

*Corporate Secretary*

**Important Notice Regarding the Availability of Information Statement Materials for the**

**SoCalGas Shareholders Meeting to be Held on June 11, 2013.**

**The Information Statement for the Annual Meeting of Shareholders to be held on June 11, 2013 and the**

**Annual Report are available on the Internet at**

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<http://www.amstock.com/ProxyServices/ViewMaterials.asp>

## INFORMATION STATEMENT

### WE ARE NOT ASKING YOU FOR A PROXY AND

### YOU ARE REQUESTED NOT TO SEND US A PROXY

Southern California Gas Company is providing this Information Statement to its shareholders in connection with its Annual Meeting of Shareholders to be held on June 11, 2013. The Notice of Annual Meeting and Information Statement and the annual report to shareholders are being mailed to shareholders beginning on or about April 25, 2013.

## THE COMPANY

Southern California Gas Company, which we refer to as SoCalGas, is an indirect investor-owned public utility subsidiary of Sempra Energy. SoCalGas's principal executive offices are located at The Gas Company Tower, 555 West Fifth Street, Los Angeles, California 90013-1046. Its telephone number is (213) 244-1200.

## OUTSTANDING SHARES AND VOTING RIGHTS

SoCalGas's Board of Directors has fixed April 18, 2013, as the record date for determining the shareholders of SoCalGas entitled to notice of and to vote at the SoCalGas Annual Meeting. On that date, SoCalGas's outstanding shares consisted of 91,300,000 shares of common stock and 862,043 shares of preferred stock. All SoCalGas common stock and 50,970 shares of SoCalGas preferred stock are owned by Pacific Enterprises (PE), a wholly owned direct subsidiary of Sempra Energy.

In electing directors, each share is entitled to one vote for each of the five director positions and shareholders will be entitled to cumulate votes if any shareholder gives notice of an intention to do so at the meeting and prior to the voting. If that notice is given, all shareholders may cast all of their votes for any one director candidate whose name has been placed in nomination prior to the voting or distribute their votes among two or more such candidates in such proportions as they may determine. In voting on any other matters that may be considered at the Annual Meeting, each share is entitled to one vote.

The shares of SoCalGas owned by PE and indirectly owned by Sempra Energy represent over 99 percent of SoCalGas's outstanding shares and the number of votes entitled to be cast on the matters to be considered at the Annual Meeting. PE has advised SoCalGas that it intends to vote FOR each of the nominees for election to the Board of Directors and FOR advisory approval of our executive compensation.

## GOVERNANCE OF THE COMPANY

The business and affairs of SoCalGas are managed and all corporate powers are exercised under the direction of its Board of Directors in accordance with the California General Corporation Law as implemented by SoCalGas's Articles of Incorporation and Bylaws.

### Board of Directors

#### *Board Meetings; Annual Meeting of Shareholders*

During 2012, the Board of Directors of SoCalGas held 14 meetings and acted 11 times by unanimous written consent. With the exception of Mr. Davis, each director attended at least 75 percent of the meetings.

The Annual Meeting of Shareholders is a business-only meeting without presentations by management. The company does not encourage attendance at the meeting by public shareholders. Last year, all of the directors, except Steven D. Davis, attended the meeting.



### *Leadership Structure*

The Chief Executive Officer of the company also serves as the Chairman of the company's Board of Directors. The company has no lead director. As a subsidiary of Sempra Energy, SoCalGas is not subject to stock exchange listing standards requiring independent directors and various board committees and, accordingly, has not established independence standards for its directors. All of the directors of the company are also officers of the company or Sempra Energy and, as such, none is an independent director. The SoCalGas board does not maintain any committees.

Nominees for election as directors are determined by the Board of Directors, and the board will not consider director candidates recommended by shareholders other than its direct and indirect parent companies. The board consists of the Chief Executive Officer and President of the company and three senior officers of Sempra Energy with varying professional and business expertise. Although Sempra Energy and SoCalGas promote diversity in hiring employees and in the appointment of their senior officers, diversity is not otherwise considered in selecting the officers that serve as directors of the company.

Sempra Energy's Board of Directors is composed of a substantial majority of independent directors and maintains standing Audit, Compensation and Corporate Governance Committees composed solely of independent directors. The Sempra Energy board also has adopted a Code of Business Conduct and Ethics for Directors and Officers that is applicable to the directors and officers of SoCalGas, and officers of SoCalGas also are subject to Business Conduct Guidelines that apply to all employees of SoCalGas.

