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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) November 23, 1994

SOUTHERN CALIFORNIA GAS COMPANY
(Exact name of registrant as specified in its charter)

CALIFORNIA	1-1402	95-1240705
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(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

555 WEST FIFTH STREET, LOS ANGELES, CALIFORNIA 90013

(Address of principal executive officers) (Zip code)

Registrant's telephone number, including area code: (213) 244-1200

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ITEM 5. OTHER EVENTS.

On November 23, 1994, Southern California Gas Company commenced a program offering from time to time up to \$312,000,000 aggregate principal amount of its Medium Term Notes.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

Exhibit 1 -- Execution copy of Distribution Agreement among Southern California Gas Company; Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated; Lehman Brothers, Lehman Brothers Inc.; and CS First Boston Corporation.

Exhibit 4(a) -- Specimen of Fixed Rate Note.

Exhibit 4(b) -- Specimen of Floating Rate Note.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SOUTHERN CALIFORNIA GAS COMPANY

(Registrant)

Date: November 23, 1994

/s/ RALPH TODARO

Ralph Todaro
Vice President -- Finance and
Controller

SOUTHERN CALIFORNIA GAS COMPANY

Medium-Term Notes Due
9 Months or More from Date of Issue

DISTRIBUTION AGREEMENT

November 23, 1994

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
North Tower, 10th Floor
World Financial Center
New York, New York 10281

CS FIRST BOSTON CORPORATION
Park Avenue Plaza
New York, New York 10055

LEHMAN BROTHERS
Lehman Brothers Inc.
3 World Financial Center
New York, New York 10281-1200

Dear Sirs:

Southern California Gas Company, a California corporation (the "Company"), confirms its agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation and Lehman Brothers, Lehman Brothers Inc. (including its affiliate, Lehman Government Securities Inc.) (each, an "Agent" and collectively, the "Agents") with respect to the issue and sale by the Company of its Medium-Term Notes (the "Notes"). The Notes are to be issued pursuant to an indenture

dated as of May 1, 1989, as amended and supplemented by the First Supplemental Indenture (the "Supplemental Indenture") dated as of October 1, 1992 (such Indenture, as so amended and supplemented, is hereinafter referred to as the "Indenture"), between the Company and Citibank, N.A., as trustee (the "Trustee"). The Notes are part of an authorized series of the Company's debt securities (the "Debt Securities") to be issued under the Indenture. As of the date hereof, the Company has authorized the issuance of up to \$312,000,000 aggregate principal amount of Notes through the Agents pursuant to the terms of this Agreement. It is understood, however, that the Company may from time to time pursuant to an Officers' Certificate delivered to the Trustee pursuant to Section 2.01 of the Indenture (with an original copy thereof delivered to the Agents), reduce the authorized aggregate principal amount of the Notes (but not below the aggregate principal amount of Notes previously issued under the Indenture) or authorize the issuance of additional Notes and that such additional Notes may be distributed directly by the Company or through or to the Agents pursuant to the terms of this Agreement, all as though the issuance of such Notes were authorized as of the date hereof.

This Agreement provides both for the sale of Notes by the Company directly to purchasers, in which case each Agent will act as an agent of the Company in soliciting Note purchasers, and (as may from time to time be agreed to by the Company and one or more Agents) to one or more Agents as principal for resale to purchasers. Additional terms of any sale of Notes to one or more Agents as principal will be set out in a Terms Agreement (as hereafter defined) relating to such sale, all as more fully provided herein.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 33-52663) and such amendments thereto as may have been required through the date hereof for the registration of \$312,000,000 aggregate principal amount of the Notes under the Securities Act of 1933 (the "1933 Act") and the offering thereof from time to time in accordance with Rule 415 of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations"). Such registration statement, as so amended (if applicable), has been declared effective by the Commission and the Indenture has been qualified under the Trust Indenture Act of 1939 (the "1939 Act"). Such registration statement (as so amended, if applicable), including all documents incorporated therein by reference and as from time to time amended or supplemented by the filing of documents pursuant to the Securities Exchange Act of 1934 (the "1934 Act") or the 1933 Act or otherwise, is referred to herein as the "Registration Statement" and the prospectus and prospectus supplement constituting a part thereof and any further prospectus supplements relating to the Notes, including all documents incorporated therein by reference and as from time to time

amended or supplemented by the filing of documents pursuant to the 1934 Act or the 1933 Act or otherwise, are referred to herein, collectively, as the "Prospectus" except that if any revised prospectus or prospectus supplement is provided to the Agents by the Company for use in connection with the offering of the Notes differing from the Prospectus on file at the Commission at the time such revised prospectus and/or prospectus supplement is delivered to the Agents (whether or not such revised prospectus and/or prospectus supplement is required to be filed by the Company pursuant to Rule 424(b) of the 1933 Act Regulations), the term "Prospectus" shall refer to such revised prospectus and/or prospectus supplement from and after the time it is first provided to the Agents for such use. Unless the context otherwise requires, all references in this Agreement to documents, financial statements and schedules and other information which is "contained", "included", "stated", "described in" or "referred to" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such documents, financial statements and schedules and other information which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement or the Prospectus shall be deemed to mean and include the filing of any document under the 1934 Act after the date of this Agreement which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be. Notwithstanding the foregoing, for purposes of this Agreement any prospectus supplement prepared with respect to the offering of a series of Debt Securities other than the Notes shall not be deemed to have supplemented the Prospectus.

Section I. APPOINTMENT OF AGENTS.

A. APPOINTMENT OF AGENTS. Subject to the terms and conditions stated herein and subject to the reservation by the Company of the right to sell Notes directly on its own behalf, the Company appoints the Agents, severally but not jointly, as its placement agents to assist the Company in the placement of the Notes during the term of this Agreement. The Company agrees that during the period the Agents are acting as the Company's placement agents hereunder, the Company shall not contact or solicit potential investors to purchase the Notes or engage any other person or party to assist in the placement of the Notes; PROVIDED, HOWEVER, that so long as this Agreement shall be in effect the Company may solicit offers to purchase Notes through any agent only by amending this Agreement to appoint such agent an additional Agent hereunder on the same terms and conditions as provided herein for the Agents and by giving the Agents prior notice of such appointment. The Company may accept offers to purchase Notes through an agent other than an Agent, PROVIDED THAT (i) the Company shall not have solicited such offers,

(ii) the Company and such agent shall have executed an agreement with respect to such purchases having terms and conditions (including, without limitation, commission rates) with respect to such purchases substantially the same as the terms and conditions that would apply to such purchases under this Agreement if such agent was an Agent (which may be accomplished by incorporating by reference in such agreement the terms and conditions of this Agreement, as provided in Exhibit A) and (iii) the Company shall notify the Agents prior to the execution of any such agreement and shall provide the Agents with a copy of such agreement promptly following the execution thereof. The Company agrees that whenever the Company determines to sell Notes directly to one or more Agents as principal for resale to others, it will enter into a Terms Agreement relating to each such sale in accordance with the provisions of Section III(B) hereof if requested by the Agent.

B. REASONABLE EFFORTS SOLICITATIONS; RIGHT TO REJECT OFFERS. Upon receipt of instructions from the Company, each Agent will use its reasonable efforts to solicit purchases of such principal amount of Notes as the Company and such Agent shall agree upon from time to time during the term of this Agreement, it being understood that the Company shall not approve the solicitation of purchases of Notes in excess of the amount which shall be authorized by the Company from time to time or in excess of the initial offering price of Notes registered pursuant to the Registration Statement. The Agents will have no responsibility for maintaining records with respect to the aggregate initial offering price of Notes sold, or of otherwise monitoring the availability of Notes for sale under the Registration Statement. Each Agent will communicate to the Company, orally or in writing, each offer to purchase Notes received by such Agent, other than those offers rejected by such Agent. Each Agent shall have the right, in its discretion reasonably exercised, without notice to the Company, to reject any proposed purchase of Notes, as a whole or in part, and any such rejection shall not be deemed a breach of such Agent's agreement contained herein. The Company may accept or reject any proposed purchase of the Notes, in whole or in part.

