

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the fiscal year ended December 31, 1995
Commission file number 1-1402

SOUTHERN CALIFORNIA GAS COMPANY

(Exact name of Registrant as specified in its charter)

California

95-1240705

(State of incorporation)

(IRS Employer Identification No.)

555 West Fifth Street, Los Angeles, California

90013-1011

(Address of principal executive offices)

(Zip Code)

(213) 244-1200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
-----	-----
Preferred Stock 6% Cumulative Preferred - Series A	Pacific Stock Exchange
7-3/4% Series Preferred Stock	
FIRST MORTGAGE BONDS	New York Stock Exchange

Series Y, due 2021 (8-3/4%)	
Series Z, due 2002 (6-7/8%)	
Series AA, due 1997 (6-1/2%)	
Series BB, due 2023 (7-3/8%)	
Series CC, due 1998 (5-1/4%)	
Series DD, due 2023 (7-1/2%)	
Series EE, due 2025 (6-7/8%)	
Series FF, due 2003 (5-3/4%)	

Securities registered pursuant to Section 12(g) of the Act: None

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PART I

ITEM 1. BUSINESS

Southern California Gas Company ("The Gas Company" or the "Company") is a public utility owning and operating a natural gas distribution, transmission and storage system that supplies natural gas in 535 cities and communities throughout a 23,000-square mile service territory comprising most of southern California and part of central California. The Gas Company is the principal subsidiary of Pacific Enterprises (the "Parent").

The Gas Company is the nation's largest natural gas distribution utility. It serves approximately 17 million residential, commercial, industrial, utility electric generation and wholesale customers through approximately 4.7 million meters in its service territory. The Company's markets are separated into core and noncore customers. Core customers consist of approximately 4.7 million customers (4.5 million residential and 200,000 small commercial and industrial customers). The noncore market consists of approximately 1,600 customers which include utility electric generation, wholesale and large commercial and industrial customers. Most noncore customers procure their own gas rather than purchase gas through the Company.

The Company is subject to regulation by the California Public Utilities Commission ("CPUC") which, among other things, establishes the rates the Company may charge for gas service, including an authorized rate of return on investment. Under current ratemaking policies, the Company's future earnings and cash flow will be determined primarily by the allowed rate of return on common equity, changes to authorized rate base, noncore market pricing and the variance in gas volumes delivered to noncore customers versus CPUC-adopted forecast deliveries and the ability of management to control expenses and investment in line with the amounts authorized by the CPUC to be collected in rates. The impact of any future regulatory restructuring (including the performance based regulation ("PBR") proposal (See "Rates and Regulation")), increased competitiveness in the industry (including the continuing threat of customers bypassing the Company's system and obtaining service directly from interstate pipelines), and electric industry restructuring may also affect the Company's future performance.

For 1996, the CPUC has authorized the Company to earn a rate of return on rate base of 9.42 percent and 11.6 percent rate of return on common equity compared to 9.67 percent and 12 percent, respectively, in 1995. Rate base declined 3.4 percent in 1995. In 1996, rate base is expected to decline slightly from the 1995 level. The Company has achieved or exceeded its authorized rate of return on rate base for the last thirteen consecutive years.

The Gas Company was incorporated in California in 1910. Its principal executive offices are located at 555 West Fifth Street, Los Angeles, California 90013 and its telephone number is (213) 244-1200.

OPERATING STATISTICS

The following table sets forth certain operating statistics of the Company from 1991 through 1995.

OPERATING STATISTICS

YEAR ENDED DECEMBER 31

	1995	1994	1993	1992	1991
Gas Sales, Transportation & Exchange Revenues (thousands of dollars):					
Residential	\$ 1,553,491	\$ 1,712,899	\$1,652,562	\$1,483,654	\$1,673,837
Commercial/Industrial	751,409	798,180	853,579	836,672	977,065
Utility Electric Generation	104,486	118,353	147,208	194,639	148,573
Wholesale	62,256	98,354	116,737	128,881	144,779
Exchange	777	690	3,745	5,863	7,482
Total in rates	2,472,419(1)	2,728,476(1)	2,773,831	2,649,709	2,951,736
Regulatory balancing accounts and other	(193,111)	(141,952)	37,243	190,216	(21,430)
Operating Revenue	\$ 2,279,308	\$ 2,586,524	\$2,811,074	\$2,839,925	\$2,930,306
Volumes (millions of cubic feet):					
Residential	239,417	256,400	247,507	243,920	249,522
Commercial/Industrial	351,649	347,419	339,706	363,124	460,368
Utility Electric Generation	204,582	260,290	212,720	220,642	170,043
Wholesale	128,730	146,279	147,978	149,232	141,931
Exchange	12,735	10,002	16,969	23,888	25,604
Total	937,113	1,020,390	964,880	1,000,806	1,047,468
Core					
Core	324,758	341,469	338,795	334,630	351,432
Noncore					
Noncore	612,355	678,921	626,085	666,176	696,036
Total	937,113	1,020,390	964,880	1,000,806	1,047,468
Sales					
Sales	337,952	362,624	352,052	355,177	411,414
Transportation					
Transportation	586,426	647,764	595,859	621,741	610,450
Exchange					
Exchange	12,735	10,002	16,969	23,888	25,604
Total	937,113	1,020,390	964,880	1,000,806	1,047,468
Revenues (per thousand cubic feet):					
Residential	\$ 6.49	\$ 6.68	\$ 6.68	\$ 6.08	\$ 6.71
Commercial/Industrial	\$ 2.14	\$ 2.30	\$ 2.51	\$ 2.30	\$ 2.12
Utility Electric Generation	\$ 0.51	\$ 0.45	\$ 0.69	\$ 0.88	\$ 0.87
Wholesale	\$ 0.48	\$ 0.67	\$ 0.79	\$ 0.86	\$ 1.02
Exchange	\$ 0.06	\$ 0.07	\$ 0.22	\$ 0.25	\$ 0.29
Customers					
Active Meters (at end of period):					
Residential	4,526,150	4,483,324	4,459,250	4,445,500	4,429,896
Commercial	184,470	187,518	187,602	189,364	193,051
Industrial	22,976	23,505	23,924	24,419	25,642
Utility Electric Generation	8	8	8	8	8
Wholesale	3	3	3	2	2
Total	4,733,607	4,694,358	4,670,787	4,659,293	4,648,599
Residential Meter Usage (annual average):					
Revenues (dollars)	\$ 345	\$ 383	\$ 371	\$ 334	\$ 380
Volumes (thousands of cubic feet)	53.2	57.4	55.6	55.0	56.6
System Usage (millions of cubic feet):					
Average Daily Sendout	2,579	2,795	2,611	2,717	2,881
Peak Day Sendout	4,120	4,350	4,578	4,547	4,356
Sendout Capability (at end of period)	8,059	7,570	7,351	7,419	7,073
Degree Days (2):					
Number	1,215(3)	1,459	1,203	1,258	1,409
Average (20 Year)	1,380	1,418	1,430	1,458	1,474
Percent of Average	88.0%	102.9%	84.1%	86.3%	95.6%
Population of Service Area (estimated at year end)					
	17,260,000	17,070,000	15,600,000	15,600,000	15,600,000

(1) Beginning January 1, 1994, rates included the ratepayer's portion of the Comprehensive Settlement (the amount included in rates for 1995 and 1994 was \$84 million and \$119 million, respectively).

(2) The number of degree days for any period of time indicates whether the temperature is relatively hot or cold. A degree day is recorded for each degree the average temperature for any day falls below 65 degrees Fahrenheit.

(3) Estimated calendar degree days.

SERVICE AREA

The Gas Company distributes natural gas throughout a 23,000-square mile service territory with a population of approximately 17 million people. As indicated by the following map, its service territory includes most of southern California and part of central California.

[MAP OF SOUTHERN CALIFORNIA GAS COMPANY SERVICE TERRITORY]

Natural gas service is also provided on a wholesale basis to the distribution systems of the City of Long Beach, San Diego Gas & Electric Company and Southwest Gas Corporation.

UTILITY SERVICES

The Gas Company's customers are separated, for regulatory purposes, into core and noncore customers. Core customers are primarily residential and small commercial and industrial customers, without alternative fuel capability. Noncore customers primarily include utility electric generation ("UEG"), wholesale and large commercial and industrial customers. Noncore customers are especially sensitive to the price relationship between natural gas and alternate fuels, and many are capable of readily switching from one fuel to another, subject to air quality regulations.

The Gas Company offers two basic utility services, sale of gas and transportation of gas. There are two business units at The Gas Company, one focusing on core distribution customers and the other on large volume gas transportation customers. Residential customers and most other core customers purchase gas directly from The Gas Company. Noncore customers and large core customers have the option of purchasing gas either from The Gas Company or from other sources (such as brokers or producers) for delivery through the Company's transmission and distribution system. Smaller customers are permitted to aggregate their gas requirements and also to purchase gas directly from brokers or producers, up to a limit of 10 percent of the Company's core market. The Gas Company generally earns the same margin whether the Company buys the gas and sells it to the customer or transports gas already owned by the customer. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Operating Results.")

The Gas Company continues to be obligated to purchase reliable supplies of natural gas to serve the requirements of its core customers. However, the only gas supplies that the Company may offer for sale to noncore customers are the same supplies that it purchases to serve its core customers.

The Gas Company also provides a gas storage service for noncore customers on a bid basis. The storage service program provides opportunities for customers to store gas on an "as available" basis during the summer to reduce winter purchases when gas costs are generally higher, or to reduce their level of winter curtailment in the event temperatures are unusually cold. As of December 31, 1995, The Gas Company stored approximately 42 billion cubic feet of customer-owned gas.

DEMAND FOR GAS

Natural gas is a principal energy source in the Company's service area for residential, commercial and industrial uses as well as UEG requirements. Gas competes with electricity for residential and commercial cooking, water heating, space heating uses and clothes drying, and with other fuels for large industrial, commercial and UEG uses. Demand for natural gas in southern California is expected to continue to increase but at a slower rate due primarily to a slowdown in housing starts, new energy efficient building construction and appliance standards and general recessionary business conditions.

During 1995, approximately 97 percent of residential energy customers in the Company's service territory used natural gas for water heating and 94 percent for space heating. Approximately 78 percent of those customers used natural gas for cooking and 72 percent for clothes drying.

Demand for natural gas by noncore customers such as large volume commercial, industrial and UEG customers is very sensitive to the price of alternative competitive fuels. These customers number only approximately 1,600; however,

during 1995, they accounted for approximately 16 percent of total gas revenues, 65 percent of total gas volumes delivered and 11 percent of the authorized gas margin. Changes in the cost of gas or alternative fuels, primarily fuel oil, can result in significant shifts in this market, subject to air quality regulations. Demand for gas for UEG use is also affected by the price and availability of electric power generated in other areas and purchased by the Company's UEG customers. (See "Competition" below.)

COMPETITION

Since interstate pipelines began operations in The Gas Company's service territories, the Company's throughput to customers in the Kern County area who use natural gas to produce steam for enhanced oil recovery projects has decreased significantly because of the bypass of the Company's system. The decrease in revenues from enhanced oil recovery customers is subject to full balancing account treatment, except for a five percent incentive to the Company, and therefore, does not have a material impact on earnings. Bypass of other Company markets also may occur and the Company is fully at risk for lost noncore volumes due to bypass. The Company is continuing to reduce its costs to maintain low cost competitiveness to retain transportation customers. Also, significant additional bypass would require construction of additional facilities by competing pipelines.

To respond to bypass, the Company has received authorization from the CPUC for expedited review of long-term gas transportation contracts with some noncore customers at lower than tariff rates. The CPUC has also approved changes in the methodology for allocating the Company's costs that eliminates subsidization of core customer rates by noncore customers. This allocation flexibility, together with negotiating authority, has enabled the Company to better compete with new interstate pipelines for noncore customers. In addition, under a capacity brokering program, for a fee, the Company provides to noncore customers, or others, a portion of its control of interstate pipeline capacity to allow more direct access to producers. Also, the Comprehensive Settlement (See "Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations - Company Operations - Rate-making Procedures.") improves the Company's competitiveness by reducing the cost of transportation service to noncore customers.

The Company's operations and those of its customers are affected by a growing number of environmental laws and regulations. These laws and regulations affect current operations as well as future expansion. Historically, environmental laws have favorably impacted the use of natural gas in the Company's service territory, particularly by UEG customers and large industrial customers. However, increasingly complex administrative and reporting requirements of environmental agencies applicable to commercial and industrial customers utilizing gas are not generally applicable to those using electricity.

On December 20, 1995, the CPUC issued a final decision to restructure California electric utility regulation. Implementation of portions of the plan is expected to need state legislative or federal administrative approval. The CPUC's proposal has no immediate effect on the Company's operations. However, The Gas Company is continuing to evaluate the decision because future volumes of natural gas it transports for electric utilities may be adversely affected by increased use of electricity generated by out-of-state producers. UEG customers currently account for 22 percent of the Company's annual throughput. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Factors Influencing Future Financial Performance.") The restructuring may also result in a reduction of electric rates to core customers, but it is unlikely to overcome the entire cost advantage of natural gas for existing residential uses.

SUPPLIES OF GAS

In 1995, The Gas Company delivered approximately 937 billion cubic feet of natural gas through its system. Approximately 64 percent of these deliveries were customer-owned gas for which The Gas Company provided transportation services, compared to 65 percent in 1994. The balance of gas deliveries was gas purchased by The Gas Company and resold to customers.

Most of the natural gas delivered by The Gas Company is produced outside of California. These supplies are delivered to the Company's intrastate transmission system by interstate pipeline companies (primarily El Paso Natural Gas Company and Transwestern Natural Gas Company) that provide transportation services for supplies purchased from other sources by The Gas Company or its transportation customers.