### *Risk Oversight*

Assessing and monitoring risks and risk management are functions of the Board of Directors of SoCalGas. The board reviews and oversees strategic, financial and operating plans that generally are intended to provide reliable earnings with modest risk. SoCalGas's management is responsible for identifying and moderating risk in a manner consistent with these goals. SoCalGas has an Enterprise Risk Management Committee ( ERMC ) which is composed of ten officers of SoCalGas and is chaired by the company's President and Chief Operating Officer. The ERMC's mission is to ensure that the company has a comprehensive approach to its risk assessment, is vigilant with risk mitigation and allocates the appropriate resources to effectively manage the company's risks. SoCalGas also has an Energy Procurement Risk Management Committee ( EPRMC ) composed of members of management that is responsible for the oversight of risk management within the company's natural gas procurement department. The board fulfills its risk oversight function through management that reports directly to the board and by scheduling periodic updates to the board by representatives of the ERMC and EPRMC.

### *Review of Related Person Transactions*

Securities and Exchange Commission rules require that SoCalGas disclose certain transactions involving more than \$120,000 in which the company is a participant and any of its directors, nominees as directors or executive officers, or any member of their immediate families, has or will have a direct or indirect material interest. The Board of Directors has adopted a written policy that requires the board to review any such related person transaction before the company enters into the transaction. There have been no transactions or proposed transactions requiring such review during 2012 or 2013 through the mailing date of this Information Statement.

### *Communications with the Board*

Shareholders or interested parties who wish to communicate with the Board of Directors or an individual director may do so by writing directly to the board or the director at the address set forth under the caption The Company.

### *Compensation of Directors*

All of our directors are employees of SoCalGas or Sempra Energy and are not otherwise compensated for their service on the Board of Directors.

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**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Representatives of Deloitte & Touche LLP, the independent registered public accounting firm for SoCalGas, are expected to attend the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions from shareholders. Deloitte & Touche also serves as the independent registered public accounting firm for Sempra Energy and its other public subsidiary, San Diego Gas & Electric Company ( SDG&E ).

The following table shows the fees paid to Deloitte & Touche for services provided to SoCalGas for 2012 and 2011 (in thousands of dollars).

	2012		2011	
	Fees	% of Total	Fees	% of Total
<b>Audit Fees</b>				
Consolidated Financial Statements and Internal Controls Audit	\$ 2,000		\$ 1,995	
Regulatory Filings and Related Services	59			
<b>Total Audit Fees</b>	2,059	91%	1,995	92%
<b>Audit-Related Fees</b>				
Employee Benefit Plan Audits	187		181	
Other Audit-Related Services				
<b>Total Audit-Related Fees</b>	187	8%	181	8%
<b>Tax Fees</b>				
Tax Planning and Compliance				
Other Tax Services				
<b>Total Tax Fees</b>				
<b>All Other Fees</b>	13	1%		
<b>Total Fees</b>	\$ 2,259		\$ 2,176	

The Audit Committee of Sempra Energy's Board of Directors is directly responsible and has sole authority for selecting, appointing, retaining and overseeing the work and approving the compensation of the independent registered public accounting firm for Sempra Energy and its subsidiaries, including SoCalGas. As a matter of good corporate governance, the SoCalGas board also reviewed the performance of Deloitte & Touche and concurred with the determination by the Sempra Energy Audit Committee to retain them as our independent registered public accounting firm. Sempra Energy's board has determined that each member of its Audit Committee is an independent director and is financially literate, and that the chair of the committee is an audit committee financial expert.

Except where pre-approval is not required by the Securities and Exchange Commission rules, Sempra Energy's Audit Committee pre-approves all audit and permissible non-audit services provided by Deloitte & Touche for Sempra Energy and its subsidiaries. The committee's pre-approval policies and procedures provide for the general pre-approval of specific types of services and give detailed guidance to management as to the services that are eligible for general pre-approval. They require specific pre-approval of all other permitted services. For both types of pre-approval, the committee considers whether the services to be provided are consistent with maintaining the firm's independence. The policies and procedures also delegate authority to the chair of the committee to address any requests for pre-approval of services between committee meetings, with any pre-approval decisions to be reported to the committee at its next scheduled meeting.



## AUDIT REPORT

The Board of Directors of SoCalGas has reviewed and discussed the audited financial statements of the company for the year ended December 31, 2012, with management and Deloitte & Touche LLP, the independent registered public accounting firm.