C. SOLICITATIONS AS AGENT; PURCHASES AS PRINCIPAL. In soliciting purchases of the Notes on behalf of the Company, unless otherwise specified pursuant to the terms hereof, each Agent shall act solely as agent for the Company and not as principal. Each Agent shall make reasonable efforts to assist the Company in obtaining performance by the purchaser whose offer to purchase Notes has been solicited by such Agent and accepted by the Company. An Agent shall not have any liability to the Company in the event any such purchase is not consummated for any reason. An Agent shall not have any obligation to purchase Notes from the Company as principal, but an Agent may agree from time to time to purchase Notes as principal. Any such purchase of Notes by an Agent as principal shall be made pursuant to a Terms

Agreement in accordance with Section III(B) hereof if requested by such Agent.

D. RELIANCE. The Company and each Agent severally agrees that any Notes the Agent arranges placement for shall be placed by the Agent, and any Notes purchased by such Agent shall be purchased, in reliance on the representations, warranties, covenants and agreements of the Company contained herein and on the terms and subject to the conditions and in the manner provided herein.

E. SEVERAL OBLIGATIONS OF THE AGENTS. Anything herein to the contrary notwithstanding, the obligations and agreements of each of the Agents contained in this Agreement or in any Terms Agreement shall be several and not joint.

Section II. REPRESENTATIONS AND WARRANTIES.

A. The Company represents and warrants to each Agent as of the date hereof, as of the date of each acceptance by the Company of an offer for the purchase of Notes (whether through an Agent as agent or by an Agent as principal), as of the date of each delivery of Notes (whether through an Agent as agent or to an Agent as principal) (the date of each such delivery to an Agent as principal being hereafter referred to as a "Settlement Date"), and as of each of the times referred to in Section VI(B) hereof (each of the times referenced above being referred to hereafter as a "Representation Date"), as follows:

1. DUE INCORPORATION AND QUALIFICATION. The Company (A) has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of California with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus; (B) has the requisite corporate power and authority to execute and deliver this Agreement, the applicable Terms Agreement, if any, the Indenture and the Notes and to perform its obligations hereunder and thereunder and (C) is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise. All of the issued and outstanding capital stock of the Company has been duly authorized and validly issued and is fully paid and non-assessable and, except for directors' qualifying shares, Pacific Enterprises, a California corporation ("Pacific Enterprises"), owns directly or indirectly all of the outstanding shares of the common stock of the Company, free

and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

2. SUBSIDIARIES. Each subsidiary of the Company that is a "significant subsidiary" as defined in Rule 405 of Regulation C of the 1933 Act Regulations (each, a "Significant Subsidiary") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise; and all of the issued and outstanding capital stock of each Significant Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, except for directors' qualifying shares, is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. As of the date of this Agreement, the Company does not have any Significant Subsidiaries.

3. REGISTRATION STATEMENT AND PROSPECTUS. At the time the Registration Statement became effective the Registration Statement complied, and as of the applicable Representation Date will comply, in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act and the rules and regulations of the Commission promulgated thereunder (the "1939 Act Regulations"). The Registration Statement, at the time it became effective, did not, and at each time thereafter at which any amendment to the Registration Statement becomes effective or is filed by the Company with the Commission and as of the applicable Representation Date, will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, as of the date hereof does not, and as of the applicable Representation Date will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectus made in reliance upon and in conformity with information

furnished to the Company in writing by an Agent expressly for use in the Registration Statement or Prospectus or to that part of the Registration Statement constituting the Trustee's Statement of Eligibility under the 1939 Act on Form T-1 (the "Form T-1").

4. INCORPORATED DOCUMENTS. The documents incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the Commission, complied or, when so filed, will comply, as the case may be, in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission promulgated thereunder (the "1934 Act Regulations"), and, when read together and with the other information in the Prospectus, did not, do not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

5. ACCOUNTANTS. The accountants who certified the financial statements and supporting schedules included or incorporated by reference in the Registration Statement and Prospectus are, and any other firm of accountants who may certify any other financial statements constituting a part of the Prospectus or deliver a letter pursuant to Section V(C) or VI(D) hereof will be, independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

6. FINANCIAL STATEMENTS. The financial statements and supporting schedules of the Company and its consolidated subsidiaries included or incorporated by reference in the Registration Statement and the Prospectus present fairly the consolidated financial position of the Company and its consolidated subsidiaries as of the dates indicated and the consolidated results of their operations for the periods specified, and, except as stated therein, said consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis; the supporting schedules included in the Registration Statement present fairly the information required to be stated therein; and the ratios of earnings to fixed charges set forth in the Prospectus and in any documents incorporated by reference therein have been prepared in accordance with and comply with the requirements of Item 503 of Regulation S-K of the Commission.

7. MATERIAL CHANGES OR MATERIAL TRANSACTIONS. Since the respective dates as of which information is given in the Registration Statement and Prospectus, except as otherwise stated therein or contemplated thereby, (A) there has been

no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business and (B) there have been no transactions entered into by the Company or any of its subsidiaries which are material with respect to the Company and its subsidiaries considered as one enterprise.

8. NO DEFAULTS. Neither the Company nor any of its subsidiaries is in violation of its charter or bylaws or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which it is a party or by which it or any of them or any of their properties may be bound; and the execution and delivery of this Agreement, the Indenture, the Notes and each applicable Terms Agreement, if any, and the consummation of the transactions contemplated herein and therein (including, without limitation, the issuance and sale of the Notes from time to time) have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any such subsidiary is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any such subsidiary is subject, nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any law, administrative regulation or administrative or court order or decree; and no consent, approval, authorization, order or decree of any court or governmental agency or body is required for the consummation by the Company of the transactions contemplated by this Agreement, any Terms Agreement or the Indenture, except as may be required under the 1933 Act, the 1933 Act Regulations, the 1939 Act or the 1939 Regulations (which have been obtained and are in full force and effect) or such as may be required by state securities or blue sky laws.

9. LEGAL PROCEEDINGS; CONTRACTS. Except as may be set forth in the Registration Statement, there is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened against or affecting, the Company or any of its subsidiaries which is required to be disclosed in the Registration Statement or which might, in the opinion of the Company, result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of

the Company and its subsidiaries considered as one enterprise, or which might materially and adversely affect the properties or assets thereof or might materially and adversely affect the consummation of this Agreement or any applicable Terms Agreement; all pending legal or governmental proceedings to which the Company or any of its subsidiaries is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to its business, are, considered in the aggregate, not material; and there are no contracts or documents of the Company or any of its subsidiaries which are required to be filed as exhibits to the Registration Statement by the 1933 Act or by the 1933 Act Regulations which have not been so filed.

10. NO AUTHORIZATION, APPROVAL OR CONSENT REQUIRED. No authorization, approval or consent of any court or governmental authority or agency is necessary in connection with the sale of the Notes hereunder, except such as may be required under the 1933 Act, the 1933 Act Regulations, the 1939 Act or the 1939 Act Regulations (which have been obtained and are in full force and effect), the authorization of the Public Utilities Commission of the State of California ("CPUC") under the California Public Utilities Act ("CPUA") (which authorization has been obtained and is in full force and effect) and such as may be required under state securities or Blue Sky laws.

11. REGULATORY CERTIFICATES, AUTHORITIES AND PERMITS. The Company and its subsidiaries possess such certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise.