The Gas Company currently has paramount rights to daily deliveries of up to 1.9 billion cubic feet of natural gas over the interstate pipeline systems of El Paso Natural Gas Company (up to 1,150 million cubic feet) and Transwestern Pipeline Company (up to 750 million cubic feet). The rates that interstate pipeline companies may charge for gas and transportation services and other terms of service are regulated by the Federal Energy Regulatory Commission ("FERC").

Existing interstate pipeline capacity into California exceeds current demand by over 1 billion cubic feet per day. Up to 2 billion cubic feet per day of capacity on the El Paso and Transwestern interstate pipeline systems, representing over \$175 million and \$55 million, respectively, of reservation charges annually, may be relinquished within the next few years. Some of this capacity may not be resubscribed. Current FERC regulation could permit costs of unsubscribed capacity to be allocated to remaining firm service customers, including The Gas Company. Under existing regulation in California, the Company would have the opportunity to include its portion of any such reallocated costs in its rates.

The FERC has approved a settlement with Transwestern which calls for firm customers, including The Gas Company, to subsidize unsubscribed pipeline costs for a five-year period with Transwestern assuming full responsibility after that time. On March 15, 1996, El Paso filed a proposed settlement agreement with the FERC that is similar to the Transwestern settlement.

The following table sets forth the sources of gas deliveries by The Gas Company from 1991 through 1995.

SOURCES OF GAS

	YEAR ENDED DECEMBER 31				
	1995	1994	1993	1992	1991
Gas Purchases (Millions of Cubic Feet):					
Market Gas:					
30-Day	133,298	98,071	84,696	20,695	139,649
Other	72,792	148,371	159,197	198,049	168,486
Total Market Gas	206,090	246,442	243,893	218,744	308,135
Affiliates	98,460	101,276	96,559	99,226	98,566
California Producers & Federal Offshore	29,181	36,158	28,107	42,262	39,613
Total Gas Purchases	333,731	383,876	368,559	360,232	446,314
Customer-Owned Gas and Exchange Receipts	619,721	658,293	622,307	641,080	629,038
Storage Withdrawal (Injection) - Net	(12,278)	(9,299)	(9,498)	14,379	(8,451)
Company Use and Unaccounted For	(4,061)	(12,480)	(16,488)	(14,885)	(19,433)
Net Gas Deliveries	937,113	1,020,390	964,880	1,000,806	1,047,468
Gas Purchases: (Thousands of dollars)					
Commodity Costs	\$ 477,595	\$ 643,865	\$ 815,145	\$ 805,550	\$1,071,445
Fixed Charges*	264,269	368,516	397,714	397,579	358,294
Total Gas Purchases	\$ 741,864	\$1,012,381	\$1,212,859	\$1,203,129	\$1,429,739
Average Cost of Gas Purchased (Dollars per Thousand Cubic Feet)**	\$ 1.42	\$ 1.68	\$ 2.21	\$ 2.24	\$ 2.40

* Fixed charges primarily include pipeline demand charges, take or pay settlement costs and other direct billed amounts allocated over the quantities delivered by the interstate pipelines serving the Company.

** The average commodity cost of gas purchased excludes fixed charges.

Market sensitive gas supplies (supplies purchased on the spot market as well as under longer-term contracts ranging from one month to ten years based on spot prices) accounted for approximately 62 percent of total gas volumes purchased by the Company during 1995, as compared with 64 percent and 66 percent, respectively, during 1994 and 1993. These supplies were generally purchased at prices significantly below those for other long-term sources of supply.

The Gas Company estimates that sufficient natural gas supplies will be available to meet the requirements of its customers into the next century.

In 1994, the CPUC approved a "Gas Cost Incentive Mechanism" ("GCIM") for evaluating the Company's gas purchases. The new GCIM three-year pilot program that began in April 1994 substantially replaces the prior process of CPUC reasonableness reviews of gas purchases. The GCIM compares the Company's cost of gas with the average market price of 30-day firm spot supplies delivered to The Gas Company's service area and permits full recovery of all costs within a tolerance band above that average. Cost of gas purchased above the tolerance band or savings from gas purchased below the average market price are shared equally between customers and shareholders. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -Rate-making Procedures.")

RATES AND REGULATION

The Gas Company is regulated by the CPUC. The CPUC consists of five commissioners appointed by the Governor of California for staggered six-year terms. It is the responsibility of the CPUC to determine that utilities operate within the best interests of the ratepayer with an opportunity to earn a reasonable return on investment. The regulatory structure is complex and has a very substantial impact on the profitability of the Company.

Under current ratemaking procedures, the return that the Company is authorized to earn is the product of the authorized rate of return on rate base and the amount of rate base. Rate base consists primarily of net investment in utility plant. Thus, the Company's earnings are affected by changes in the authorized rate of return on rate base and the growth in rate base and by the Company's ability to control expenses and investment in rate base within the amounts authorized by the CPUC in setting rates. In addition, the Company's ability to achieve its authorized rate of return is affected by other regulatory and operating factors. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Rate-making Procedures.")

The Gas Company's operating and fixed costs, including return on rate base, are allocated between core and noncore customers under a methodology that is based upon the costs incurred in serving these customer classes. For 1996, approximately 89 percent of the CPUC-authorized gas margin has been allocated to core customers and 11 percent to noncore customers, including wholesale customers. Under the current regulatory framework, costs may be reallocated between the core and the noncore customer classes once every other year in a biennial cost allocation proceeding ("BCAP").

The Company has filed a PBR application with the CPUC to replace the general rate case and certain other traditional regulatory proceedings. PBR, if approved, would allow the Company to be more responsive to consumer interests and compete more effectively in contestable markets. Key elements of this proposal include a permanent reduction in base rates of \$42 million, an indexing measure that would limit future base rate increases to the inflation rate less a

productivity factor and rate refunds to customers if service quality were to deteriorate. This new approach would maintain cost based rates, but would link financial performance with changes in productivity. Although PBR could result in increased earnings volatility, the Company would have the opportunity to improve financial performance to the extent it was able to reduce expenses, increase energy deliveries and generate profits from new products and services.

Under the PBR proposal, the Company would be at risk for certain changes in interest rates and cost of capital, changes in core volumes not caused by weather, and achievement of productivity improvements. The CPUC's process for approval of PBR has been delayed pending determination of additional information various parties desire to establish the starting base cost of service. An agreement with several interested parties has been reached under which the Company will provide a substantial portion of the supporting documentation that would be required for a general rate case proceeding. This additional step will delay implementation beyond the proposed January 1, 1997 starting date.

ENVIRONMENTAL MATTERS

The Gas Company has identified and reported to California environmental authorities 42 former gas manufacturing sites for which it (together with other utilities as to 21 of the sites) may have remedial obligations under environmental laws. As of December 31, 1995, nine of the sites have been remediated, of which five have received certification from the California Environmental Protection Agency. Preliminary investigations, at a minimum, have been completed on 39 of the sites, including those sites at which the remediations described above have been completed. In addition, the Company is one of a large number of major corporations that have been identified as a potentially responsible party for environmental remediation of three industrial waste disposal sites and two landfill sites. These 47 sites are in various stages of investigation or remediation. It is anticipated that the investigation, and if necessary, remediation of these sites will be completed over a period of from ten years to thirty years.

A settlement between The Gas Company and other California utilities and the Division of Ratepayer Advocates provides for rate recovery of 90 percent of environmental investigation and remediation costs without reasonableness review. In addition, the utilities have the opportunity to retain a portion of any insurance recovery to offset the 10 percent of costs not recovered in rates.

At December 31, 1995, the Company's estimated remaining liability for investigation and remediation was approximately \$76 million, of which 90 percent is authorized to be recovered through the rate recovery mechanism described above. The estimated liability is subject to future adjustment pending further investigation. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Factors Influencing Future Financial Performance - Environmental Matters.") Because of current and expected rate recovery, the Company believes that compliance with environmental laws and regulations will not have a material adverse effect on its financial statements.

EMPLOYEES

The Company employs approximately 7,200 persons. Most field, clerical and technical employees of the Company are represented by the Utility Workers' Union of America or the International Chemical Workers' Union. Agreements covering these approximately 5,200 employees related to benefits expired in 1995 and an agreement covering wages, hours and working conditions will expire on March 31, 1996. Negotiations related to new contracts are ongoing.

MANAGEMENT

The executive officers of Southern California Gas Company are as follows:

Name -----	Age	Position -----	Became an Executive Officer -----
Warren I. Mitchell	58	President	August 1981
Larry J. Dagley	47	Senior Vice President and Chief Financial Officer	August 1995
Debra L. Reed	39	Senior Vice President	August 1988
Lee M. Stewart	50	Senior Vice President	November 1990
Paul J. Cardenas	49	Vice President	January 1995
Pamela J. Fair	37	Vice President	January 1995
Leslie E. LoBaugh, Jr.	50	Vice President and General Counsel	January 1995
Richard M. Morrow	46	Vice President	January 1995
Eric B. Nelson	46	Vice President	January 1995
Roy M. Rawlings	51	Vice President	January 1987
Anne S. Smith	42	Vice President	November 1991
George E. Strang	56	Vice President	July 1984
Ralph Todaro	45	Vice President and Controller	November 1988
Dennis V. Arriola	35	Treasurer	August 1994

All of the Company's executive officers have been employed by the Company, the Parent, or its affiliates in management positions for more than the past five years, except for Mr. Dagley and Mr. Arriola. From 1985 until joining Pacific Enterprises in August 1995, Mr. Dagley was Senior Vice President and Controller (1985-1993) and Senior Vice President and Chief Financial Officer (1993-1995) of Transco Energy Company. From 1987 until joining the Company in August 1994, Mr. Arriola was a Vice President of Bank of America NT&SA (1992-1994) and a Vice President of Security Pacific National Bank (1987-1992).

Executive officers are elected annually and serve at the pleasure of the Board of Directors. There are no family relationships among any of the Company's executive officers.

ITEM 2. PROPERTIES

At December 31, 1995, The Gas Company owned approximately 2,965 miles of transmission and storage pipeline, 43,163 miles of distribution pipeline and 42,699 miles of service piping. It also owned 13 transmission compressor stations and 6 underground storage reservoirs (with a combined working storage capacity of approximately 115 billion cubic feet) and general office buildings, shops, service facilities, and certain other equipment necessary in the conduct of its business.

Southern California Gas Tower, a wholly-owned subsidiary of The Gas Company, has a 15 percent limited partnership interest in a 52-story office building in downtown Los Angeles. The Gas Company leases, and currently occupies about half of the building.

ITEM 3. LEGAL PROCEEDINGS

Except for the matters referred to in the financial statements filed with or incorporated by reference in Item 8 or referred to elsewhere in this Annual Report, neither the Company nor any of its subsidiaries is a party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE

OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of 1995 to a vote of the Company's security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON

 EQUITY AND RELATED STOCKHOLDER MATTERS

The Parent owns all of the Company's Common Stock. The information required by this item concerning dividends declared is included in the Statement of Consolidated Shareholders' Equity set forth in Item 8 of this Annual Report. Such information is incorporated herein by reference.

RANGE OF MARKET PRICES OF PREFERRED STOCK

	1995		1994	
	7 3/4%	6%-Series A	7 3/4%	6%-Series A
Three months ended:				
March 31	\$24 3/8 - 21	\$18 3/4 - 17 3/8	\$26 1/4 - 24 5/8	\$21 1/2 - 20
June 30	\$25 1/2 - 24	\$19 7/8 - 18	\$25 1/4 - 23 1/4	\$20 3/4 - 18 3/4
Sept. 30	\$26 1/4 - 25 1/8	\$21 - 19	\$24 1/4 - 22 3/8	\$19 1/2 - 17 3/4
Dec. 31	\$25 3/4 - 25	\$21 3/4 - 19 7/8	\$23 3/8 - 21	\$18 - 16 1/4

Market prices for the preferred stock were obtained from the Pacific Stock Exchange. The 6% Preferred Stock and the Flexible Auction Series Preferred Stock, Series A and Series C are not listed on any exchange.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected financial data of the Company for 1991 through 1995.

SELECTED FINANCIAL DATA

(Thousands of Dollars)	Year Ended December 31				
	1995	1994	1993	1992	1991
Operating revenues	\$2,279,308	\$2,586,524	\$2,811,074	\$2,839,925	\$2,930,306
Net income	\$ 214,833	\$ 190,513	\$ 193,676	\$ 194,716	\$ 211,792*
Total assets	\$4,462,279	\$4,775,763	\$4,950,220	\$4,155,399	\$4,059,186
Long-term debt	\$1,220,136	\$1,396,931	\$1,235,622	\$1,147,198	\$1,147,132

*Net income for 1991 includes a net after-tax gain of \$15 million relating to the sale of The Gas Company's headquarters office property.

The Gas Company's parent, Pacific Enterprises, owns 96 percent of the voting stock, including all of the issued and outstanding common stock; therefore, per share data have been omitted.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS

 OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

This section includes management's analysis of operating results from 1993 through 1995, and is intended to provide additional information about the Southern California Gas Company's capital resources, liquidity and financial performance. This section also focuses on the major factors expected to influence future operating results and discusses future investment and financing plans. Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

The Company, a subsidiary of Pacific Enterprises (the Parent), is a Los Angeles-based utility engaged in supplying natural gas throughout most of southern and part of central California. The Company is the nation's largest natural gas distribution utility, serving 4.7 million meters and 535 cities and communities throughout a 23,000 square mile service territory with a population of approximately 17 million.

The Company markets are separated into core customers and noncore customers. Core customers consist of approximately 4.7 million customers (4.5 million residential and 200,000 small commercial and industrial customers). The noncore market consists of approximately 1,600 large customers which includes 8 utility electric generation, 3 wholesale, and the remainder large commercial and industrial customers. Most noncore customers procure their own gas supply rather than purchase gas through the utility.