The board has discussed with Deloitte & Touche the matters required to be discussed by AU Section 380 of the Public Company Accounting Oversight Board, Communications with Audit Committees, as amended and adopted by the Public Company Accounting Oversight Board. The board also has received from Deloitte & Touche a letter providing the disclosures required by the applicable requirements of the Public Company Accounting Oversight Board with respect to Deloitte & Touche's independence and has discussed their independence with them.

Based on these considerations, the Board of Directors directed that the audited financial statements of SoCalGas be included in its Annual Report on Form 10-K for the year ended December 31, 2012, for filing with the Securities and Exchange Commission.

### BOARD OF DIRECTORS

Anne S. Smith, *Chair*

Dennis V. Arriola

Javade Chaudhri

Steven D. Davis

Joseph A. Householder

## SHARE OWNERSHIP

All of the outstanding SoCalGas common stock is owned by PE and all of the outstanding common stock of PE is owned by Sempra Energy. None of the directors or officers of SoCalGas owns any preferred shares of SoCalGas, and SoCalGas is unaware of any person, other than PE, who beneficially owns more than 5.0 percent of our preferred shares.

The following table sets forth the number of shares of Sempra Energy common stock beneficially owned on March 12, 2013, by each director of SoCalGas, by each executive officer of SoCalGas named in the compensation tables of this Information Statement, and by all current directors and executive officers of SoCalGas as a group. The shares of common stock beneficially owned by our directors and executive officers as a group total less than 1.0 percent of Sempra Energy's outstanding shares. In calculating this percentage, shares under the heading Phantom Shares are not included because these shares cannot be voted and may only be settled for cash.

Share Ownership	Shares			
	Current	Subject To		
	Beneficial Holdings (A)	Exercisable Options (B)	Phantom Shares (C)	Total
Michael W. Allman (D)	109			109
Dennis V. Arriola	2,404		91	2,495
Javade Chaudhri	29,754	57,650	4,531	91,935
Steven D. Davis	18,158	39,900	3,396	61,454
Joseph A. Householder	35,617	48,200	4,716	88,533
Erbin B. Keith	47,028	4,575	1,479	53,082
Lee Schavrien	27,988	3,700	1,984	33,672
Robert M. Schlax	2,563	6,175	4,183	12,921
Anne S. Smith	10,626	37,675	2,138	50,439
Current SoCalGas Directors and Executive Officers as a group (10 persons)	196,309	215,300	25,793	437,402

- (A) Includes unvested shares of restricted Sempra Energy common stock that may be voted but are not transferable until they vest. These total 1,688 shares for Mr. Schavrien; and 1,688 shares for all SoCalGas directors and executive officers as a group.
- (B) Shares of Sempra Energy common stock which may be acquired through the exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (C) Represents deferred compensation deemed invested in phantom shares of Sempra Energy common stock. These shares track the performance of Sempra Energy common stock but cannot be voted and may only be settled for cash.
- (D) Mr. Allman resigned from the company on May 30, 2012. Sempra Energy has approximately 245,000 shareholders.

There are three persons known to us to own beneficially more than 5.0 percent of Sempra Energy's outstanding shares: BlackRock, Inc., 40 East 52nd Street, New York, New York; FMR LLC, 82 Devonshire Street, Boston, MA; and Franklin Resources, Inc., One Franklin Parkway, San Mateo, California. BlackRock has reported that at December 31, 2012, it and related entities beneficially owned 16,998,740 shares for which they had sole voting and dispositive power, representing approximately 7.0 percent of Sempra Energy's outstanding shares. FMR LLC has reported that at December 31, 2012, it and related entities beneficially owned 17,652,767 shares for which they had sole voting power over 783,604 shares and sole dispositive power over 17,652,767 shares representing approximately 7.3 percent of Sempra Energy's outstanding shares. Franklin Resources has reported that at December 31, 2012, it and related entities beneficially owned 12,868,529 shares for which they had sole voting power over 12,757,709 shares and sole dispositive power over 12,868,529 shares, representing approximately 5.3 percent of

Sempra Energy's outstanding shares.

Employee savings plans sponsored by Sempra Energy and its affiliates, including SoCalGas, hold 15,343,537 shares of Sempra Energy's common stock (approximately 6.3 percent of its outstanding shares) for the benefit of employees of Sempra Energy and certain subsidiaries, including the company, as of March 12, 2013.