12. GOOD TITLE. The Company has good title (either by way of fee simple, leasehold, easement, right-of-way, grant, servitude, privilege, permit, franchise or license, as the case may be) to all its properties including, without limitation, the properties reflected in the most recent balance sheet of the Company incorporated by reference in the Registration Statement (except for such items thereof which have been disposed of since such date and which do not, in the aggregate, constitute a substantial amount).

13. INDENTURE. The Indenture has been duly and validly authorized, executed and delivered by the Company and constitutes the valid and binding agreement of the Company, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles; and the Indenture has been qualified under the 1939 Act.

14. AUTHORIZATION AND VALIDITY OF THE NOTES. The Notes are in the respective forms established pursuant to the Indenture, have been duly authorized by the Company for issuance and sale pursuant to this Agreement and any applicable Terms Agreement and, when completed as contemplated by the Procedures (as hereinafter defined) and authenticated and delivered pursuant to the provisions of this Agreement, any applicable Terms Agreement and the Indenture against payment of the consideration therefor determined pursuant to this Agreement or any applicable Terms Agreement, the Notes will have been duly executed and delivered by the Company and will constitute valid and binding obligations of the Company enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles, and will be entitled to the benefits of the Indenture; and the Notes and the Indenture conform in all material respects to all statements relating thereto contained in the Prospectus.

15. NO LABOR DISPUTES, ETC. No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent which might be expected to result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise.

16. PUBLIC UTILITY HOLDING COMPANY ACT. The Company is a "Subsidiary Company" of a "Holding Company" as such terms are defined by the Public Utility Holding Company Act of 1935 (the "1935 Act"). Pursuant to an exemptive order issued by the Commission on January 13, 1936, Pacific Enterprises, the Holding Company, is not subject to the provisions of the 1935 Act, except for the provisions of Section 9(a)(2) thereof.

17. DISTRIBUTION AGREEMENT AND TERMS AGREEMENT. This Agreement is, and each Terms Agreement entered into by the Company will be, duly authorized, executed and delivered by the Company.

18. RATING OF THE NOTES. The Notes are rated at least "A3" by Moody's Investors Service, Inc. and at least "A" by Standard & Poor's Corporation.

19. NO BUSINESS IN CUBA. The Company has complied with, and is and will be in compliance with, the provisions of that certain Florida act relating to disclosure of doing business with Cuba, codified as Section 517.075 of the Florida statutes, and the rules and regulations thereunder (collectively, the "Cuba Act") or is exempt therefrom.

20. TERMS OF NOTES. Without limitation to any other provision of this Agreement, the terms and provisions of each Note offered, issued or sold from time to time will comply with all applicable parameters and other limitations on the terms and provisions of the Notes established by the Company's board of directors or any committee thereof.

B. ADDITIONAL CERTIFICATIONS. Any certificate signed by any director or officer of the Company and delivered to the Agents or to counsel for the Agents in connection with an offering of Notes or the sale of Notes to an Agent as principal shall be deemed a representation and warranty by the Company to each Agent as to the matters covered thereby on the date of such certificate and at each Representation Date subsequent thereto.

Section III. SOLICITATIONS AS AGENT; PURCHASES AS PRINCIPAL.

A. SOLICITATIONS AS AGENT. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, each Agent individually agrees, when acting as an agent of the Company, to use its reasonable efforts to solicit offers to purchase the Notes upon the terms and conditions set forth in the Prospectus.

The Company reserves the right, in its sole discretion, to suspend solicitation of purchases of the Notes through the Agents commencing at any time for any period of time or permanently. Upon receipt of instructions from the Company, the Agents will forthwith suspend solicitation of purchases from the Company until such time as the Company has advised the Agents that such solicitation may be resumed.

The Company agrees to pay each Agent a commission, in the form of a discount, equal to the applicable percentage of the principal amount of each Note sold by the Company as a result of a solicitation made by such Agent as set forth in Schedule I hereto.

The aggregate principal amount, purchase price, interest rate (or manner in which such Notes are to bear interest), maturity date, redemption provisions, if any, and other terms of

the Notes shall be agreed upon by the Company and the applicable Agent and set forth in a pricing supplement to the Prospectus (a "Pricing Supplement") to be prepared following each acceptance by the Company of an offer for the purchase of Notes. Except as may be otherwise provided in a Pricing Supplement, the Notes will be issued in denominations of \$1,000 or any amount in excess thereof which is an integral multiple of \$1,000. All Notes will be sold at 100% of their principal amount unless otherwise agreed to by the Company and the Agents.

B. PURCHASES AS PRINCIPAL. Each sale of Notes to one or more of the Agents as principal shall be made in accordance with the terms of this Agreement and, if requested by an Agent, pursuant to a separate agreement which will provide for the sale of such Notes to, and the purchase and reoffering thereof by, each such Agent. Each such separate agreement (which may be an oral agreement) is herein referred to as a "Terms Agreement." Unless the context otherwise requires, each reference contained herein to "this Agreement" shall be deemed to include any Terms Agreement between the Company and an Agent. Each such Terms Agreement, whether oral or in writing, shall be with respect to such information (as applicable) as is specified in Exhibit A hereto. An Agent's commitment to purchase Notes as principal pursuant to any Terms Agreement shall be deemed to have been made on the basis of the representations and warranties of the Company herein contained and shall be subject to the terms and conditions herein set forth. Each Terms Agreement shall specify the principal amount of Notes to be purchased by the Agent pursuant thereto, the price to be paid to the Company for such Notes (which, if not so specified in a Terms Agreement, shall be at a discount equivalent to the applicable commission set forth in Schedule I hereto), the time and place of delivery of and payment for such Notes, any provisions relating to rights of, and default by, purchasers acting together with the Agent in the reoffering of the Notes, and such other provisions (including further terms of the Notes) as may be mutually agreed upon. An Agent may utilize a selling or dealer group in connection with the resale of the Notes purchased. Such Terms Agreement shall also specify whether or not any of the officer's certificate, opinions of counsel or comfort letter specified in Sections VI(B), VI(C) and VI(D) hereof shall be required to be delivered by the Company in connection therewith, and whether or not the stand-off agreement set forth in Section IV(J) shall be applicable with respect to such Terms Agreement.

C. ADMINISTRATIVE PROCEDURES. Administrative procedures with respect to the sale of Notes shall be agreed upon from time to time by the Agents and the Company (the "Procedures"). The Agents and the Company agree to perform the respective duties and obligations specifically provided to be performed by the Agents and the Company herein and in the Procedures.

D. DELIVERY OF CLOSING DOCUMENTS. The documents required to be delivered by Section V hereof shall be delivered at the offices of Brown & Wood, 10900 Wilshire Boulevard, Suite 1100, Los Angeles, California 90024 on the date hereof, or at such other time or place as the Agents and the Company may agree.

Section IV. COVENANTS OF THE COMPANY.

The Company covenants with each Agent as follows:

A. NOTICE OF CERTAIN EVENTS. The Company will notify each Agent immediately (i) of the effectiveness of any amendment to the Registration Statement; (ii) of the transmittal to the Commission for filing of any amendment or supplement to the Registration Statement or the Prospectus (including, without limitation, any document to be filed pursuant to the 1934 Act incorporated by reference in the Registration Statement or the Prospectus (other than any Current Report on Form 8-K relating exclusively to an offering of Debt Securities under the Registration Statement other than the Notes)); (iii) of the receipt of any comments from the Commission with respect to the Registration Statement or Prospectus; (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information; and (v) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

B. NOTICE OF CERTAIN PROPOSED FILINGS. The Company will give each Agent notice of its intention to file or prepare any additional registration statement with respect to the registration of additional Notes or Debt Securities, any amendment to the Registration Statement or any amendment or supplement to the Prospectus (other than an amendment or supplement providing solely for the establishment of or change in the interest rates, maturity or price of Notes or other similar changes), whether by the filing of documents pursuant to the 1934 Act (other than any Current Report on Form 8-K relating exclusively to the issuance of Debt Securities under the Registration Statement other than the Notes), the 1933 Act or otherwise, and will furnish each Agent with copies of any such amendment or supplement or other documents a reasonable time in advance of such proposed filing or the proposed use thereof, as the case may be, and will not file or use any such amendment or supplement or other documents to which the Agents or counsel for the Agents shall object.