In 1995, the Parent completed a realignment into business units which established a more flexible design to allow a more rapid response to competitive forces. There are two business units at the Company, one focusing on core distribution customers and the other on large volume gas transportation customers.

CAPITAL RESOURCES AND LIQUIDITY

The Company's primary sources and uses of cash during the last three years are summarized in the following condensed statement of cash flows:

SOURCES AND (USES) OF CASH (Dollars in millions)	Year Ended December 31		
	1995	1994	1993
Operating Activities	\$ 663	\$ 150	\$ 415
Capital Expenditures	(231)	(245)	(318)
Financing Activities:			
Long-Term Debt	(168)	246	62
Short-Term Debt	(44)	11	52
Dividends	(242)	(155)	(145)
Total Financing Activities	(454)	102	(31)
Other	(23)	36	(53)
Increase (Decrease) in Cash and Cash Equivalents	\$ (45)	\$ 43	\$ 13

CASH FLOWS FROM OPERATING ACTIVITIES

The increase in cash flow from operating activities to \$663 million in 1995 from \$150 million in 1994 is primarily due to a payment of \$391 million for the settlement of gas contract issues made in 1994. The decrease in cash flow from operating activities of \$265 million in 1994 from 1993 is primarily due to a payment for the settlement of gas contract issues partially offset by an increase in collections of regulatory accounts receivable.

There are a number of factors that impact the Company's cash flow from operations. These include changes in operating expenses and the authorized return on common equity.

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures primarily represent rate base investment at the Company. The table below summarizes capital expenditures by utility plant classification:

CAPITAL EXPENDITURES - (Dollars in millions)	Year Ended December 31		
	1995	1994	1993
- Distribution	\$126	\$129	\$159
- Transmission	19	24	54
- Storage	19	22	33
- Other	67	70	72
- Total	\$231	\$245	\$318

Capital expenditures for 1995 are \$14 million lower than 1994, primarily the result of reduced investing requirements for connecting new customers. The decrease in expenditures in 1994 compared to 1993 was primarily due to a \$30 million decrease in distribution main pipeline extensions as a result of fewer new customer connections and a \$30 million decrease in non-recurring transmission projects such as the expansion of a compressor station and pipeline upgrades.

Capital expenditures are estimated to be approximately \$224 million in 1996 and will be financed primarily by internally generated funds.

CASH FLOWS FROM FINANCING ACTIVITIES

In 1995, \$454 million was used for financing activities. This was the result of repayment of short and long-term debt and payment of common dividends.

Cash flow provided by financing activities of \$102 million in 1994 was due to the issuance of long-term debt for financing a comprehensive settlement of gas supply contracts and other regulatory issues (see Note 2 of Notes to Consolidated Financial Statements - Comprehensive Settlement of Regulatory Issues). The cash flow used for financing activities in 1993 of \$31 million was primarily due to dividend payments partially offset by the issuance of short and long-term debt.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are \$13 million and \$58 million at December 31, 1995 and 1994, respectively. The Company anticipates that cash required in 1996 for capital expenditures, dividends and debt payments will be provided by cash generated from operating activities and existing cash balances.

In addition to cash from ongoing operations, the Company has available a \$650 million multi-year credit agreement requiring annual fees of .075%. The interest rate on this line varies and is derived from formulas based on market rates and the Company's credit ratings. This multi-year credit agreement expires in February, 2001. At December 31, 1995, the bank line of credit was unused. This line of credit provides backing for the Company's commercial paper program. The Company has \$415 million of commercial paper outstanding at December 31, 1995, including \$265 million to finance the Comprehensive Settlement of gas supply contracts and other regulatory issues, with the remainder financing seasonal cash needs at the Company.

PREFERRED STOCK REDEMPTION

The Company plans to redeem up to \$100 million of variable rate preferred stock during 1996.

COMPANY OPERATIONS

To fully understand the operations and financial results of the Company it is important to understand the ratemaking procedures that the Company employs.

RATEMAKING PROCEDURES

The Company is regulated by the California Public Utilities Commission (CPUC). It is the responsibility of the CPUC to determine that utilities operate in the best interests of the ratepayer with the opportunity to earn a reasonable return on investment. Current ratemaking procedures are summarized below.

In a general rate case, the CPUC establishes a margin, which is the amount of revenue authorized to be collected from customers to recover authorized operating expenses (other than the cost of gas), depreciation, interest, taxes and return on rate base. General rate cases are typically filed every three years. On June 1, 1995, the Company filed a "Performance Based Regulation" (PBR) application with the CPUC which would replace the general rate case. For a further discussion of PBR, see Factors Influencing Future Financial Performance - - Performance Based Regulation.

The CPUC annually adjusts rates for years between general rate cases to reflect the changes in rate base and the effects of inflation as adjusted by a productivity improvement factor. Separate proceedings are held annually to review the Company's cost of capital, including return on common equity, interest costs and changes in capital structure. The CPUC has authorized annual allowances for 1996 for increases in operating and maintenance expenses to the extent that the projected annual inflation rate exceeds 3%. In 1995, the CPUC authorized allowances to the extent inflation exceeded 2%. For further discussion of annual attrition allowances, see Note 2 of Notes to Consolidated Financial Statements.

Biennial cost allocation proceedings (BCAP) adjust rates to reflect variances in the cost of gas and customer demand from estimates adopted in a general rate case. This mechanism substantially eliminates the effect on income of variances in core market demand and gas costs subject to limitations of the Gas Cost Incentive Mechanism and Comprehensive Settlement. For further discussion see Note 2 of Notes to Consolidated Financial Statements.

The CPUC approved a Gas Cost Incentive Mechanism (GCIM) for evaluating the Company's gas purchases. This mechanism compares the Company's cost of gas with the average market price of 30-day firm spot supplies delivered to the Company's service area and permits full recovery of all costs within a tolerance band above that average. The costs of purchases above the tolerance band or savings from purchases below the average market price are shared equally between ratepayers and shareholders. For further discussion of GCIM, see Note 2 of Notes to Consolidated Financial Statements.

1993 - 1995 FINANCIAL RESULTS

Under current utility ratemaking policies, the return that the Company is authorized to earn is the product of an authorized rate of return on rate base and the amount of rate base. Rate base consists primarily of net investment in utility plant. Thus, the Company's earnings are affected by changes in the authorized rate of return on rate base and the change in the authorized rate base and by the Company's ability to control expenses and investment in rate base within the amounts authorized by the CPUC in setting rates. The Company refunds or collects in the future the amounts by which certain defined costs vary from the amounts authorized by the CPUC in the rate case or other regulatory proceedings. Also, variations in core revenues from estimates adopted by the CPUC in established rates are refunded or collected through the balancing account mechanism. Thus, full balancing account treatment allows the Company to fully recover amounts recorded as deferred costs or core revenue shortfalls currently or in the future.

Key financial and operating data for the Company are highlighted in the table below.

(DOLLARS IN MILLIONS)	YEAR ENDED DECEMBER 31		
	1995	1994	1993
Operating revenues	\$2,279	\$2,587	\$2,811
Cost of gas	\$ 737	\$ 992	\$1,187
Operating expenses	\$ 760	\$ 827	\$ 868
Net income (after preferred dividends)	\$ 203	\$ 180	\$ 184
Authorized return on rate base	9.67%	9.22%	9.99%
Authorized return on common equity	12.00%	11.00%	11.90%
Weighted average rate base	\$2,766	\$2,862	\$2,769
(Decline) growth in weighted average rate base over prior period	(3.4)%	3.4%	1.8%

The Company's operating revenues decreased \$308 million in 1995. The decrease is primarily due to a reduction in the average unit cost of gas and a decrease in noncore transportation volumes. The Company's cost of gas distributed decreased \$255 million in 1995 due to lower volumes of gas purchased for customers and a decrease in the average unit cost of gas. The decrease in transportation volumes was primarily in the utility electric generation market. This was due to an abundance of less expensive hydroelectricity resulting from high levels of precipitation last winter. The decrease in operating revenue of \$224 million in 1994 reflects a reduction in authorized gas margin and the average unit cost of gas partially offset by the growth in rate base and an increase in noncore volumes transported. The Company's cost of gas distributed decreased \$195 million in 1994. The average commodity cost of gas purchased by the Company, excluding fixed charges, for 1995 was \$1.42 per thousand cubic feet, compared to \$1.68 per thousand cubic feet in 1994 and \$2.21 per thousand cubic feet in 1993.

The Company's operating expenses decreased \$67 million in 1995. The decrease primarily reflects savings from cost reduction efforts in 1995 and nonrecurring expenses in 1994. Operating costs for 1994 included expenses resulting from the January 1994 earthquake and expenses related to a discontinued capital project. The decrease of \$41 million in 1994 was primarily due to aggressive reductions in operating expenses partially offset by the nonrecurring expenses discussed above.

The Company has achieved or exceeded the rate of return on rate base authorized by the CPUC for 13 consecutive years. In 1995, the Company achieved a 10.84% return on rate base compared to a 9.67% authorized return and a 13.89% return on equity compared to a 12% authorized return. The improved returns were primarily due to lower operating costs as a result of reduced staffing levels and other cost reduction efforts.

In 1994, the Company achieved a 9.74% return on rate base compared to a 9.22% authorized return and a 12.33% return on equity compared to an 11% authorized return. The improved returns were primarily due to more efficient operations through reductions in operating expenses, higher noncore earnings and a conservation award.

The Company plans to continue efforts to control costs in 1996. In 1996, the Company is authorized to earn 9.42% return on rate base and 11.6% on common equity. Rate base is expected to decline slightly from the level in 1995.

OPERATING RESULTS

The table below summarizes the components of the Company's throughput and rates charged to customers for the past three years. Beginning January 1, 1994, rates included the ratepayer portion of the Comprehensive Settlement (See Note 2 of Notes to Consolidated Financial Statements). The amount included in rates for 1995 was \$84 million and in 1994 was \$119 million.

(DOLLARS IN MILLIONS, VOLUME IN BILLION CUBIC FEET)	GAS SALES		TRANSPORTATION AND EXCHANGE		TOTAL	
	THROUGHPUT	REVENUE	THROUGHPUT	REVENUE	THROUGHPUT	REVENUE
1995:						
Residential	237	\$1,547	2	\$ 7	239	\$1,554
Commercial/Industrial	97	546	267	206	364	752
Utility Electric Generation			205	104	205	104
Wholesale	4	7	125	55	129	62
Total in Rates	338	\$2,100	599	\$372	937	2,472
Balancing and Other						(193)
Total Operating Revenues						\$2,279
1994:						
Residential	254	\$1,704	2	\$ 9	256	\$1,713
Commercial/Industrial	100	592	258	207	358	799
Utility Electric Generation			260	118	260	118
Wholesale	8	21	138	77	146	98
Total in Rates	362	\$2,317	658	\$411	1,020	2,728
Balancing and Other						(141)
Total Operating Revenues						\$2,587
1993:						
Residential	244	\$1,641	4	\$ 12	248	\$1,653
Commercial/Industrial	97	610	259	247	356	857
Utility Electric Generation		4	213	143	213	147
Wholesale	11	27	137	90	148	117
Total in Rates	352	\$2,282	613	\$492	965	2,774
Balancing and Other						37
Total Operating Revenues						\$2,811

Although the revenues from transportation throughput are less than for gas sales, the Company generally earns the same margin whether it buys the gas and sells it to the customer or transports gas already owned by the customer. For 1996, approximately 89% of total margin authorized is contributed by the core market (residential and smaller commercial and industrial customers), with 11% contributed by the noncore market. Throughput, the total gas sales and transportation volumes moved through the Company's system, decreased in 1995 as a result of lower demands, primarily by utility electric generators. This was as a result of an abundance of inexpensive hydroelectricity. The increase in throughput in 1994 from 1993 levels was the result of greater weather-related demand in noncore volumes, primarily utility electric generation.

FACTORS INFLUENCING FUTURE FINANCIAL PERFORMANCE

Because of the ratemaking and regulatory process as well as the changing energy marketplace there are several factors that will influence future financial performance. These factors are summarized below.

Under current ratemaking policies, Company net income and cash flow will be determined primarily by the allowed rate of return on common equity, changes in authorized rate base, noncore market pricing, the variance in gas volumes delivered to noncore customers from CPUC-adopted forecast deliveries, and the ability of management to control expenses and investment in line with the amounts authorized by the CPUC to be collected in rates.

Future regulatory restructurings (including the PBR proposal from the Company), increased competitiveness in the industry (including the continuing threat of customers bypassing the Company's system and obtaining service directly from interstate pipelines), and electric industry restructuring could also affect the Company's future performance.

The following detailed discussion addresses each of the major factors expected to influence future financial performance:

ALLOWED RATE OF RETURN. The Company's earnings for 1996 will be affected by a decrease in the authorized rate of return on common equity. For 1996, the Company is authorized to earn a rate of return on rate base of 9.42% and a rate of return on common equity of 11.6%, compared to 9.67% and 12%, respectively, in 1995. A change in return on equity of one percentage point impacts net income by approximately \$13 million. The CPUC has also authorized an increase in the equity component of the Company's capital to 47.4% in 1996 from 47.0% in 1995. The 40 basis point increase in the equity component should add between \$1 million to \$2 million to earnings. Rate base is expected to decline slightly from the level in 1995.

NONCORE BYPASS. The Company's throughput to enhanced oil recovery (EOR) customers in the Kern County area has decreased significantly because of the bypass of the Company's system by competing interstate pipelines. The decrease in revenues from EOR customers is subject to full balancing account treatment except for a 5% incentive to the Company, and therefore, does not have a material impact on the Company's earnings.