For information regarding share ownership requirements applicable to the company's directors and officers, please see Executive Compensation Compensation Discussion and Analysis Share Ownership Requirements.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Our directors and executive officers are required to file reports with the Securities and Exchange Commission regarding their ownership of our shares. Based solely on our review of the reports filed and written representations from directors and executive officers that no other reports were required, we believe that all filing requirements were timely met during 2012.

## ELECTION OF DIRECTORS

At the Annual Meeting, five directors will be elected to hold office until the next Annual Meeting and until their successors have been elected and qualified. The five director candidates receiving the highest number of affirmative votes will be elected as directors of the company. Votes against the directors and votes withheld will have no legal effect.

The five current directors of SoCalGas have been nominated for re-election to the board. The name of each nominee, biographical information regarding each nominee and a description of each nominee's specific experience and attributes that make him or her a well-qualified and valuable board member are set forth below. Except for Mr. Arriola, the directors have held the positions set forth below or various positions with the same or affiliated organizations for at least the last five years.

**Anne S. Smith**, 59, has been the Chief Executive Officer and Chairman of the Board of SoCalGas since May 2012. From May to August 2012, she also served as President of SoCalGas. Prior to that, Ms. Smith served as Chief Operating Officer of the company, a position she held from April 2010 to May 2012, and, for over five years prior to that time, she served as Senior Vice President - Customer Services for SoCalGas and SDG&E, Sempra Energy's California regulated utilities. Ms. Smith has been with SoCalGas for over 35 years, where she has served in various executive level positions since 1991.

Ms. Smith has extensive experience in the natural gas distribution business and significant executive experience.

**Dennis V. Arriola**, 52, became the President and Chief Operating Officer of SoCalGas in August 2012 and a director of SoCalGas in December 2012. Prior to rejoining the company, Mr. Arriola served as Executive Vice President and Chief Financial Officer from April 2010 to March 2012 and as Senior Vice President and Chief Financial Officer from November 2008 to March 2010, in each case at SunPower Corporation. He served as Senior Vice President and Chief Financial Officer of SoCalGas and SDG&E from 2006 to 2008.

Mr. Arriola has extensive energy industry experience, financial expertise and significant executive experience.

**Javade Chaudhri**, 60, became a director of SoCalGas in 2010. He is an Executive Vice President and the General Counsel of Sempra Energy.

Mr. Chaudhri has extensive experience in legal affairs and compliance matters gained from his many years as a practicing attorney. Prior to joining Sempra Energy, he served as General Counsel of Gateway Inc. and before that was a partner at several prominent law firms.

**Steven D. Davis**, 57, became a director of SoCalGas in 2011. He is the Senior Vice President - External Affairs of Sempra Energy. Prior to assuming his current role with Sempra Energy, Mr. Davis served as Vice President - Investor Relations and Corporate Communications, where he oversaw Sempra Energy's shareholder relations and communications with the financial community and investors as well as all corporate communications. Prior to that, he was Senior Vice President of External Relations and Chief Financial Officer for SoCalGas and SDG&E.

Mr. Davis brings over 30 years of service to our company and its affiliates in a broad range of management roles. He has benefitted from years of hands-on experience with utility and energy infrastructure operations. That experience brings to the board a multifaceted perspective and in-depth industry understanding.

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**Joseph A. Householder**, 57, became a director of SoCalGas in 2010. He has been Executive Vice President and Chief Financial Officer of Sempra Energy since October 2011. Previously, he was Senior Vice President, Chief Accounting Officer and Controller of Sempra Energy.

Prior to joining Sempra Energy, Mr. Householder was a partner at PricewaterhouseCoopers national tax office and served as Vice President of Corporate Development and Assistant Chief Financial Officer at Unocal. Mr. Householder has in-depth knowledge of corporate accounting, tax and compliance practices, particularly within the energy industry.

## ADVISORY VOTE ON EXECUTIVE COMPENSATION

Our Board of Directors recognizes that performance-based executive compensation is an important element in driving long-term shareholder value. Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are asking shareholders to approve an advisory resolution on SoCalGas's executive compensation as reported in this Information Statement. This proposal, commonly known as a say-on-pay proposal, gives our shareholders the opportunity to express their views on the compensation of our executive officers named in the executive compensation tables in this Information Statement (named executive officers).

To be approved, the proposal must receive votes FOR the proposal constituting a majority of the shares represented and voting at the Annual Meeting at which a quorum is present, and the approving majority must also represent more than 25 percent of our outstanding voting stock. If you indicate ABSTAIN, it will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the annual meeting, but will not be considered a vote cast with respect to this proposal.