C. COPIES OF THE REGISTRATION STATEMENT AND THE PROSPECTUS. The Company will deliver to each Agent as many signed and

conformed copies of the Registration Statement (as originally filed) and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated by reference therein) as such Agent may reasonably request. The Company will furnish to each Agent as many copies of the Prospectus (as amended or supplemented) as such Agent shall reasonably request so long as such Agent is required to deliver a Prospectus in connection with sales or solicitations of offers to purchase the Notes.

D. PROSPECTUS REVISIONS -- MATERIAL CHANGES. Except as otherwise provided in Section IV(L) hereof, if at any time during the term of this Agreement any event shall occur or condition exist as a result of which it is necessary, in the opinion of counsel for the Agents or counsel for the Company, to further amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of either such counsel, to amend or supplement the Registration Statement or the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, immediate notice shall be given, and confirmed in writing, to each Agent to cease the solicitation of offers to purchase the Notes in its capacity as agent and to cease sales of any Notes such Agent may then own as principal pursuant to a Terms Agreement, and the Company will promptly prepare and file with the Commission such amendment or supplement, whether by filing documents pursuant to the 1934 Act, the 1933 Act or otherwise, as may be necessary to correct such untrue statement or omission or to make the Registration Statement and Prospectus comply with such requirements and the Company shall furnish to each Agent as many copies of the Registration Statement and the Prospectus, as each may then be amended or supplemented, as such Agent shall reasonably require.

E. PROSPECTUS REVISIONS -- PERIODIC FINANCIAL INFORMATION. Except as otherwise provided in Section IV(L) hereof, on or prior to the date on which there shall be released to the general public interim financial statement information related to the Company with respect to each of the first three quarters of any fiscal year or preliminary financial statement information with respect to any fiscal year, the Company shall furnish such information to each Agent, confirmed in writing, and, on or prior to the date of such release or as soon as practicable thereafter, shall cause the Registration Statement and the Prospectus to be amended or supplemented to include or incorporate by reference capsule financial information with respect thereto and corresponding information for the comparable period of the preceding fiscal year, as well as such other information and explanations as shall be necessary for an understanding thereof

or as shall be required by the 1933 Act or the 1933 Act Regulations.

F. PROSPECTUS REVISIONS -- AUDITED FINANCIAL INFORMATION. Except as otherwise provided in Section IV(L) hereof, on or prior to the date on which there shall be released to the general public financial information included in or derived from the audited financial statements of the Company for the preceding fiscal year, the Company shall cause the Registration Statement and the Prospectus to be amended, whether by the filing of documents pursuant to the 1934 Act, the 1933 Act or otherwise, to include or incorporate by reference such audited financial statements and the report or reports, and consent or consents to such inclusion or incorporation by reference, of the independent accountants with respect thereto, as well as such other information and explanations as shall be necessary for an understanding of such financial statements or as shall be required by the 1933 Act or the 1933 Act Regulations.

G. EARNINGS STATEMENTS. The Company, by applying the provisions of Rule 158 under the 1933 Act, will make generally available to its security holders as soon as practicable, but not later than 60 days after the close of the period covered thereby (or within 90 days if the period ends on the last date of a fiscal year), an earnings statement (in form complying with the provisions of Rule 158 under the 1933 Act) covering each twelve-month period beginning, in each case, not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in Rule 158) of the Registration Statement with respect to each sale of Notes.

H. BLUE SKY QUALIFICATIONS. The Company will endeavor, in cooperation with the Agents, to qualify the Notes for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Agents may designate, and will maintain such qualifications in effect for as long as may be required for the distribution of the Notes; PROVIDED, HOWEVER, that the Company shall not be obligated to file any general consent to service of process or qualify as a foreign corporation in any jurisdiction in which it is not so qualified. The Company will file such statements and reports as may be required by the laws of each jurisdiction in which the Notes have been qualified as provided above. The Company will promptly advise the Agents of the receipt by it of any notification with respect to the suspension of the qualification of the Notes for sale in any such state or jurisdiction or the initiating or threatening of any proceeding for such purpose.

I. 1934 ACT FILINGS. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act, will file promptly all documents required to be filed with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act. Such documents will comply in all material respects

with the requirements of the 1934 Act and the 1934 Act Regulations and to the extent such documents are incorporated by reference in the Prospectus, when read together with the other information in or incorporated by reference into the Prospectus, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

J. STAND-OFF AGREEMENT. Between the date of any Terms Agreement and the Settlement Date with respect to such Terms Agreement, the Company will not, without the prior written consent of each Agent party to such Terms Agreement, directly or indirectly, sell, offer to sell, contract to sell or otherwise dispose of, or announce the offering of, any debt securities of the Company or any securities convertible into or exercisable or exchangeable for such debt securities (other than the Notes that are to be sold pursuant to such Terms Agreement, First Mortgage Bonds, debt securities offered or sold other than in the United States and commercial paper offered or sold in the ordinary course of business), except as may otherwise be provided in any such Terms Agreement.

K. USE OF PROCEEDS. The Company will use the net proceeds received by it from the sale of the Notes in the manner specified in the Prospectus under the caption "Use of Proceeds."

L. SUSPENSION OF CERTAIN OBLIGATIONS. The Company shall not be required to comply with the provisions of subsections (D), (E) or (F) of this Section IV or subsections (B), (C) or (D) of Section VI hereof during any period from the later of (i) the time that the Agents shall have suspended solicitation of purchases of the Notes in their capacity as agents pursuant to a request from the Company and (ii) the time that no Agent shall then hold any Notes as principal purchased pursuant to a Terms Agreement, to the time the Company shall determine that solicitation of purchases of the Notes should be resumed or shall subsequently enter into a new Terms Agreement with one or more of the Agents; (at which time the Company shall provide each Agent with the documentation required by subsections (D), (E) and (F) of Section IV and subsections (B), (C) and (D) of Section VI which the Company otherwise would have been required to deliver to the Agents during the suspension period by reason of this Section IV(L), unless such requirement is waived in writing by such Agent).

M. CUBA ACT. In accordance with the Cuba Act and without limitations to the provisions of Sections VII and VIII hereof, the Company agrees to indemnify and hold harmless each Agent from and against any and all loss, liability, claim, damage and expense whatsoever (including fees and disbursements of counsel), as incurred, arising out of any violation by the Company of the Cuba Act.

N. NOTES WITH MATURITIES IN EXCESS OF 30 YEARS. Prior to any time that the Company offers or issues Notes with maturities in excess of thirty years, the Company will deliver to the Agents an opinion of counsel, in form and substance satisfactory to the Agents, to the effect that such Notes will be treated as debt for United States federal income tax purposes. In addition, prior to such time as the Company first offers or issues Notes with maturities in excess of thirty years, the Company will deliver to the Agents evidence, satisfactory to each of the Agents, that all authorizations, approvals and consents of the CPUC necessary for the issuance of Notes with maturities in excess of thirty years have been obtained and are in full force and effect and will also deliver such certificates, opinions of counsel and instruments (including an amendment to this Agreement) as the Agents may reasonably request in connection therewith, all in form and substance satisfactory to the Agents.

O. CALCULATION AGREEMENT. Prior to such time as the Company first offers or issues Floating Rate Notes (as defined in the Prospectus), the Company shall enter a Calculation Agreement with the Trustee (or such other person acceptable to the Agents), and shall prepare and deliver such certificates, opinions of counsel and instruments (including an amendment to this Agreement) as the Agents may reasonably request, all in form and substance satisfactory to the Agents.