Bypass of other markets may also occur, and the Company is fully at risk for lost non-EOR noncore volumes due to bypass. The Company is continuing to reduce its costs to maintain low cost competitiveness to retain transportation customers. Also, significant additional bypass would require construction of additional facilities by competing pipelines.

NONCORE PRICING. To respond to bypass, the Company has received authorization from the CPUC for expedited review of long-term gas transportation service contracts with some noncore customers at lower than tariff rates. In addition, the CPUC has approved changes in methodology that eliminates subsidization of core customer rates by noncore customers. This allocation flexibility, together with negotiating authority, has enabled the Company to better compete with interstate pipelines for noncore customers.

NONCORE THROUGHPUT. The Company's earnings may be adversely impacted if gas throughput to its noncore customers varies from estimates adopted by the CPUC in establishing rates. There is a continuing risk that an unfavorable variance in noncore volumes can result from external factors such as weather, electric deregulation, the increased use of hydroelectric power, competing pipeline bypass of the Company's system and a downturn in general economic conditions. Many noncore customers are especially sensitive to the price relationship between natural gas and

alternative fuels and they are capable of readily switching from one fuel to another, subject to air quality regulations. The Company is at risk for the lost revenue.

Through July 31, 1999 any favorable earnings effect of higher revenues resulting from higher throughput to noncore customers has been eliminated as a result of the Comprehensive Settlement described in Note 2 of Notes to Consolidated Financial Statements.

EXCESS INTERSTATE PIPELINE CAPACITY. Existing interstate pipeline capacity into California exceeds current demand by over 1 billion cubic feet per day. Up to 2 billion cubic feet per day of capacity on the El Paso and Transwestern interstate pipeline systems, representing over \$175 million and \$55 million, respectively, of annual reservation charges to pipeline customers may be relinquished within the next few years. Some of this capacity may not be resubscribed. Current Federal Energy Regulatory Commission (FERC) regulation could permit the cost of unsubscribed capacity to be allocated to remaining firm service customers, including the Company. Under existing regulation in California, the Company would have the opportunity to include its portion of any such reallocated costs in its rates.

The FERC has approved a settlement with Transwestern which calls for firm customers, including the Company, to subsidize unsubscribed pipeline costs for a five-year period with Transwestern assuming full responsibility after that time. Negotiations are continuing with El Paso and a settlement is expected to be filed with the FERC in the first quarter of 1996.

MANAGEMENT CONTROL OF EXPENSES AND INVESTMENT. Over the past 13 years, management has been able to control operating expenses and investment within the amounts authorized to be collected in rates and intends to continue to do so.

PERFORMANCE BASED REGULATION. The Company has filed a PBR application with the CPUC to replace the general rate cases and other traditional regulatory proceedings. PBR, if approved, would allow the Company to be more responsive to consumer interests and compete more effectively in contestable markets. Key elements of this proposal include a permanent reduction in base rates of \$42 million, an indexing measure that would limit future base rate increases to the inflation rate less a productivity factor, and rate refunds to customers if service quality were to deteriorate. This new approach would maintain cost-based rates but would link financial performance with changes in productivity. Although PBR could result in increased earnings volatility, the Company would have the opportunity to improve financial performance to the extent it was able to reduce expenses, increase energy deliveries and generate profits from new products and services.

Under the PBR proposal, the Company would be at risk for certain changes in interest rates and cost of capital, changes in core volumes not caused by weather, and achievement of productivity improvements. The CPUC's process for approval of PBR has been delayed pending determination of additional information various parties desire to establish the starting base cost of service. An agreement with several interested parties has been reached under which the Company will provide a substantial portion of the supporting documentation that would be required for a general rate case proceeding. This additional step will delay implementation beyond the proposed January 1, 1997 starting date.

ELECTRIC INDUSTRY RESTRUCTURING. Demand for natural gas by electric generation customers is sensitive to the price and availability of electric power generated in other areas and purchased by these electric generation customers. On December 20, 1995, the CPUC issued a final decision to restructure California electric utility regulation. Implementation of portions of the plan is expected to require state legislative or federal administrative approval. The CPUC's decision has no immediate effect on the Company's operations. However, the Company is continuing to evaluate the decision because future volumes of natural gas it transports for electric utilities may

be adversely affected by increased use of electricity generated by out-of-state producers. The electric industry restructuring may also result in a reduction of electric rates to core customers, but it is unlikely to overcome the entire cost advantage of natural gas for existing uses.

ENVIRONMENTAL MATTERS. The Company's operations and those of its customers are affected by a growing number of environmental laws and regulations. These laws and regulations affect current operations as well as future expansion. Increasingly complex administrative and reporting requirements of environmental organizations applicable to commercial and industrial customers utilizing natural gas are not generally required by those using electricity. However, anticipated advancement in natural gas technologies will enable gas equipment to remain competitive with alternate energy sources. Environmental laws also require clean up of facilities no longer in use. Because of current and expected rate recovery, the Company believes that compliance with these laws will not have a significant impact on its financial statements. For further discussion of environmental and regulatory matters, see Note 4 of Notes to Consolidated Financial Statements.

UNION CONTRACT. Most field, clerical and technical employees of the Company are represented by the Utility Workers' Union of America or the International Chemical Workers' Union. A contract with these unions relating to employee benefits expired in 1995 and a contract covering wages, hours and working conditions will expire March 31, 1996. Negotiations related to new contracts are ongoing.

CALIFORNIA ECONOMY. Growth in the Company markets is largely dependent on the health and expansion of the California economy. While California has undergone a recession in recent years, current economic forecasts indicate the state will experience a higher growth in jobs than the rest of the country.

OTHER INCOME AND INTEREST EXPENSE

OTHER INCOME AND DEDUCTIONS. Other income was \$6 million, \$17 million and \$11 million in 1995, 1994 and 1993, respectively. The decrease from 1994 is primarily due to a \$13 million reduction in regulatory interest which is recognized on balances in the regulatory balancing accounts. Other - Net expense consists primarily of contributions and amortization of loss on reacquired debt.

INTEREST EXPENSE. Interest expense was \$91 million, \$105 million and \$102 million in 1995, 1994 and 1993, respectively. Interest expense in 1995 was reduced from the 1994 level as a result of repayment of debt and refinancing of Company debt at lower interest rates.

Item 8. Financial Statements and Supplementary Data

STATEMENT OF CONSOLIDATED INCOME

(Thousands of Dollars)	Year Ended December 31		
	1995	1994	1993
OPERATING REVENUES	\$2,279,308	\$2,586,524	\$2,811,074
OPERATING EXPENSES			
Cost of Gas Distributed Operation	736,605	991,625	1,187,072
Maintenance	672,864	745,961	768,677
Depreciation	86,255	80,980	99,795
Income Taxes	237,026	233,580	228,244
Local Franchise Payments	151,274	145,603	134,491
Ad Valorem Taxes	34,048	41,966	46,217
Payroll and Other Taxes	34,974	36,901	32,592
	26,431	31,281	29,488
Total	1,979,477	2,307,897	2,526,576
Net operating revenue	299,831	278,627	284,498
OTHER INCOME AND (DEDUCTIONS)			
Interest Income	7,566	6,623	1,668
Regulatory Interest	1,442	14,046	4,924
Allowance for Equity Funds Used During Construction	5,495	2,394	4,406
Income Taxes on Non-Operating Income	(277)	941	5,670
Other - Net	(8,606)	(7,033)	(5,245)
Total	5,620	16,971	11,423
INTEREST CHARGES AND (CREDITS)			
Interest on Long-Term Debt	86,864	89,023	95,806
Other Interest	6,938	17,425	9,180
Allowance for Borrowed Funds Used During Construction	(3,184)	(1,363)	(2,741)
Total	90,618	105,085	102,245
Net Income	214,833	190,513	193,676
Dividends on Preferred Stock	11,613	10,468	9,882
Net Income Applicable to Common Stock	\$ 203,220	\$ 180,045	\$ 183,794

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEET

(Thousands of Dollars)	December 31	
	1995	1994
ASSETS		
Utility Plant - at original cost	\$5,807,940	\$5,613,013
Less: Accumulated Depreciation	2,594,713	2,400,601
Utility plant - net	3,213,227	3,212,412
Current Assets:		
Cash and cash equivalents	12,611	57,531
Accounts receivable - trade (less allowance for doubtful receivables of \$13,456 in 1995 and \$10,830 in 1994)	398,515	523,975
Regulatory accounts receivable - net	260,573	360,479
Deferred income taxes	25,953	
Gas in storage	54,782	63,470
Materials and supplies	14,504	25,792
Prepaid expenses	32,593	34,129
Total current assets	799,531	1,065,376
Regulatory Assets	449,521	497,975
Total	\$4,462,279	\$4,775,763
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common equity:		
Common stock	\$ 834,889	\$ 834,889
Retained earnings	613,445	643,040
Total common equity	1,448,334	1,477,929
Preferred stock	196,551	196,551
Long-term debt	1,220,136	1,396,931
Total capitalization	2,865,021	3,071,411
Current Liabilities:		
Short-term debt	233,817	278,201
Accounts payable - trade	162,670	212,888
Accounts payable - affiliates	9,734	35,013
Accounts payable - other	255,900	143,235
Accrued taxes and franchise payments	45,933	117,576
Deferred income taxes		40,792
Long-term debt due within one year	95,283	86,000
Accrued interest	43,480	40,057
Other accrued liabilities	50,678	162,489
Total current liabilities	897,495	1,116,251
Customer Advances for Construction	47,029	44,269
Deferred Income Taxes	404,308	341,149
Deferred Investment Tax Credits	66,983	69,969
Other Deferred Credits	181,443	132,714
Commitments and Contingent Liabilities (Note 4)		
Total	\$4,462,279	\$4,775,763

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED CASH FLOWS

(THOUSANDS OF DOLLARS)	YEAR ENDED DECEMBER 31		
	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$214,833	\$190,513	\$193,676
Items Not Requiring Cash:			
Depreciation	237,026	233,580	228,244
Deferred income taxes	59,544	(49,432)	33,093
Deferred investment tax credits	(2,986)	(3,024)	(3,811)
Allowance for funds used during construction	(8,679)	(3,757)	(7,147)
Other	53,296	(18,983)	22,442
Net Change in Other Working Capital Components:			
Accounts receivable	125,460	(20,667)	(3,235)
Regulatory accounts receivable	183,723	231,006	(107,320)
Gas in storage	8,688	(10,356)	(13,279)
Other current assets	12,824	(16,332)	19,787
Accounts payable	(16,171)	(521,172)	77,672
Accrued taxes and franchise payments	(71,643)	30,386	(74,466)
Deferred income taxes	(76,001)	4,914	23,501
Other current liabilities	(57,144)	103,451	26,245
Net cash provided by operating activities	662,770	150,127	415,402
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures for Utility Plant	(230,969)	(244,721)	(318,429)
(Increase) Decrease in Other Assets - Net	(22,492)	35,267	(52,929)
Net cash used in investing activities	(253,461)	(209,454)	(371,358)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends	(242,333)	(154,723)	(144,590)
Issuance of Long-Term Debt		245,847	631,000
Payments of Long-Term Debt	(167,512)		(569,239)
Sale of Preferred Stock			75,000
Redemption of Preferred Stock			(75,000)
Increase (Decrease) in Short-Term Debt	(44,384)	11,201	52,000
Net cash provided by (used in) financing activities	(454,229)	102,325	(30,829)
Increase (Decrease) in Cash and Cash Equivalents	(44,920)	42,998	13,215
Cash and Cash Equivalents - January 1	57,531	14,533	1,318
Cash and Cash Equivalents - December 31	\$ 12,611	\$ 57,531	\$ 14,533
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash Paid During the Year for:			
Interest (net of amount capitalized)	\$ 81,932	\$107,088	\$ 97,514
Income taxes	\$231,987	\$ 89,135	\$142,346

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

(THOUSANDS OF DOLLARS)	PREFERRED STOCK	COMMON STOCK	RETAINED EARNINGS

BALANCE AT DECEMBER 31, 1992	\$196,551	\$834,889	\$559,492
Net Income			193,676
Cash Dividends Declared:			
Preferred stock			(9,882)
Common stock			(136,036)
Preferred Stock Sold (3,000,000 shares)	75,000		
Preferred Stock Redeemed (750 shares)	(75,000)		
	-----	-----	-----
BALANCE AT DECEMBER 31, 1993	196,551	834,889	607,250
Net Income			190,513
Cash Dividends Declared			
Preferred stock			(10,468)
Common stock			(144,255)
	-----	-----	-----
BALANCE AT DECEMBER 31, 1994	196,551	834,889	643,040
Net Income			214,833
Cash Dividends Declared:			
Preferred stock			(11,613)
Common stock			(232,815)
	-----	-----	-----
BALANCE AT DECEMBER 31, 1995	\$196,551	\$834,889	\$613,445
	-----	-----	-----

The number of shares of preferred stock and common stock authorized and outstanding at December 31, 1995 and 1994, is set forth in Note 9 of Notes to Consolidated Financial Statements.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southern California Gas Company (the Company) is a subsidiary of Pacific Enterprises (Parent). The Parent owns approximately 96% of the Company's voting stock, including all of its issued and outstanding common stock; therefore, per share data have been omitted.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. One subsidiary has a 15% limited partnership interest in a 52-story office building in which the Company occupies approximately one-half of the leasable space. Investments in 50% or less joint ventures and partnerships are accounted for by the equity or cost method, as appropriate.

RECLASSIFICATIONS

Certain changes in account classification have been made in the prior years' consolidated financial statements to conform to the 1995 financial statement presentation.