### Compensation Discussion and Analysis

As described more fully in the Compensation Discussion and Analysis section of this Information Statement, SoCalGas's executive compensation program is designed to attract, motivate, and retain key employees, including our named executive officers, and promote strong, sustainable, long-term performance. We urge our shareholders to read Executive Compensation Compensation Discussion and Analysis, which describes in detail how our executive compensation policies and procedures operate and, more specifically, describes our 2012 executive compensation program and decisions. Our Board of Directors believes that our executive compensation program fulfills these objectives and is reasonable, competitive and aligned with our performance and the performance of our executives.

### Resolution

We are asking our shareholders to indicate their support for the compensation of our named executive officers as described in this Information Statement by voting in favor of the following resolution:

RESOLVED, as an advisory matter, the shareholders of Southern California Gas Company approve the compensation paid to the company's named executive officers as disclosed in this Information Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

This say-on-pay vote is advisory and will not be binding on the company.

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## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### EXECUTIVE SUMMARY

*What information is provided in this section of the Information Statement?*

In this Compensation Discussion and Analysis, we:

- Outline our compensation philosophy and discuss how the SoCalGas Board of Directors determines executive pay.
- Describe each element of executive pay, including base salaries, short-term and long-term incentives and executive benefits.
- Describe how we manage risk in our incentive compensation plans.

*Who are the Named Executive Officers?*

This Compensation Discussion and Analysis focuses on the compensation of our named executive officers:

- Anne S. Smith: Chairman and Chief Executive Officer
- Dennis V. Arriola: President and Chief Operating Officer
- Robert M. Schlax: Vice President, Chief Financial Officer, Treasurer and Controller
- Erbin B. Keith: Senior Vice President and General Counsel
- Lee Schavrien: Senior Vice President, Finance, Regulatory and Legislative Affairs
- Michael W. Allman: Former Chairman and Chief Executive Officer

Ms. Smith was promoted to Chairman and CEO on May 31, 2012. Mr. Arriola was hired effective August 4, 2012. Mr. Allman resigned for good reason on May 30, 2012.

Messrs. Schlax and Schavrien are officers of both SoCalGas and SDG&E. The amounts shown in this Information Statement for Messrs. Schlax and Schavrien reflect their total compensation, the cost of which is allocated between SoCalGas and SDG&E.

*What is our Compensation Philosophy?*

Our Board of Directors sets the company's executive pay philosophy.

Our compensation philosophy emphasizes:

- Aligning pay with short-term and long-term company performance.
- Performance-based incentives aligned with value creation for shareholders.
- Balance between short-term and long-term incentives.
- More pay tied to performance at higher levels of responsibility.

Elements of our executive pay program that exemplify our pay-for-performance philosophy include:

- Over 70 percent of our CEO's target pay is performance-based.
- Performance measures in our short-term and long-term incentive plans are directly linked to SoCalGas' and Sempra Energy's financial performance and Sempra Energy shareholder returns.
- One hundred percent of short-term incentive compensation is performance-based.
- Seventy-five percent of long-term incentive compensation is performance-based.



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Long-term incentive compensation is delivered primarily through performance-based restricted stock units with a performance measure tied to Sempra Energy's four-year relative cumulative total shareholder return.

We believe this compensation philosophy enables us to attract, motivate and retain key executive talent and promote strong, sustainable long-term performance.

Our compensation program goals include:

Attracting and retaining executives of outstanding ability and proven experience who demonstrate high standards of integrity and ethics.

Aligning compensation with company performance.

Motivating executives to achieve superior performance.

Strongly linking executive compensation to both annual and long-term corporate, business unit and individual performance.

Company performance is the key indicator of whether our programs are effective. In 2012, SoCalGas employees participated in an annual incentive plan. The primary performance measures under the annual incentive plan were SoCalGas earnings, nonfinancial operational measures and Sempra Energy earnings. In contrast, Sempra Energy's total return to shareholders is the key measure for long-term performance.

*What compensation governance measures are in place?*

Our compensation practices, which are highlighted below, reflect our pay-for-performance philosophy and our commitment to sound corporate governance.

*What We Do:*

We link pay to performance and shareholder interests. We use company earnings and relative total shareholder return as the primary incentive plan performance measures. Our short-term incentive plan also includes performance measures related to employee and public safety, customer satisfaction and supplier diversity.

We review external market data when making compensation decisions.

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