Section V. CONDITIONS OF OBLIGATIONS.

The obligations of each Agent to solicit offers to purchase the Notes as agent of the Company, the obligation of any purchaser of Notes sold through any Agent as agent, and the obligations of an Agent to purchase Notes pursuant to any Terms Agreement, will be subject at all times to the accuracy of the representations and warranties on the part of the Company herein and to the accuracy of the statements of the Company's directors and officers made in any certificates furnished pursuant to the provisions hereof, to the performance and observance by the Company of all covenants and agreements herein contained on its part to be performed and observed and to the following additional conditions precedent:

A. LEGAL OPINIONS. On the date hereof, the Agents shall have received the following legal opinions, dated as of the date hereof and in form and substance satisfactory to the Agents:

(1) OPINION OF COMPANY COUNSEL. The opinion of Gary W. Kyle, Esq., counsel to the Company, to the effect that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of California.

2. The Company has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement.

3. To the best knowledge of such counsel, the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required whether by reason of ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise; and all of the issued and outstanding capital stock of the Company has been duly authorized and validly issued and is fully paid and non-assessable and, except for directors' qualifying shares, Pacific Enterprises owns directly or indirectly all of the outstanding shares of the common stock of the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

4. Each Significant Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, and, to the best knowledge of such counsel, is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction such qualification is required whether by reason of the ownership or leasing of property or the conduct of a business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise; all of the issued and outstanding capital stock of each Significant Subsidiary has been duly authorized and validly issued and is fully paid and non-assessable, and all of such capital stock, except for directors' qualifying shares, is owned by the Company, directly or through subsidiaries, free and clear of any mortgage, pledge, lien, encumbrance, claim or equity (in the event that the Company has no Significant Subsidiaries at the date of such opinion, such opinion shall state, in lieu of the foregoing, that to the best knowledge and information of such counsel the Company has no Significant Subsidiaries).

5. This Agreement (and, if the opinion is being given pursuant to Section VI(C) hereof on account of the Company having entered into a Terms Agreement, the applicable Terms Agreement) has been duly authorized, executed and delivered by the Company.

6. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as enforcement thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles.

7. The Notes are in the respective forms established pursuant to the Indenture, have been duly authorized by the Company for issuance and sale pursuant to this Agreement and the applicable Terms Agreement, if any, and, when completed as contemplated by the Procedures and executed, authenticated and delivered in accordance with the provisions of this Agreement, any applicable Terms Agreement and the Indenture against payment of the consideration therefor determined pursuant to this Agreement or the applicable Terms Agreement, if any, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforcement thereof may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles; and the Notes will be entitled to the benefits of the Indenture.

8. The statements in the Prospectus under the captions "Description of the Notes" and "Description of the Debt Securities", insofar as they purport to summarize certain provisions of the Indenture or the Notes, are accurate summaries of such provisions in all material respects.

9. The Indenture has been duly qualified under the 1939 Act.

10. The Registration Statement has been declared effective under the 1933 Act and, to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission.

11. At the time the Registration Statement became effective, the Registration Statement (other than financial statements and schedules and other financial and statistical data included or incorporated by reference therein and the Form T-1, as to which such counsel need express no opinion) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

12. To the best knowledge of such counsel, there are no legal or governmental proceedings pending or threatened required to be disclosed in the Registration Statement, other than those disclosed therein, and all pending legal or governmental proceedings the Company or any subsidiary is a party to or any of their property is the subject of which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, are, considered in the aggregate, not material.

13. To the best knowledge of such counsel, there are no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments or documents required to be described or referred to in the Registration Statement or to be filed or incorporated by reference as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, the descriptions thereof or references thereto are correct, and no default exists in the due performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument so described, referred to, filed or incorporated by reference.

14. No consent, approval, authorization, order or decree of any court or governmental authority or agency is required in connection with the sale of the Notes and the consummation by the Company of the transactions contemplated by this Agreement, except such as have been obtained and are in full force and effect under the 1933 Act, the 1939 Act, the 1933 Act Regulations, the 1939 Regulations and the authorization of the CPUC under the CPUTA (which has been obtained and is in full force and effect), except that no opinion need be expressed as to state securities or Blue Sky laws.

15. Neither the Company nor any of its subsidiaries is in violation of its charter or bylaws or, to the best knowledge of such counsel, in default in performance of any material obligation, agreement, covenant or condition contained in any contract,

indenture, mortgage, loan agreement, note, lease or other instrument it is a party to or by which it or any of them or their properties may be bound. The execution and delivery of this Agreement (and, if the opinion is being given pursuant to Section VI(C) hereof on account of the Company having entered into a Terms Agreement, the applicable Terms Agreement), the Indenture and the Notes and the consummation of the transactions contemplated herein and therein (including, without limitation, the issuance and sale of the Notes from time to time) have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument known to such counsel and to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, or any law, administrative regulation or administrative, arbitration or court order or decree known to such counsel to be applicable to the Company or any of its subsidiaries; nor will such action result in any violation of the provisions of the articles of incorporation or by-laws of the Company.

16. Each document filed pursuant to the 1934 Act and incorporated by reference in the Prospectus (other than financial statements and schedules and other financial and statistical data included or incorporated by reference therein, as to which such counsel need make no statement) complied when filed as to form in all material respects with the 1934 Act and the 1934 Act Regulations.

17. The information contained or incorporated by reference in the Prospectus under the captions "Part I - Business - Rates and Regulation" and "Part I - Business - Environmental Matters" in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 and under the captions "Management's Discussion and Analysis -- Ratemaking Procedures," "Management's Discussion and Analysis -- Regulatory Activity," "Management's Discussion and Analysis -- Restructuring of Gas Supply Contracts" and "Management's Discussion and Analysis -- Comprehensive Settlement of Regulatory Issues" in the Company's Annual Report to Security Holders for the year ended December 31, 1993, to the extent that it constitutes matters of law, legal conclusions or summaries of

contracts or agreements, has been reviewed by such counsel and is correct in all material respects.

18. The Company is a "Subsidiary Company" of a "Holding Company" as such terms are defined by the 1935 Act. Pursuant to an exemptive order issued by the Commission on January 13, 1936, Pacific Enterprises, the Holding Company, is not subject to the provisions of the 1935 Act, except for the provisions of Section 9(a)(2) thereof.

(2) OPINION OF COUNSEL TO THE AGENTS. The opinion of Brown & Wood, counsel for the Agents, covering the matters referred to in subparagraph (1) under the subheadings 1 and 5 to 11, inclusive, above.

(3) In giving their opinions required by subsections (B)(1) and (B)(2) of this Section, Gary W. Kyle, Esq. and Brown & Wood shall each additionally state that nothing has come to their attention that would lead them to believe that the Registration Statement (other than financial statements and schedules and other financial and statistical data included or incorporated by reference therein or the Form T-1, as to which such counsel need make no statement), at the time it became effective and if an amendment to the Registration Statement or an Annual Report on Form 10-K has been filed by the Company with the Commission subsequent to the effectiveness of the Registration Statement, then at the time such amendment became effective or such Annual Report was filed, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (other than financial statements and schedules and other financial and statistical data included or incorporated by reference therein, as to which such counsel need make no statement), as amended or supplemented at the date hereof, or (if such opinion is being delivered in connection with a Terms Agreement pursuant to Section VI(C) hereof) at the date of such Terms Agreement and at the Settlement Date with respect thereto, as the case may be, includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

B. OFFICERS' CERTIFICATE. At the date hereof and at each Settlement Date with respect to any Terms Agreement, there shall not have been, since the respective dates as of which information is given in the Registration Statement and the Prospectus or since the date of such Terms Agreement, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not

arising in the ordinary course of business; and the Agents shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, to the effect (i) that there has been no such material adverse change, (ii) that the other representations and warranties of the Company contained in Section II hereof are true and correct with the same force and effect as though expressly made at and as of the date of such certificate, (iii) that the Company has performed or complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the date of such certificate, and (iv) that no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission.