REGULATION

In conformity with generally accepted accounting principles (GAAP), the Company's accounting policies reflect the financial effects of rate regulation authorized by the California Public Utilities Commission (CPUC). The Company applies the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." This statement requires cost-based rate regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements. The Company records Regulatory Assets which represent assets which are being recovered through customer rates or are probable of being recovered through customer rates. As of December 31, 1995, the Company had \$450 million of regulatory assets which included the following: costs of reacquiring debt - \$52 million; Comprehensive Settlement costs (see Note 2) - \$175 million; deferred income taxes - \$109 million (see Note 3); environmental remediation - \$64 million (see Note 4); and other costs - \$50 million. Maintenance of the regulatory accounts and regulatory accounts receivable represents the only difference in the application of GAAP for the Company versus non-regulated entities.

REGULATORY ACCOUNTS RECEIVABLE - NET

Authorized regulatory balancing accounts are maintained to accumulate undercollections and overcollections from the revenue and cost estimates adopted by the CPUC in setting rates. The Company makes periodic filings with the CPUC to adjust future gas rates to account for such variances.

GAS IN STORAGE

Gas in storage inventory is stated at last-in, first-out (LIFO) cost. As a result of a regulatory accounting procedure, the pricing of gas in storage does not have any effect on net income. If the first-in, first-out (FIFO) method of accounting for gas in storage inventory had been used by the Company, inventory would have been higher than reported at December 31, 1995 and 1994 by \$21 million and \$34 million, respectively. Materials and supplies are generally stated at the lower of cost, determined on an average cost basis, or market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UTILITY PLANT

The costs of additions, renewals and improvements to utility plant are charged to the appropriate plant accounts. These costs include labor, material, other direct costs, indirect charges, and an allowance for funds used during construction. The cost of utility plant retired or otherwise disposed of, plus removal costs and less salvage, is charged to accumulated depreciation. Depreciation is recorded on the straight-line remaining-life basis. The depreciation methods are consistent with those used by non-regulated entities.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

AFUDC represents the cost of funds used to finance the construction of utility plant and is added to the cost of utility plant. Interest expense of \$9 million in 1995, \$4 million in 1994 and \$7 million in 1993 was capitalized.

OTHER

Cash equivalents include short-term investments purchased with maturities of less than 90 days.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. REGULATORY MATTERS

RESTRUCTURING OF GAS SUPPLY CONTRACTS

In 1993, the Company and its gas supply affiliates restructured long-term gas supply contracts with suppliers of California offshore and Canadian gas. In the past, the Company's cost of these supplies had been substantially in excess of its average delivered cost of gas for all gas supplies.

The restructured contracts substantially reduced the ongoing delivered costs of these gas supplies and provided lump sum payments totaling \$391 million to the suppliers. The expiration date for the Canadian gas supply contract was shortened from 2012 to 2003.

COMPREHENSIVE SETTLEMENT OF REGULATORY ISSUES

On July 20, 1994, the CPUC approved a comprehensive settlement (Comprehensive Settlement) of a number of pending regulatory issues including rate recovery of a significant portion of the restructuring costs associated with long-term gas supply contracts discussed above. The Comprehensive Settlement permits the Company to recover in utility rates approximately 80% of the contract restructuring costs of \$391 million and accelerated amortization of related pipeline assets of approximately \$140 million, together with interest, over a period of approximately five years. In addition to the gas supply issues, the Comprehensive Settlement addresses the following other regulatory issues:

NONCORE CUSTOMER RATES. The Comprehensive Settlement changed the procedures for determining noncore rates to be charged by the Company to its customers for the five-year period commencing August 1, 1994. Rates charged to the customers are established based upon the Company's recorded throughput to these customers for 1991. The Company will bear the full risk of any declines in noncore deliveries from 1991 levels. Any revenue enhancement from

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

deliveries in excess of 1991 levels will be limited by a crediting account mechanism that will require a credit to customers of 87.5% of revenues in excess of certain limits. These annual limits above which the credit is applicable increase from \$11 million to \$19 million over the five-year period from August 1, 1994 through July 31, 1999. The Company's ability to report as earnings the results from revenues in excess of its authorized return from noncore customers due to volume increases has been eliminated for the five years beginning August 1, 1994 as a consequence of the Comprehensive Settlement described above. This is because forecasted deliveries in excess of the 1991 throughput levels used to establish noncore rates were contemplated in estimating the costs of the Comprehensive Settlement at December 31, 1993.

REASONABLENESS REVIEWS. The Comprehensive Settlement includes settlement of all pending reasonableness reviews with respect to the Company's gas purchases from April 1989 through March 1992, as well as certain other future reasonableness review issues.

GAS COST INCENTIVE MECHANISM. On March 16, 1994, the CPUC approved a new process for evaluating the Company's gas purchases, substantially replacing the previous process of reasonableness reviews. The Gas Cost Incentive Mechanism (GCIM) is a three-year pilot program which began April 1, 1994. The GCIM essentially compares the Company's cost of gas with a benchmark level, which is the average price of 30-day firm spot supplies delivered to the Company's market area.

The Company can recover costs in excess of the benchmark to the extent they fall within a tolerance band which extends to 4% above the benchmark. If the Company's cost of gas exceeds the tolerance level, then the excess cost will be shared equally between ratepayers and shareholders. All savings from gas purchased below the average market price are shared equally between ratepayers and shareholders. For the first year of the program, ended March 31, 1995, gas purchases were within the established 4.5% tolerance band.

ATTRITION ALLOWANCES. The Comprehensive Settlement authorizes the Company an annual allowance for increases in operating and maintenance expenses for 1996 to the extent that the projected annual inflation rate exceeds 3%. In 1995 attrition was calculated on the inflation rate in excess of 2%. The rate base attrition will continue to be based upon a three year rolling average of recorded net utility plant additions. This is a departure from past regulatory practice of allowing recovery in rates of the full effect of inflation on operating and maintenance expenses. The Company intends to continue to attempt to control operating expenses and investment to amounts authorized in rates to offset the effect of this regulatory change. The most recent decision issued by the CPUC in December 1995 authorized the Company to collect \$12 million in rates for the 1996 attrition allowance.

The Company recorded the impact of the Comprehensive Settlement in 1993 and, upon giving effect to liabilities previously recognized at the Company, the costs of the Comprehensive Settlement including the restructuring of gas supply contracts did not result in any additional charge to the Company's consolidated earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the most recent decision issued by the CPUC in December 1995, the Company has been authorized to reduce rates by \$50 million effective January 1, 1996. The reduction is comprised of the following:

(Millions of Dollars)	Increase (Decrease)
1996 Cost of Capital	\$(12)
BCAP: Core	(94)
Noncore	20
1996 Attrition Allowances	12
1994 Earthquake Costs	22
Other	2

Total	\$(50)

Regulatory Accounts Receivable and Regulatory Assets include a total of approximately \$259 million and \$327 million in 1995 and 1994, respectively, for the recovery of costs as provided in the Comprehensive Settlement. The CPUC authorized the borrowing of \$425 million primarily to provide for funds needed under the Comprehensive Settlement. As of December 31, 1995, the Company has \$265 million in commercial paper remaining outstanding related to the Comprehensive Settlement (See Note 6).

3. INCOME TAXES

A reconciliation of the difference between computed statutory federal income tax expense and actual income tax expense for operations is as follows:

(Thousands of Dollars)	Year Ended December 31		
	1995	1994	1993
Computed statutory federal income tax expense	\$128,235	\$117,311	\$112,874
Increase (reductions) resulting from:			
Excess book over tax depreciation	19,638	17,473	17,847
State income taxes - net of federal income tax benefit	21,287	19,119	16,993
Capitalized expenses not deferred	(10,058)	(6,589)	
Federal income tax rate change			1,698
Research and development credit			(4,000)
Amortization of deferred investment tax credits	(2,986)	(3,024)	(3,811)
Resolution of proposed tax deficiency	(2,452)	3,850	(10,193)
Other - net	(2,113)	(3,478)	(2,587)
	-----	-----	-----
Total income tax expense	\$151,551	\$144,662	\$128,821
	-----	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of income tax expense are as follows:

(Thousands of Dollars)	Year Ended December 31		
	1995	1994	1993
Federal			
Current	\$119,489	\$147,647	\$ 53,831
Deferred	310	(32,500)	46,044
	119,799	115,147	99,875
State			
Current	37,116	44,289	22,206
Deferred	(5,364)	(14,774)	6,740
	31,752	29,515	28,946
Total			
Current	156,605	191,936	76,037
Deferred	(5,054)	(47,274)	52,784
	\$151,551	\$144,662	\$128,821

The principal components of net deferred tax liabilities are as follows:

(Thousands of Dollars)	December 31					
	1995			1994		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Depreciation		\$(449,571)	\$(449,571)		\$(399,381)	\$(399,381)
Comprehensive Settlement	\$ 159,294	(77,504)	81,790	\$ 211,996	(107,597)	104,399
Regulatory accounts receivable		(103,889)	(103,889)		(150,767)	(150,767)
Deferred investment tax credits	29,673		29,673	30,996		30,996
Customer advances for construction	20,787		20,787	25,527		25,527
Regulatory asset		(30,144)	(30,144)		(39,604)	(39,604)
Other regulatory	118,623	(45,624)	72,999	109,084	(62,195)	46,889
Total deferred income tax assets (liabilities)	\$328,377	\$(706,732)	\$(378,355)	\$377,603	\$(759,544)	\$(381,941)

The Parent files a consolidated federal income tax return and combined California franchise tax reports which include the Company and the Parent's other subsidiaries. The Company pays the amount of taxes applicable to itself had it filed a separate return.

The Company generally provides for income taxes on the basis of amounts expected to be paid currently, except for the provision for deferred taxes on regulatory accounts, customer advances for construction and accelerated depreciation of property placed in service after 1980. In addition, the Company recognizes certain other deferred tax liabilities (primarily accelerated depreciation of property placed in service prior to 1981 and deferred investment tax credits) which are expected to be recovered through future rates. At December 31, 1995 and 1994, \$109 million and \$97 million, respectively, of deferred income taxes have been offset by an equivalent amount in regulatory assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENT LIABILITIES

ENVIRONMENTAL OBLIGATIONS

The Company has identified and reported to California environmental authorities 42 former manufactured gas plant sites for which it (together with other utilities as to 21 of these sites) may have remedial obligations under environmental laws. As of December 31, 1995, nine of these sites have been remediated, of which five have received certification from the California Environmental Protection Agency. Preliminary investigations, at a minimum, have been completed on 39 of the gas plant sites, including those sites at which the remediations described above have been completed. In addition, the Company has been named as a potentially responsible party for two landfill sites and three industrial waste disposal sites.

On May 4, 1994, the CPUC approved a collaborative settlement between the Company and other California energy utilities and the Division of Ratepayer Advocates which provides for rate recovery of 90% of environmental investigation and remediation costs without reasonableness review. In addition, the utilities have the opportunity to retain a percentage of any insurance recoveries to offset the 10% of costs not recovered in rates.

At December 31, 1995, the Company's estimated remaining investigation and remediation liability was \$76 million of which it is authorized to recover 90% through the mechanism discussed above. The estimated liability is subject to future adjustment pending further investigation. The Company believes that any costs not ultimately recovered through rates, insurance or other means, upon giving effect to previously established liabilities, will not have a material adverse effect on the Company's financial statements.

LITIGATION

The Company is a defendant in various lawsuits arising in the normal course of business. Management believes that the resolution of these pending claims and legal proceedings will not have a material adverse effect on the Company's financial statements.

OBLIGATIONS UNDER FIRM COMMITMENTS

The Company has commitments for firm pipeline capacity under contracts with pipeline companies that expire at various dates through the year 2006. These agreements provide for payments of an annual demand or reservation charge. The Company recovers such fixed charges in rates. Estimated minimum commitments as of December 31, 1995 are as follows: 1996 - \$258 million, 1997 - \$222 million, 1998 - \$244 million, 1999 - \$244 million, 2000 - \$244 million, after 2000 - \$1,327 million.

OTHER COMMITMENTS AND CONTINGENCIES

At December 31, 1995, commitments for capital expenditures were approximately \$27 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. LEASES

The Company has leases on real and personal property expiring at various dates from 1996 to 2011. The rentals payable under these leases are determined on both fixed and percentage bases and most leases contain options to extend which are exercisable by the Company.

Rental expense under operating leases was \$45 million, \$42 million and \$39 million in 1995, 1994 and 1993, respectively.

The following is a schedule of future minimum operating lease commitments as of December 31, 1995:

(Thousands of Dollars)	Future Minimum Lease Payments

Year Ending December 31:	
1996	\$ 31,739
1997	32,708
1998	29,584
1999	29,909
2000	30,511
Later years	271,833

Total	\$426,284

6. COMPENSATING BALANCES AND SHORT-TERM BORROWING ARRANGEMENTS

The Company has a \$650 million multi-year credit agreement requiring annual fees of .075%. The interest rate on this line varies and is derived from formulas based on market rates and the Company's credit ratings. The multi-year credit agreement expires on February 8, 2001. At December 31, 1995, the bank line of credit was unused. The unused bank line of credit provides backing for the Company's commercial paper program.