C. COMFORT LETTER. On the date hereof, the Agents shall have received a letter from Deloitte & Touche, dated the date hereof and in form and substance satisfactory to the Agents and their counsel.

D. OTHER DOCUMENTS. On the date hereof and on each Settlement Date with respect to any applicable Terms Agreement, counsel for the Agents shall have been furnished with such documents and opinions as such counsel may reasonably require for the purpose of enabling such counsel to pass upon the issuance and sale of Notes as herein contemplated and related proceedings, or to evidence the accuracy and completeness of any of the representations and warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of Notes as herein contemplated shall be satisfactory in form and substance to the Agents and their counsel.

If any condition specified in this Section V shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by any Agent by notice to the Company at any time and any such termination shall be without liability of any party to any other party, except that the covenants set forth in Section IV(G) hereof, the provisions of Sections IX, X and XIII hereof, and the indemnity and contribution agreements set forth in Sections IV(M), VII and VIII hereof shall remain in effect.

Section VI. SUBSEQUENT DOCUMENTATION REQUIREMENTS OF THE COMPANY.

The Company covenants and agrees that:

A. REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. Each acceptance by it of an offer for the purchase of Notes, and each delivery of Notes to an Agent pursuant to a Terms Agreement, shall be deemed to be an affirmation that the representations and warranties of the Company contained in this Agreement and in any

certificate theretofore delivered to the Agents or to counsel for the Agents pursuant hereto are true and correct at the time of such acceptance or sale, as the case may be, and an undertaking that such representations and warranties will be true and correct at the time of delivery to the purchaser or its agent, or to the Agent or Agents, of the Note or Notes relating to such acceptance or sale, as the case may be, as though made at and as of each such time (and it is understood that such representations and warranties shall relate to the Registration Statement and Prospectus as amended and supplemented to each such time).

B. SUBSEQUENT DELIVERY OF CERTIFICATES. Subject to the provisions of Section IV(L), each time that the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for a change in the interest rates, maturity or price of Notes or similar changes, and, unless the Agents shall otherwise specify, other than by an amendment or supplement which relates exclusively to an offering of a series of Debt Securities other than the Notes) or there is filed with the Commission any document incorporated by reference into the Prospectus (other than any Current Report on Form 8-K relating exclusively to the issuance of Debt Securities other than the Notes under the Registration Statement, unless the Agents shall otherwise specify) or the Company sells Notes to one or more of the Agents pursuant to a Terms Agreement (unless otherwise provided in such Terms Agreement), the Company shall furnish or cause to be furnished to the related Agent or Agents forthwith a certificate, dated the date of filing with the Commission of such supplement or document, the date of effectiveness of such amendment or the date of such sale, as the case may be, in form satisfactory to such Agent or Agents to the effect that the statements contained in the certificate referred to in Section V(B) hereof last furnished to such Agent or Agents are true and correct at the time of such amendment, supplement, filing or sale, as the case may be, as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in Section V(B) hereof, modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate.

C. SUBSEQUENT DELIVERY OF LEGAL OPINIONS. Subject to the provisions of Section IV(L), each time that the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for a change in the interest rates, maturity or price of the Notes or similar changes or solely for the inclusion of additional financial information, and, unless the Agents shall otherwise specify, other than by an amendment or supplement which relates exclusively to an offering of Debt Securities other than the

Notes) or there is filed with the Commission any document incorporated by reference into the Prospectus (other than any Current Report on Form 8-K relating exclusively to the issuance of Debt Securities other than the Notes under the Registration Statement or any Quarterly Report on Form 10-Q, unless the Agents shall otherwise specify) or the Company sells Notes to one or more of the Agents pursuant to a Terms Agreement (unless otherwise provided in such Terms Agreement), the Company shall furnish or cause to be furnished forthwith to the related Agent or Agents and to counsel for the Agents a letter, dated the date of filing with the Commission of such supplement or document, the date of effectiveness of such amendment or the date of such sale, as the case may be, from counsel for the Company last furnishing the opinion referred to in Section V(A)(1) and (3) hereof to the effect that such Agent or Agents may rely on such last opinion to the same extent as though they were dated the date of such letter authorizing reliance (except that statements in such last opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such letter authorizing reliance) or, in lieu of such letter, such counsel, or other counsel satisfactory to such Agent or Agents, shall furnish an opinion, dated the date of delivery of such opinion and in form and substance satisfactory to such Agent or Agents, of the same tenor as the opinion referred to in Section V(A)(1) and (3) hereof, but modified, as necessary, to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion.

D. SUBSEQUENT DELIVERY OF COMFORT LETTERS. Subject to the provisions of Section IV(L), each time that the Registration Statement or the Prospectus shall be amended or supplemented to include additional financial information or there is filed with the Commission any document incorporated by reference into the Prospectus which contains additional financial information or the Company sells Notes to one or more of the Agents pursuant to a Terms Agreement (unless otherwise provided in such Terms Agreement), the Company shall cause Deloitte & Touche (or other independent accountants of the Company satisfactory to each Agent) forthwith to furnish the related Agent or Agents a letter, dated the date of filing with the Commission of such document or supplement, the date of effectiveness of such amendment or the date of such sale, as the case may be, in form satisfactory to such Agent or Agents, of the same tenor as the letter referred to in Section V(C) hereof but modified to relate to the Registration Statement and Prospectus, as amended and supplemented to the date of such letter, and with such changes as may be necessary to reflect changes in the financial statements and other information derived from the accounting records of the Company; PROVIDED, HOWEVER, that if the Registration Statement or the Prospectus is amended or supplemented solely to include financial information as of and for a fiscal quarter, Deloitte & Touche (or such other acceptable independent accountants) may limit the scope of such letter to the unaudited financial statements included in such

amendment or supplement unless any other information included therein of an accounting, financial or statistical nature is of such a nature that, in the reasonable judgment of the related Agent or Agents, such letter should cover such other information.

Section VII. INDEMNIFICATION.

A. INDEMNIFICATION OF THE AGENTS. The Company agrees to indemnify and hold harmless each Agent and each person, if any, who controls any Agent within the meaning of Section 15 of the 1933 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever (including the fees and disbursements of counsel chosen by the Agents), as incurred, reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under clauses (i) or (ii) above;

PROVIDED, HOWEVER, that the foregoing indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Agents expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or

supplement thereto), or made in reliance upon the Trustee's Statement of Eligibility and Qualification under the 1939 Act filed as an exhibit to the Registration Statement.

B. INDEMNIFICATION OF THE COMPANY. Each Agent severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section VII(A) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Agent expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto).

C. GENERAL. Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of such action. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

Section VIII. CONTRIBUTION.

To provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section VII hereof is for any reason held to be unavailable to or insufficient to hold harmless the indemnified parties although applicable in accordance with its terms, the Company and the Agents shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company and the Agents, as incurred, in such proportions that each Agent is responsible for that portion represented by the percentage that the total commissions and underwriting discounts received by such Agent pursuant to this Agreement to the date of such liability bears to the total sales price received by the Company from the sale of Notes to the date of such liability, and the Company is responsible for the balance; PROVIDED, HOWEVER, that no person guilty of fraudulent misrepresentation (within the meaning of

Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each person, if any, who controls an Agent within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such Agent, and each director of the Company, each officer of the Company who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company.

Section IX. PAYMENT OF EXPENSES.

The Company will pay all expenses incident to the performance of its obligations under this Agreement, including:

- A. The preparation and filing of the Registration Statement and all amendments thereto and the Prospectus and any amendments or supplements thereto;
- B. The preparation, filing and reproduction of this Agreement and related documentation;
- C. The preparation, printing, issuance and delivery of the Notes, including any fees and expenses relating to the use of book-entry Notes;
- D. The fees and disbursements of the Company's accountants and counsel, of the Trustee and its counsel and of any calculation agent;
- E. The reasonable fees and disbursements of counsel to the Agents incurred from time to time in connection with this Agreement, the Notes, the Indenture, any Calculation Agreement to be entered into in connection with the issuance of Floating Rate Notes (as defined in the Prospectus), any Terms Agreement, the Registration Statement, the Prospectus, any pricing supplements and any other documents or certificates delivered from time to time and in connection with transactions contemplated hereby;
- F. The qualification of the Notes under state securities laws in accordance with the provisions of Section IV(H) hereof, including filing fees and the reasonable fees and disbursements of counsel to the Agents in connection therewith and in connection with the preparation of any Blue Sky Survey;
- G. The printing and delivery to the Agents in quantities as hereinabove stated of copies of the Registration Statement and any amendments thereto, and of the Prospectus and any amendments or supplements thereto and the delivery by the Agents of the Prospectus and any

amendments or supplements thereto in connection with solicitations or confirmations of sales of the Notes;

H. The preparation, printing, reproducing and delivery to the Agents of copies of the Indenture and all supplements and amendments thereto;

I. Any fees charged by rating agencies for the rating of the Notes;

J. The fees and expenses, if any, incurred with respect to any filing with the National Association of Securities Dealers, Inc.;

K. Any advertising of the Agents incurred with the approval of such expense by the Company;

L. Any out-of-pocket expenses incurred by the Agents in connection with this Agreement and the transactions contemplated thereby;

M. The cost of preparing, and providing any CUSIP or other identification numbers for, the Notes; and

N. The fees and expenses of any Depository (as defined in the Indenture) and any nominees thereof in connection with the Notes.

Section X. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement or any applicable Terms Agreement, or contained in certificates of officers of the Company submitted pursuant hereto or thereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Agent or any controlling person of such Agent, or by or on behalf of the Company, and shall survive each delivery of and payment for any of the Notes and the termination of this Agreement or such Terms Agreement.

Section XI. TERMINATION.

A. TERMINATION OF THIS AGREEMENT. This Agreement may be terminated for any reason, at any time, by either the Company or any Agent; PROVIDED, HOWEVER, that the termination of this Agreement with respect to any Agent, by either the Company or such Agent, but not the other Agents shall have no effect on the status of this Agreement with respect to such other Agents.

B. TERMINATION OF A TERMS AGREEMENT. Any Agent party to a Terms Agreement may terminate such Terms Agreement, by notice to the Company at any time prior to the Settlement Date relating

thereto (i) if there has been, since the date of such Terms Agreement or since the respective dates as of which information is given in the Registration Statement or the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business; (ii) if there shall have occurred any material adverse change in the financial markets in the United States or any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of which shall be such as to make it, in the judgment of such Agent, impracticable to market the Notes or enforce contracts for the sale of the Notes; (iii) if trading in any securities of the Company shall have been suspended by the Commission or any national securities exchange, or if trading generally on either the American Stock Exchange or the New York Stock Exchange shall have been suspended, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, by either of said exchanges or by order of the Commission or any other governmental authority, or if a banking moratorium shall have been declared by either federal, California or New York authorities or if a banking moratorium shall have been declared by the relevant authorities in the country or countries of origin of any foreign currency or currencies in which the Notes covered by such Terms Agreement are denominated or payable; (iv) if the rating assigned by any nationally recognized securities rating agency to any debt securities of the Company as of the date of the applicable Terms Agreement shall have been lowered since that date or if any such rating agency shall have publicly announced that it has placed any debt securities of the Company on what is commonly termed a "watch list" for possible downgrading; (v) if there shall have come to such Agent's attention any facts that would cause such Agent to believe that the Prospectus, as amended or supplemented at the time it was or would be required to be delivered to a purchaser of Notes, contained or would contain an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time of such delivery, not misleading; or (vi) if any condition applicable to such Terms Agreement specified in Sections V or VI of this Agreement, or any condition specified in such Terms Agreement, shall not have been fulfilled as and when required to be fulfilled.

C. GENERAL. In the event of any such termination, no party will have any liability to any other party hereto, except that, in the case of any such termination of this Agreement (i) each Agent shall be entitled to any commissions earned in accordance with the third paragraph of Section III(A) hereof, (ii) if at the time of termination (A) any Agent shall own any Notes purchased pursuant to a Terms Agreement with the intention of reselling them or (B) an offer to purchase any of the Notes has been

accepted by the Company but the time of delivery to the purchaser or his agent of the Note or Notes relating thereto has not occurred, the obligations set forth in Section V hereof and the covenants set forth in Sections IV and VI hereof shall remain in effect until such Notes are so resold or delivered, as the case may be, and (iii) the covenants set forth in Section IV(G) hereof, the indemnity and contribution agreements set forth in Sections IV(M), VII and VIII hereof, and the provisions of Sections IX, X and XIII hereof shall remain in effect, and except that, in the case of any such termination of a Terms Agreement, the Company shall remain obligated, pursuant to Section IX hereof, to pay all expenses incident to such terminated Terms Agreement and the transactions contemplated thereby.

Section XII. NOTICES.

All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Agents shall be directed to Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch World Headquarters, North Tower, 10th Floor, World Financial Center, New York, New York 10281, attention of MTN Product Management, Telecopy: (212) 449-2234; CS First Boston Corporation, One New York Plaza, New York, New York 10055, attention of Joseph D. Fashano; and to Lehman Brothers, Lehman Brothers Inc., 3 World Financial Center, 12th Floor, New York, New York 10285-1200, Attention: Medium-Term Note Department, Telecopy: (212) 528-1718, Telephone: (212) 298-2140. Notices to the Company shall be directed to it at 555 West Fifth Street, Los Angeles, California 90013, attention of Treasurer.

Section XIII. PARTIES.

This Agreement and any Terms Agreement shall inure to the benefit of and be binding upon the parties hereto and thereto and their respective successors. Nothing expressed or mentioned in this Agreement or any Terms Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and thereto and their respective successors and the controlling persons and officers and directors referred to in Sections VII and VIII hereof and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any Terms Agreement or any provision herein or therein contained. This Agreement and any Terms Agreement and all conditions and provisions hereof and thereof are intended to be for the sole and exclusive benefit of the parties hereto and thereto and their respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Notes shall be deemed to be a successor by reason merely of such purchase.

Section XIV. GOVERNING LAW.

This Agreement and any Terms Agreement and the rights and obligations of the parties created hereby or thereby, shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State.

Section XV. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be deemed an original hereof and all of which together shall constitute one or the same instrument.

Section XVI. CAPTIONS.

The captions in this Agreement are for convenience of reference only and shall not be deemed to be part of this Agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument along with all counterparts will become a binding agreement between the Agents and the Company in accordance with its terms.

Very truly yours,

SOUTHERN CALIFORNIA GAS COMPANY

By /s/ Ralph Todaro

Title: Vice President - Finance and
Controller

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By /s/ Scott Primrose

Authorized Signatory

CS FIRST BOSTON CORPORATION

By /s/ Martha D. Bailey

Title: Vice President

LEHMAN BROTHERS INC.