At December 31, 1995 and 1994, the Company had \$415 million and \$524 million, respectively, of commercial paper obligations outstanding. The weighted average annual interest rate of commercial paper obligations outstanding was 5.66% and 5.96% at December 31, 1995 and 1994, respectively. At December 31, 1995, the Company has classified \$181 million of the commercial paper as long-term debt since it is the Company's intent (supported by the \$650 million multi-year credit agreement above) to continue to refinance that portion of the debt on a long-term basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. LONG-TERM DEBT

(Thousands of Dollars)	December 31	
	1995	1994
FIRST MORTGAGE BONDS:		
6 1/2% December 15, 1997	\$ 125,000	\$ 125,000
5 1/4% March 1, 1998	100,000	100,000
6 7/8% August 15, 2002	100,000	100,000
5 3/4% November 15, 2003	100,000	100,000
9 3/4% December 1, 2020		18,435
8 3/4% October 1, 2021	150,000	150,000
7 3/8% March 1, 2023	100,000	100,000
7 1/2% June 15, 2023	125,000	125,000
6 7/8% November 1, 2025	175,000	175,000
OTHER LONG-TERM DEBT:		
4.69% Notes, June 16, 1995		31,000
8 3/4% Notes, August 4, 1995		20,000
5.03% - 5.05% Notes, August 28 - September 1, 1995		28,000
5.81% - 5.85% Notes, December 1, 1995		7,000
8 3/4% Notes, July 8, 1996	20,000	20,000
5.98% Notes, August 28, 1997	22,000	22,000
8 3/4% Notes, July 6, 2000	10,000	10,000
SFr. 150,000,000 7 1/2% Foreign Interest Payment Securities, May 14, 1996	75,282	75,282
SFr. 100,000,000 5 1/8% Bonds, February 6, 1998 (foreign currency exposure hedged through currency swap at an interest rate of 9.725%)	47,250	47,250
5.66% Commercial Paper, February 8, 2001	181,304	245,847
	-----	-----
Total outstanding	1,330,836	1,499,814
	-----	-----
Less:		
Payments due within one year	95,283	86,000
Unamortized debt discount less premium	15,417	16,883
	-----	-----
	110,700	102,883
	-----	-----
Long-Term Debt	\$1,220,136	\$1,396,931
	-----	-----

The annual principal payment requirements of long-term debt for the years 1996, 1997, 1998 and 2000 are \$95 million, \$147 million, \$147 million, and \$10 million, respectively. No amounts are due in 1999. Substantially all of utility plant serves as collateral for the First Mortgage Bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CURRENCY RATE SWAPS

In February 1986, the Company issued SFr. 100 million of 5 1/8% bonds which will mature on February 6, 1998. The Company has entered into a swap transaction with a major international bank to hedge the currency exposure. The terms of the swap result in a U.S. dollar liability of \$47 million at an interest rate of 9.725% with the principal payable on February 6, 1998.

In May 1986, the Company issued SFr. 150 million of 7 1/2% Foreign Interest Payment Securities which are renewable at 10-year intervals at reset interest rates. Interest is payable in U.S. dollars. The principal was exchanged into \$75 million at an exchange rate of 1.9925, which is also the minimum rate of exchange for determining the amount of principal repayable in Swiss francs.

8. FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. The Flexible Auction preferred stocks of the Company approximate fair value since they are remarketed periodically. The carrying amount of the currency swaps approximates fair value.

The fair value of the Company's long-term debt, 6% preferred, 6% Series A preferred and 7 3/4% preferred stock is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of similar remaining maturities. The fair value of these financial instruments is different from the carrying amount.

The following financial instruments have a fair value which is different from the carrying amount as of December 31.

(Dollars in Millions)	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt	\$1,315	\$1,278	\$1,483	\$1,377
Preferred Stocks	\$ 97	\$ 93	\$ 97	\$ 78

As a result of the GCIM (See Note 2), the Company enters into a certain amount of gas futures contracts in the open market with the intent of reducing gas costs within the GCIM tolerance band. The Company policy is to use gas futures contracts to mitigate risk and better manage gas costs. The CPUC has approved the use of gas futures for managing risk associated with the GCIM. For the year ended December 31, 1995, gains or losses from gas futures contracts are not material to the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. CAPITAL STOCK

The amount of capital stock outstanding at December 31 is as follows:

	December 31, 1995		December 31, 1994	
	Number of Shares	Thousands of Dollars	Number of Shares	Thousands of Dollars
PREFERRED STOCK:				
cumulative, voting (a)(b)(c):				
6%, \$25 par value	79,011	\$ 1,975	79,011	\$ 1,975
6%, Series A, \$25 par value Series Preferred, no par value	783,032	19,576	783,032	19,576
Flexible Auction, Series A	500	50,000	500	50,000
Flexible Auction, Series C	500	50,000	500	50,000
7 3/4%, \$25 Stated Value	3,000,000	75,000	3,000,000	75,000
Total		\$196,551		\$196,551
PREFERENCE STOCK - cumulative, voting, no par value (a)(c)				
COMMON STOCK - no par value (a)(c)	91,300,000	\$834,889	91,300,000	\$834,889

(a) The Company's Articles of Incorporation authorize the following stocks: 100 million shares of Common Stock; 160,000 shares of 6% Preferred Stock; 840,000 shares of 6% Preferred Stock, Series A; 5 million shares of Series Preferred Stock and 5 million shares of Preference Stock.

(b) Each issue of the Flexible Auction Series Preferred Stock is auctioned on specified dividend dates. The term of each subsequent dividend period is, at the Company's option, 49 days or longer, not to exceed ten years. The weighted average dividend rates for the Flexible Auction Preferred Stock for 1995, 1994 and 1993 were: Series A, 4.80%, 3.40% and 2.67%, respectively; and for Series C, 4.18%, 3.33% and 2.75%, respectively. Subsequent dividend rates may be affected by general market conditions and the credit rating assigned to the Flexible Auction Series Preferred Stock. The Company has the option of redeeming the shares, in whole or in part, at \$100,000 per share plus accumulated dividends on any scheduled dividend payment date.

(c) In the event of any liquidation, dissolution or winding up of the Company, the holders of shares of each series of Preferred Stock and of each series of Series Preferred Stock would be entitled to receive the stated value or the liquidation preference for their shares, plus accrued dividends before any amount shall be paid to the holders of Preference Stock or Common Stock. If the amounts payable with respect to the shares of each series of Preferred Stock or Series Preferred Stock are not paid in full, the holders of such shares will share ratably in any such distribution. After payment in full to the holders of each series of Preferred Stock, Series Preferred Stock and Preference Stock of the liquidating distributions to which they are entitled, the remaining assets and funds of the Company would be divided pro rata among the holders of the 6% Preferred Stock and the holders of Common Stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. TRANSACTIONS WITH AFFILIATES

Pacific Interstate Transmission Company, Pacific Interstate Offshore Company and Pacific Offshore Pipeline Company, subsidiaries of the Parent and gas supply affiliates of the Company, sell and transport gas to the Company under tariffs approved by the Federal Energy Regulatory Commission. During 1995, 1994 and 1993, billings for such gas purchases totaled \$141 million, \$215 million, and \$344 million, respectively. The Company has long-term gas purchase and transportation agreements with the affiliates extending through the year 2003 requiring certain minimum payments which allow the affiliates to recover the construction cost of their facilities. The Company is obligated to make minimum annual payments to cover the affiliates' operation and maintenance expenses, demand charges paid to their suppliers, current taxes other than income taxes, and debt service costs, including interest expense and scheduled retirement of debt. These long-term agreements were restructured in conjunction with the Comprehensive Settlement previously discussed (see Note 2).

11. PENSION, POSTRETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS

PENSION PLAN

The Company has a noncontributory defined benefit pension plan covering substantially all of its employees. Benefits are based on an employee's years of service and compensation during his or her last years of employment. The Company's policy is to fund the plan annually at a level which is fully deductible for federal income tax purposes and as necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members.

In conformity with generally accepted accounting principles for a rate regulated enterprise, the Company has recorded regulatory adjustments to reflect, in net income, pension costs calculated under the actuarial method allowed for ratemaking. The cumulative difference between the net periodic pension cost calculated for financial reporting and ratemaking purposes has been included as a deferred charge or credit in the Consolidated Balance Sheet.

Pension expense was as follows:

(Thousands of Dollars)	Year Ended December 31		
	1995	1994	1993
Service cost - benefits earned during the period	\$ 26,038	\$ 33,627	\$ 31,828
Interest cost on projected benefit obligation	84,392	80,741	78,727
Actual return on plan assets	(315,420)	(2,631)	(153,293)
Net amortization and deferral	210,594	(94,173)	54,816
Net periodic pension cost	5,604	17,564	12,078
Special early retirement program	18,011	11,790	17,546
Regulatory adjustment	4,582	(1,878)	919
Total pension expense	\$ 28,197	\$ 27,476	\$ 30,543

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of the plan's funded status to the pension liability recognized in the Consolidated Balance Sheet is as follows:

(Thousands of Dollars)	December 31	
	1995	1994
Actuarial present value of pension benefit obligations		
Accumulated benefit obligation, including \$956,990 and \$751,852 in vested benefits at December 31, 1995 and 1994, respectively	\$ 1,083,052	\$ 844,762
Effect of future salary increases	270,530	203,995
Projected benefit obligation	1,353,582	1,048,757
Less: plan assets at fair value, primarily publicly traded common stocks and equity pooled funds	(1,492,891)	(1,237,747)
Unrecognized net gain	185,932	234,372
Unrecognized prior service cost	(40,608)	(35,761)
Unrecognized transition obligation	(4,635)	(5,143)
Accrued pension liability included in the Consolidated Balance Sheet	\$ 1,380	\$ 4,478
Deferred pension charge included in the Consolidated Balance Sheet	\$ (1,813)	\$ (1,489)
The plans' major actuarial assumptions include:		
Weighted average discount rate	6.85%	8.00%
Rate of increase in future compensation levels	5.00%	5.00%
Expected long-term rate of return on plan assets	8.00%	8.00%

POSTRETIREMENT BENEFIT PLANS

In 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106). SFAS 106 requires the accrual of the cost of certain postretirement benefits other than pensions over the active service period of the employee. The Company previously recorded these costs when paid or funded. In accordance with SFAS 106, the Company elected to allow amortization the unfunded transition obligation of \$256 million over 20 years. The CPUC in late 1992 authorized SFAS 106 amounts to be recovered in rates.

As with pensions, the Company has recorded regulatory adjustments to reflect, in net income, postretirement benefit costs calculated under the actuarial method allowed for ratemaking. The cumulative difference between the net periodic postretirement benefit cost calculated for financial reporting and ratemaking purposes has been included as a deferred charge or credit in the Consolidated Balance Sheet.

The Company's postretirement benefit plans currently provide medical and life insurance benefits to qualified retirees. The Company's policy is to fund these benefits at a level which is fully tax deductible for federal income tax purposes, not to exceed amounts recoverable in rates for regulated companies, and as necessary on an actuarial basis to provide assets sufficient to be paid to plan participants.

Separate trusts for each of the plans have been established exclusively for the benefit payments of each plan. Some of the plans' funds are commingled with the pension funds by the trustee for investment purposes but are accounted for separately per plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The net periodic postretirement benefit expense was as follows:

(Thousands of Dollars)	Year Ended December 31		
	1995	1994	1993
Service cost - benefits earned during the period	\$12,363	\$13,122	\$11,917
Interest cost on projected benefit obligation	29,089	26,464	26,848
Actual return on plan assets	(36,172)	(1,487)	(10,076)
Net amortization and deferral	35,006	2,561	15,205
Net periodic postretirement benefit cost	40,286	40,660	43,894
Regulatory adjustment	(1,378)	(2,887)	
Total postretirement benefit expense	\$38,908	\$37,773	\$43,894

A reconciliation of the plan's funded status to the postretirement liability recognized in the Consolidated Balance Sheet is as follows:

(Thousands of Dollars)	December 31	
	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	\$ 176,278	\$ 160,066
Fully eligible active plan participants	228,456	174,440
Other active plan participants	21,301	17,012
	426,035	351,518
Less: plan assets at fair value, primarily publicly traded common stocks	(209,990)	(144,304)
Unrecognized net transition obligation and equity pooled funds	(217,266)	(230,047)
Unrecognized net pension service cost	15,050	16,342
Unrecognized net gain (loss)	(15,207)	3,612
Prepaid postretirement benefit asset included in the Consolidated Balance Sheet	\$ (1,378)	\$ (2,879)
Deferred postretirement benefit charge included in the Consolidated Balance Sheet	\$ (1,378)	\$ (2,887)
The plan's major actuarial assumptions include:		
Health care cost trend rate	7.50%	8.00%
Weighted average discount rate	6.85%	8.00%
Rate of increase in future compensation levels	5.00%	5.00%
Expected long-term rate of return on plan assets	8.00%	8.00%

The assumed health care cost trend rate is 7.5% for 1996. The trend rate is expected to decrease from 1996 to 1998 with a 6.5% ultimate trend rate thereafter. The effect of a one-percentage-point increase in the assumed health care cost trend rate for each future year is \$8.1 million on the aggregate of the service and interest cost components of net periodic postretirement cost for 1995 and \$60.1 million on the accumulated postretirement benefit obligation at December 31, 1995. The estimated income tax rate used in the return on plan assets is zero since the assets are invested in tax exempt funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

POSTEMPLOYMENT BENEFITS

At December 31, 1992, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). SFAS 112 requires the accrual of the obligation to provide benefits to former or inactive employees after employment but before retirement. There was no impact on earnings since these costs are currently recovered in rates as paid, and as such, have been reflected as a regulatory asset. At December 31, 1995 and 1994 the liability was \$45 million and \$49 million, respectively, and represents primarily workers compensation and disability benefits.

RETIREMENT SAVINGS PLAN

Upon completion of one year of service, all employees of the Company and certain subsidiaries are eligible to participate in the Company's retirement savings plan administered by bank trustees. Employees may contribute from 1% to 14% of their regular earnings. The Company generally contributes an amount of cash or a number of shares of the Company's common stock of equivalent fair market value which, when added to prior forfeitures, will equal 50% of the first 6% of eligible base salary contributed by employees. The employees' contributions, at the direction of the employees, are primarily invested in the Company's common stock, mutual funds or guaranteed investment contracts. In 1993, 1994 and 1995 the Company's contributions were partially funded by the Pacific Enterprises Employee Stock Ownership Plan and Trust. The Company's compensation expense was \$7 million in 1995, \$8 million in 1994 and \$9 million in 1993.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared by management. The integrity and objectivity of these financial statements and the other financial information in the Annual Report, including the estimates and judgments on which they are based, are the responsibility of management. The financial statements have been audited by Deloitte & Touche LLP, independent certified public accountants, appointed by the Board of Directors. Their report is shown on page 44. Management has made available to Deloitte & Touche LLP all of the Company's financial records and related data, as well as the minutes of shareholders' and directors' meetings.

Management maintains a system of internal accounting control which it believes is adequate to provide reasonable, but not absolute, assurance that assets are properly safeguarded and accounted for, that transactions are executed in accordance with management's authorization and are properly recorded and reported, and for the prevention and detection of fraudulent financial reporting. Management monitors the system of internal control for compliance through its own review and a strong internal auditing program which also independently assesses the effectiveness of the internal controls. In establishing and maintaining internal controls, the Company exercises judgment in determining whether the benefits to be derived justify the costs of such controls.

Management acknowledges its responsibility to provide financial information (both audited and unaudited) that is representative of the Company's operations, reliable on a consistent basis, and relevant for a meaningful financial assessment of the Company. Management believes that the control process enables them to meet this responsibility.

Management also recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's code of corporate conduct, which is publicized throughout the Company. The Company maintains a systematic program to assess compliance with this policy.

The Board of Directors has an Audit Committee composed solely of directors who are not officers or employees. The Committee recommends for approval by the full Board the appointment of the independent auditors. The Committee meets regularly with management, with the Company's internal auditors, and with the independent auditors. The independent auditors and the internal auditors periodically meet alone with the Audit Committee and have free access to the Audit Committee at any time.

Warren I. Mitchell,
President

Larry J. Dagley,
Senior Vice President and Chief Financial Officer

January 31, 1996

INDEPENDENT AUDITORS, REPORT

Southern California Gas Company:

We have audited the consolidated financial statements of Southern California Gas Company and subsidiaries (pages 25 to 42) as of December 31, 1995 and 1994, and for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern California Gas Company and its subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Los Angeles, California
January 31, 1996

QUARTERLY FINANCIAL DATA (UNAUDITED)

THREE MONTHS ENDED	1995			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
(THOUSANDS OF DOLLARS)				
OPERATING REVENUES	\$604,690	\$579,559	\$505,292	\$589,767
NET OPERATING REVENUE	\$ 73,272	\$ 73,880	\$ 71,499	\$ 81,180
NET INCOME	\$ 51,049	\$ 53,025	\$ 50,650	\$ 60,109
NET INCOME APPLICABLE TO COMMON STOCK	\$ 48,121	\$ 50,107	\$ 47,762	\$ 57,230

THREE MONTHS ENDED	1994			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
(THOUSANDS OF DOLLARS)				
OPERATING REVENUES	\$689,154	\$630,298	\$567,929	\$699,143
NET OPERATING REVENUE	\$ 67,598	\$ 68,094	\$ 67,575	\$ 75,360
NET INCOME	\$ 43,949	\$ 45,788	\$ 45,197	\$ 55,579
NET INCOME APPLICABLE TO COMMON STOCK	\$ 41,509	\$ 43,223	\$ 42,532	\$ 52,781

ITEM 9. CHANGES IN AND DISAGREEMENTS
WITH ACCOUNTANTS ON ACCOUNTING
AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item with respect to the Company's directors is set forth under the caption "Election of Directors" in the Company's Information Statement for its Annual Meeting of Shareholders scheduled to be held on May 2, 1996. Such information is incorporated herein by reference.

Information required by this Item with respect to the Company's executive officers is set forth in Item 1 of this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is set forth under the caption "Election of Directors" and "Executive Compensation" in the Company's Information Statement for its Annual Meeting of Shareholders scheduled to be held on May 2, 1996. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT

Information required by this Item is set forth under the caption "Election of Directors" in the Company's Information Statement for its Annual Meeting of Shareholders scheduled to be held on May 2, 1996. Such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED
TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT
SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report:

1. CONSOLIDATED FINANCIAL STATEMENTS (SET FORTH IN
ITEM 8 OF THIS ANNUAL REPORT ON FORM 10-K):

- 1.01 Report of Deloitte & Touche LLP,
Independent Certified Public Accountants.
- 1.02 Statement of Consolidated
Income for the years ended
December 31, 1995, 1994 and 1993.
- 1.03 Consolidated Balance Sheet at December 31,
1995 and 1994.
- 1.04 Statement of Consolidated Cash Flows
for the years ended December 31, 1995,
1994 and 1993.
- 1.05 Statement of Consolidated Shareholders'
Equity for the years ended December 31, 1995,
1994, 1993 and 1992.
- 1.06 Notes to Consolidated Financial
Statements.

3. ARTICLES OF INCORPORATION AND BY-LAWS:

- 3.01 Restated Articles of Incorporation of
Southern California Gas Company
(Note 25; Exhibit 3.01).
- 3.02 Bylaws of Southern California Gas Company.

4. INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS:

(Note: As permitted by Item 601(b)(4)(iii) of Regulation S-K, certain instruments defining the rights of holders of long-term debt for which the total amount of securities authorized thereunder does not exceed ten percent of the total assets of Southern California Gas Company and its subsidiaries on a consolidated basis are not filed as exhibits to this Annual Report. The Company agrees to furnish a copy of each such instrument to the Commission upon request.)

- 4.01 Specimen Preferred Stock Certificates of
Southern California Gas Company
(Note 13; Exhibit 4.01).

- 4.02 First Mortgage Indenture of Southern California Gas Company to American Trust Company dated as of October 1, 1940 (Note 1; Exhibit B-4).
- 4.03 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of July 1, 1947 (Note 2; Exhibit B-5).
- 4.04 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of August 1, 1955 (Note 3; Exhibit 4.07).
- 4.05 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of June 1, 1956 (Note 4; Exhibit 2.08).
- 4.06 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of August 1, 1972 (Note 7; Exhibit 2.19).
- 4.07 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of May 1, 1976 (Note 6; Exhibit 2.20).
- 4.08 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of September 15, 1981 (Note 12; Exhibit 4.25).
- 4.09 Supplemental Indenture of Southern California Gas Company to Manufacturers Hanover Trust Company of California, successor to Wells Fargo Bank, National Association, and Crocker National Bank as Successor Trustee dated as of May 18, 1984 (Note 16; Exhibit 4.29).
- 4.10 Supplemental Indenture of Southern California Gas Company to Bankers Trust Company of California, N.A., successor to Wells Fargo Bank, National Association dated as of January 15, 1988 (Note 18; Exhibit 4.11).
- 4.11 Supplemental Indenture of Southern California Gas Company to First Trust of California, National Association, successor to Bankers Trust Company of California, N.A. dated as of August 15, 1992 (Note 24; Exhibit 4.37).
- 4.12 Specimen Flexible Auction Series A Preferred Stock Certificate (Note 21; Exhibit 4.11).

- 4.13 Specimen Flexible Auction Series B Preferred Stock Certificate (Note 22; Exhibit 4.12).
- 4.14 Specimen Flexible Auction Series C Preferred Stock Certificate (Note 23; Exhibit 4.13).
- 4.15 Specimen 7 3/4% Series Preferred Stock Certificate (Note 25; Exhibit 4.15).

10. MATERIAL CONTRACTS

- 10.01 Restatement and Amendment of Pacific Enterprises 1979 Stock Option Plan (Note 10; Exhibit 1.1).
- 10.02 Pacific Enterprises Supplemental Medical Reimbursement Plan for Senior Officers (Note 11; Exhibit 10.24).
- 10.03 Pacific Enterprises Financial Services Program for Senior Officers (Note 11; Exhibit 10.25).
- 10.04 Southern California Gas Company Retirement Savings Plan, as amended and restated as of August 30, 1988 (Note 15; Exhibit 28.02).
- 10.05 Southern California Gas Company Statement of Life Insurance, Disability Benefit and Pension Plans, as amended and restated as of January 1, 1985 (Note 16; Exhibit 10.27).
- 10.06 Southern California Gas Company Pension Restoration Plan For Certain Management Employees (Note 11; Exhibit 10.29).
- 10.07 Pacific Enterprises Executive Incentive Plan (Note 18; Exhibit 10.13)
- 10.08 Pacific Enterprises Deferred Compensation Plan for Key Management Employees (Note 15; Exhibit 10.41).
- 10.09 Pacific Enterprises Stock Incentive Plan (Note 19; Exhibit 4.01).
- 10.10 Pacific Enterprises Employee Stock Option Plan (Note 27; Exhibit 4.01).

21. SUBSIDIARIES OF THE REGISTRANT

- 21.01 List of subsidiaries of Southern California Gas Company.

23. CONSENTS OF EXPERTS AND COUNSEL

23.01 Consent of Deloitte & Touche LLP,
Independent Certified Public Accountants.

24. POWER OF ATTORNEY

24.01 Power of Attorney of Certain Officers
and Directors of Southern California Gas
Company (contained on the signature pages of this
Annual Report on Form 10-K).

27. FINANCIAL DATA SCHEDULE

27.01 Financial Data Schedule.

(b) REPORTS ON FORM 8-K:

The following report on Form 8-K was filed during the last
quarter of 1995.

REPORT DATE	ITEM REPORTED
-----	-----
October 31, 1995	Item 5

NOTE: Exhibits referenced to the following notes were filed with the
documents cited below under the exhibit or annex number following
such reference. Such exhibits are incorporated herein by
reference.

Note
Reference

Document

- 1 Registration Statement No. 2-4504 filed by Southern California Gas Company on September 16, 1940.
- 2 Registration Statement No. 2-7072 filed by Southern California Gas Company on March 15, 1947.
- 3 Registration Statement No. 2-11997 filed by Pacific Lighting Corporation on October 26, 1955.
- 4 Registration Statement No. 2-12456 filed by Southern California Gas Company on April 23, 1956.
- 5 Registration Statement No. 2-45361 filed by Southern California Gas Company on August 16, 1972.
- 6 Registration Statement No. 2-56034 filed by Southern California Gas Company on April 14, 1976.
- 7 Registration Statement No. 2-59832 filed by Southern California Gas Company on September 6, 1977.
- 8 Registration Statement No. 2-42239 filed by Pacific Lighting Gas Supply Company (under its former name of Pacific Lighting Service Company) on October 29, 1971.
- 9 Registration Statement No. 2-43834 filed by Pacific Lighting Corporation on April 17, 1972.
- 10 Registration Statement No. 2-66833 filed by Pacific Lighting Corporation on March 5, 1980.
- 11 Annual Report on Form 10-K for the year ended December 31, 1980, filed by Pacific Lighting Corporation.
- 12 Annual Report on Form 10-K for the year ended December 31, 1981, filed by Pacific Lighting Corporation.
- 13 Annual Report on Form 10-K for the year ended December 31, 1980 filed by Southern California Gas Company.
- 14 Quarterly Report on Form 10-Q for the quarter ended September 30, 1983, filed by Southern California Gas Company.
- 15 Registration Statement No. 33-6357 filed by Pacific Enterprises on December 30, 1988.
- 16 Annual Report on Form 10-K for the year ended December 31, 1984, filed by Southern California Gas Company.
- 17 Current Report on Form 8-K for the month of March 1986, filed by Southern California Gas Company.

- 18 Annual Report on Form 10-K for the year ended December 31, 1987 filed by Pacific Lighting Corporation.
- 19 Registration Statement No. 33-21908 filed by Pacific Enterprises on May 17, 1988.
- 20 Annual Report on Form 10-K for the year ended December 31, 1988, filed by Southern California Gas Company.
- 21 Annual Report on Form 10-K for the year ended December 31, 1989, filed by Southern California Gas Company.
- 22 Annual Report on Form 10-K for the year ended December 31, 1990, filed by Southern California Gas Company.
- 23 Annual Report on Form 10-K for the year ended December 31, 1991, filed by Southern California Gas Company.
- 24 Registration Statement No. 33-50826 filed by Southern California Gas Company on August 13, 1992.
- 25 Annual Report on Form 10-K for the year ended December 31, 1992, filed by Southern California Gas Company.
- 26 Annual Report on Form 10-K for the year ended December 31, 1993, filed by Southern California Gas Company.
- 27 Registration Statement No. 33-54055 filed by Pacific Enterprises on June 9, 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHERN CALIFORNIA GAS COMPANY

By: WARREN I. MITCHELL /s/

Name: Warren I. Mitchell
Title: President

Dated: March 20, 1996

Each person whose signature appears below hereby authorizes Warren I. Mitchell, Larry J. Dagley, Ralph Todaro, and each of them, severally, as attorney-in-fact, to sign on his or her behalf, individually and in each capacity stated below, and file all amendments to this Annual Report.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature - - - - -	Title - - - - -	Date - - - - -
WARREN I. MITCHELL /s/ - - - - - (Warren I. Mitchell)	President (Principal Executive Officer)	March 20, 1996
LARRY J. DAGLEY /s/ - - - - - (Larry J. Dagley)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 1996
RALPH TODARO /s/ - - - - - (Ralph Todaro)	Vice President and Controller (Principal Accounting Officer)	March 20, 1996
Hyla H. BERTEA /s/ - - - - - (Hyla H. BerteA)	Director	March 20, 1996
HERBERT L. CARTER /s/ - - - - - (Herbert L. Carter)	Director	March 20, 1996
RICHARD D. FARMAN /s/ - - - - - (Richard D. Farman)	Director	March 20, 1996
WILFORD D. GODBOLD, JR. /s/ - - - - - (Wilford D. Godbold, Jr.)	Director	March 20, 1996
IGNACIO E. LOZANO, JR. /s/ - - - - - (Ignacio E. Lozano, Jr.)	Director	March 20, 1996
HAROLD M. MESSMER, JR. /s/ - - - - - (Harold M. Messmer, Jr.)	Director	March 20, 1996
PAUL A. MILLER /s/ - - - - - (Paul A. Miller)	Director	March 20, 1996
RICHARD J. STEGEMEIER /s/ - - - - - (Richard J. Stegemeier)	Director	March 20, 1996
DIANA L. WALKER /s/ - - - - - (Diana L. Walker)	Director	March 20, 1996
WILLIS B. WOOD, JR. /s/ - - - - - (Willis B. Wood, Jr.)	Director	March 20, 1996

BYLAWS
OF
SOUTHERN CALIFORNIA GAS COMPANY

MARCH 1, 1995

BYLAWS

OF

SOUTHERN CALIFORNIA GAS COMPANY

ARTICLE I

PRINCIPAL OFFICE

SECTION 1. The principal executive office of the Company is located at 555 West Fifth Street, City of Los Angeles, County of Los Angeles, California.

ARTICLE II

MEETINGS OF SHAREHOLDERS

SECTION 1. All Meetings of Shareholders shall be held either at the principal executive office of the Company or at any other place within or without the state as may be designated by resolution of the Board of Directors.

SECTION 2. An Annual Meeting of Shareholders shall be held each year on such date and at such time as may be designated by resolution of the Board of Directors.

SECTION 3. At an Annual Meeting of Shareholders, only such business shall be conducted as shall have been properly brought before the Annual Meeting. To be properly brought before an Annual Meeting, business must be (a) specified in the notice of the Annual Meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the Annual Meeting by a Shareholder. For business to be properly brought before an Annual Meeting by a Shareholder, including the nomination of any person (other than a person nominated by or at the direction of the Board of Directors) for election to the Board of Directors, the Shareholder must have given timely and proper written notice to the Secretary of the Company. To be timely, the Shareholder's written notice must be received at the principal executive office of the Company not less than sixty nor more than one hundred twenty days in advance of the date corresponding to the date of the last Annual Meeting; provided, however, that in the event the Annual Meeting to which the Shareholder's written notice relates is to be held on a date which differs by more than sixty days from the date corresponding to the date of the last Annual Meeting, the Shareholder's written notice to be timely must be so received not later than the close of business on the tenth day following the date on which public disclosure of the date of the Annual Meeting is made or given to Shareholders. To be proper, the Shareholder's written notice must set forth as to each matter the Shareholder proposes to bring before the Annual Meeting (a) a brief description of the business desired to be brought before the Annual Meeting, (b)

the name and address of the Shareholder as they appear on the Company's books, (c) the class and number of shares of the Company which are beneficially owned by the Shareholder, and (d) any material interest of the Shareholder in such business. In addition, if the Shareholder's written notice relates to the nomination at the Annual Meeting of any person for election to the Board of Directors, such notice to be proper must also set forth (a) the name, age, business address and residence address of each person to be nominated, (b) the principal occupation or employment of each such person, (c) the number of shares of capital stock beneficially owned by each such person, and (d) such other information concerning each such person as would be required under the rules of the Securities and Exchange Commission in a proxy statement soliciting proxies for the election of such person as a Director, and must be accompanied by a consent, signed by each such person, to serve as a Director of the Company if elected. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at an Annual Meeting except in accordance with the procedures set forth in this Section 3.

SECTION 4. Each Shareholder of the Company shall be entitled to elect voting confidentiality as provided in this Section 4 on all matters submitted to Shareholders by the Board of Directors and each form of proxy, consent, ballot or other written voting instruction distributed by the Company to Shareholders shall include a check box or other appropriate mechanism by which Shareholders who desire to do so may so elect voting confidentiality.

All inspectors of election, vote tabulators and other persons appointed or engaged by or on behalf of the Company to process voting instructions (none of whom shall be a Director or Officer of the Company or any of its affiliates) shall be advised of and instructed to comply with this Section 4 and, except as required or permitted hereby, not at any time to disclose to any person (except to other persons engaged in processing voting instructions), the identity and individual vote of any Shareholder electing voting confidentiality; provided, however, that voting confidentiality shall not apply and the the name and individual vote of any shareholder may be disclosed to the Company or to any person (i) to the extent that such disclosure is required by applicable law or is appropriate to assert or defend any claim relating to voting or (ii) with respect to any matter for which votes of Shareholders are solicited in opposition to any of the nominees or the recommendations of the Board of Directors unless the persons engaged in such opposition solicitation provide Shareholders of the Company with voting confidentiality (which, if not otherwise provided, will be requested by the Company) comparable in the opinion of the Company to the voting confidentiality provided by this Section 4.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. The Board of Directors shall have power to:

- a. Conduct, manage and control the business of the Company, and make rules consistent with law, the Articles of Incorporation and the Bylaws;
- b. Elect, and remove at their discretion, Officers of the Company, prescribe their duties, and fix their compensation;
- c. Authorize the issue of shares of stock of the Company upon lawful terms: (i) in consideration of money paid, labor done, services actually rendered to the Company or for its benefit or in its reorganization, debts or securities cancelled, and tangible or intangible property actually received either by this Company or by a wholly-owned subsidiary; but neither promissory notes of the purchaser (unless adequately secured by collateral other than the shares acquired or unless permitted by Section 408 of the California Corporation Code) nor future services shall constitute payment or part payment for shares of this Company; or (ii) as a share dividend or upon a stock split, reverse stock split, reclassifications of outstanding shares into shares of another class, conversion of outstanding shares

into shares of another class, exchange of outstanding shares for shares of another class or other change affecting outstanding shares;

d. Borrow money and incur indebtedness for the purposes of the Company, and cause to be executed and delivered, in the Company name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt;

e. Elect an Executive Committee and other committees.

SECTION 2. The Board of Directors shall consist of not less than nine nor more than seventeen members. The authorized number of Directors shall be fixed from time to time, within the limits specified, by a resolution duly adopted by the Board of Directors. A majority of the authorized number of Directors shall constitute a quorum of the Board.

ARTICLE IV

MEETING OF DIRECTORS

SECTION 1. Meetings of the Board of Directors shall be held at any place which has been designated by resolution of the Board of Directors, or by written consent of all members of the Board. In the absence of such designation, regular meetings shall be held in the principal executive office.

SECTION 2. Immediately following each Annual Meeting of Shareholders there shall be a regular meeting of the Board of Directors for the purpose of organization, election of Officers and the transaction of other business. In all months other the month in which the Annual Meeting of Shareholders is held there shall be a regular meeting of the Board of Directors on the first Tuesday of each month at such hour as shall be designated by resolution of the Board of Directors. Notice of regular meetings of the Directors shall be given in the manner described in these Bylaws for giving notice of special meetings. No notice of the regular meeting of Board of Directors which follows the Annual Meeting of Shareholders need be given.

SECTION 3. Special meetings of the Board of Directors for any purpose may be called at any time by the President, or by a majority of the authorized number of Directors. Notice of the time and place of special meetings shall be given to each Director. In case notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the city in which the principal executive office is located at least twenty hours prior to the time of the meeting. In case notice is given personally or by telephone, it shall be delivered at least six hours prior to the time of the meeting.

SECTION 4. The transactions of any meeting of the Board of Directors, however called or noticed, shall be as valid as though in a meeting duly held after regular call and notice if a quorum be present and each of the Directors, either before or after the meeting, signs a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof or attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director. All such waivers, consents or approvals shall be made a part of the minutes of the meeting.

SECTION 5. If any regular meeting of Shareholders or of the Board of Directors falls on a legal holiday, then such meeting shall be held on the next succeeding business day at the same hour. But a special meeting of Shareholders or Directors may be held upon a holiday with the same force and effect as if held upon a business day.

ARTICLE V

OFFICERS

SECTION 1. The Officers of the Company shall be a President, Vice Presidents, one or more of whom, in the discretion of the Board of Directors, may be appointed Executive or Senior Vice President, a Secretary and a Treasurer. The Company may have, at the discretion of the Board of Directors, any other Officers and may also have, at the discretion of and upon appointment by the President, one or more Assistant Secretaries and Assistant Treasurers. One person may hold two or more offices.

ARTICLE VI

THE PRESIDENT

SECTION 1. The President shall be the principal executive officer of the Company, shall have general charge of all of the Company's business and affairs and all of its Officers and shall have all of the powers and perform all of the duties inherent in that office and such additional powers and duties as may be prescribed by the Board of Directors.

ARTICLE VII

VICE PRESIDENTS

SECTION 1. In the President's absence or disability, the Vice Presidents in order of their rank shall perform all of the duties of the President and when so acting shall have all of the powers and be subject to all of the restrictions of the President. The Vice Presidents shall have such other powers and perform such additional duties as may be prescribed by the Board of Directors or the President.

ARTICLE VIII

SECRETARY

SECTION 1. The Secretary shall keep at the principal executive office, a book of minutes of all meetings of Directors and Shareholders, which shall contain a statement of the time and place of the meeting, whether it was regular or special, and if special, how authorized and the notice given, the names of those present at Directors' meetings, the number of shares present or represented by written proxy at Shareholders' meetings and the proceedings.

SECTION 2. The Secretary shall give notice of all meetings of Shareholders and the Board of Directors required by the Bylaws or by law to be given, and shall keep the seal of the Company in safe custody. The Secretary shall have such other powers and perform such additional duties as may be prescribed by the Board of Directors or the President.

SECTION 3. It shall be the duty of the Assistant Secretaries to help the Secretary in the performance of the Secretary's duties. In the absence or disability of the Secretary, the Secretary's duties may be performed by an Assistant Secretary.

ARTICLE IX

TREASURER

SECTION 1. The Treasurer shall have custody and account for all funds or moneys of the Company which may be deposited with the Treasurer, or in banks, or other places of deposit. The Treasurer shall disburse funds or moneys which have been duly approved for disbursement. The Treasurer shall sign notes, bonds or other evidences of indebtedness for the Company as the Board of Directors may authorize. The Treasurer shall have such other powers and perform such additional duties as may be prescribed by the Board of Directors or the President.

SECTION 2. It shall be the duty of the Assistant Treasurers to help the Treasurer in the performance of the Treasurer's duties. In the Treasurer's absence or disability, the Treasurer's duties may be performed by an Assistant Treasurer.

ARTICLE X

RECORD DATE

SECTION 1. The Board of Directors may fix a time in the future as a record date for ascertaining the Shareholders entitled to notice and to vote at any meeting of Shareholders, to give consent to corporate action in writing without a meeting, to receive any dividend, distribution, or allotment of rights or to exercise rights related to any change, conversion, or exchange of shares. The selected record date shall not be more than sixty nor less than 10 days prior to the date of the Meeting nor more than sixty days prior to any other action or event for the purposes for which it is fixed. When a record date is fixed, only Shareholders of Record on that date are entitled to notice and to vote at the Meeting, to give consent to corporate action, to receive a dividend, distribution, or allotment of rights, or to exercise any rights in respect of any other lawful action, notwithstanding any transfer of shares on the books of the Company after the record date.

ARTICLE XI

INDEMNIFICATION OF AGENTS OF THE COMPANY;
PURCHASE OF LIABILITY INSURANCE

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

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

SECTION 3. The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Company, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith and in a manner such person believed to be in the best interests of the Company and its Shareholders.

No indemnification shall be made under this Section 3 for any of the following:

- a. In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company in the performance of such person's duty to the Company and its Shareholders, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine;
- b. Of amounts paid in settling or otherwise disposing of a pending action without court approval;
- c. Of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

SECTION 4. To the extent that an agent of the Company has been successful on the merits in defense of any proceeding referred to in Section 2 or 3 or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

SECTION 5. Except as provided in Section 4, any indemnification under this Article shall be made by the Company only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Section 2 or 3, by any of the following:

- a. A majority vote of a quorum consisting of Directors who are not parties to such proceeding;
- b. If such a quorum of Directors is not obtainable, by independent legal counsel in a written opinion;
- c. Approval of the Shareholders, with the shares owned by the person to be indemnified not being entitled to vote thereon;
- d. The court in which such proceeding is or was pending upon application made by the Company or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Company.

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

SECTION 7. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of Shareholders or disinterested Directors or otherwise, to the extent such additional rights to indemnification are authorized in the Articles of Incorporation of the Company. The rights to indemnity under this Article shall continue as to a person who has ceased to be a Director, Officer, employee, or agent and shall inure to the benefit of the heirs, executors and administrators of the person.

SECTION 8. No indemnification or advance shall be made under this Article, except as provided in Section 4 or paragraph (d) of Section 5, in any circumstance where it appears:

- a. That it would be inconsistent with a provision of the Articles of Incorporation, these Bylaws, a resolution of the Shareholders or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification;
- b. That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

SECTION 9. The Company shall have the power to purchase and maintain insurance on behalf of any agent of the Company against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Company would have the power to indemnify the agent against such liability under the provisions of this Article.

SECTION 10. This Article does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the Company as defined in Section 1. Nothing contained in this Article shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law.

Subsidiaries of Southern California Gas Company

EcoTrans OEM Corporation
Southern California Gas Tower

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-51322, 33-53258, 33-59404 and 33-52663 of Southern California Gas Company on Forms S-3 of our report dated January 31, 1996, appearing in this Annual Report on Form 10-K of Southern California Gas Company for the year ended December 31, 1995.

DELOITTE & TOUCHE LLP

Los Angeles, California
March 21, 1996

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF CONSOLIDATED INCOME, BALANCE SHEET AND CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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