By /s/ Herbert McDade

Title: Managing Director

\$,000,000

SOUTHERN CALIFORNIA GAS COMPANY

Medium-Term Notes

TERMS AGREEMENT

-----, 19

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
World Financial Center
North Tower
New York, New York 10281

[and/or]

CS FIRST BOSTON CORPORATION
Park Avenue Plaza
New York, New York 10055

[and/or]

LEHMAN BROTHERS
Lehman Brothers Inc.
American Express Tower
3 World Financial Center
New York, New York 10285

Re: Distribution Agreement dated November 23, 1994 (the "Distribution Agreement"), between Southern California Gas Company (the "Company") and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation and Lehman Brothers, Lehman Brothers Inc. (including its affiliate, Lehman Government Securities Inc.) (each, an "Agent" and collectively, the "Agents")

Gentlemen:

The undersigned agrees to purchase the following aggregate principal amount of Medium-Term Notes referred to in the Distribution Agreement:
\$,000,000.

[The undersigned agree, severally and not jointly, to purchase the aggregate principal amount of Medium-Term Notes referred to

in the Distribution Agreement set forth opposite their respective names below:]

[Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$]
[CS First Boston Corporation	\$]
[Lehman Brothers Inc.	\$]
[Total	\$]

The undersigned [Agent is] [several Agents are] purchasing such Medium-Term Notes for resale to investors and other purchasers at (check one and complete as necessary):

- a fixed initial public offering price of 100% of the principal amount thereof, plus accrued interest, if any, from the Original Issue Date specified below.
- a fixed initial public offering price of _____ % of the principal amount thereof, plus accrued interest, if any, from the Original Issue Date specified below.
- varying prices related to prevailing market prices at the time of resale to be determined by the undersigned Agent[s], plus accrued interest, if any, from the Original Issue Date specified below.

The terms of such Medium-Term Notes shall be as set forth below.

Stated Maturity:
Original Issue Date:
Price to be Paid to the Company:
Agent's Discount or Commission:
Settlement Date, Place and Time:
Additional Terms:

IF FIXED RATE NOTE:

Interest Rate:
Interest Payment Dates:
 March 1 and September 1
 Other:
Regular Record Dates:
 February 15 and August 15
 Other:
Day Count Convention:
 30/360 for the period
from _____ to _____ .
 Actual/360 for the period from _____ to _____

 Actual/Actual for the period from _____ to _____

IF FLOATING RATE NOTE:

Base Rate(s):

If LIBOR:

LIBOR Telerate

LIBOR Reuters

Initial Interest Rate:

Index Maturity:

Spread (Plus or Minus):

Spread Multiplier:

Maximum Interest Rate:

Minimum Interest Rate:

Interest Payment Dates:

Interest Payment Period:

Initial Interest Reset Date:

Interest Reset Dates:

Interest Reset Period:

Interest Rate Reset Period:

Calculation Agent:

Day Count Convention:

Actual/360 for the period from _____ to _____.

Actual/Actual for the period from _____ to _____.

30/360 for the period from _____ to _____.

FOR BOTH FIXED AND FLOATING RATE NOTES:

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage

Reduction:

Optional Repayment Date(s):

IF ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID"):

Total Amount of OID:

Yield to Maturity:

Initial Accrual Period:

Other Provisions:

The following will [will not] be required as a condition to settlement: (i) the officers' certificate pursuant to Section VI(B) of the Distribution Agreement; (ii) the legal opinion pursuant to Section VI(C) of the Distribution Agreement; and (iii) the comfort letter pursuant to Section VI(D) of the Distribution Agreement. The stand-off agreement set forth in

Section IV(J) of the Distribution Agreement will [will not] be applicable.

This Agreement and all of the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State.

If the foregoing is in accordance with our agreement, please indicate your acceptance hereof in the space provided for that purpose below.

SOUTHERN CALIFORNIA GAS COMPANY

By _____
Title:

Accepted:

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By _____
Authorized Signatory
[and/or]

CS FIRST BOSTON CORPORATION

By _____
Title:
[and/or]

LEHMAN BROTHERS INC.

By _____
Title:

COMMISSION SCHEDULE

As compensation for the services of the Agents hereunder, the Company shall pay each Agent, on a discount basis, a commission for the sale of each Note by such Agent equal to the principal amount of such Note multiplied by the appropriate percentage set forth below:

Maturing Ranges -----	Percent of Principal Amount -----
From 9 months but less than 1 year	0.125%
From 1 year but less than 18 months	0.150%
From 18 months but less than 2 years	0.200%
From 2 years but less than 3 years	0.250%
From 3 years but less than 4 years	0.350%
From 4 years but less than 5 years	0.450%
From 5 years but less than 6 years	0.500%
From 6 years but less than 7 years	0.550%
From 7 years but less than 10 years	0.600%
From 10 years but less than 15 years	0.625%
From 15 years but less than 20 years	0.700%
From 20 years but less than 30 years	0.750%
More than 30 years	*

* To be negotiated at the time of sale between the applicable Agent and the Company.

FACE OF FIXED RATE MEDIUM-TERM NOTE

[The following legend is for inclusion only in Book-Entry Securities -- Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

SOUTHERN CALIFORNIA GAS COMPANY
MEDIUM-TERM NOTE
(FIXED RATE)

REGISTERED No. FXR	CUSIP NO.	PRINCIPAL AMOUNT \$ (Minimum Denomination \$1,000)
-----------------------	-----------	---

Original Issue Date:	Interest Rate:
Stated Maturity:	Interest Payment Dates: [] March 1 and September 1 [] Other:
Initial Redemption Date:	
Initial Redemption Percentage:	Regular Record Dates: [] February 15 and August 15 [] Other:
Annual Redemption Percentage Reduction:	Original Issue Discount: [] Yes [] No Total Amount of OID: Yield to Maturity: Initial Accrual Period:
Optional Repayment Date(s):	

Addendum Attached:

- Yes
- No

Day Count Convention:

- 30/360 for the period
from to
- Actual/360 for the period
from to
- Actual/Actual for the period
from to

Other Provisions:

.....

TRUSTEE'S CERTIFICATE OF AUTHENTICATION:

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

CITIBANK, N.A.,
as Trustee

By: _____
Authorized Signatory

SOUTHERN CALIFORNIA GAS COMPANY, a California corporation (the "Company", which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of

DOLLARS

on the Stated Maturity specified above (except to the extent redeemed or repaid prior to the Stated Maturity), and to pay interest thereon at the Interest Rate per annum specified above until the principal hereof is paid or duly made available for payment.

The Company will pay interest on each of the Interest Payment Dates specified above in each year commencing on the first Interest Payment Date next succeeding the Original Issue Date specified above, and on the Stated Maturity and any earlier Redemption Date (as defined on the reverse hereof) or Optional Repayment Date specified above with respect to which such redemption or repayment option has been exercised (each such Stated Maturity, each such Redemption Date and Optional Repayment Date with respect to which such redemption or repayment option has been exercised, and the date on which principal or an installment of principal is due and payable by declaration of acceleration or otherwise pursuant to the Indenture referred to on the reverse hereof, being referred to hereinafter as a "Maturity" with respect to principal payable on such date); PROVIDED, HOWEVER, that if the Original Issue Date occurs between a Regular Record Date specified above and the next succeeding Interest Payment Date, interest payments will commence on the Interest Payment Date following the next succeeding Regular Record Date to the Holder of this Note at the close of business on such next succeeding Regular Record Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the Regular Record Date immediately preceding such Interest Payment Date; PROVIDED, HOWEVER, that interest payable at any Maturity will be payable to the Person to whom the principal hereof shall be payable. Any such interest not so punctually paid or duly provided for on any Interest Payment Date will forthwith cease to be payable to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the relevant Regular Record Date and may either be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest or be paid in any lawful manner, all on the terms and subject to the conditions set forth in the Indenture. Interest payable on this Note on any Interest Payment Date or Maturity shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid or duly provided for or,

if no interest has been paid or duly provided for, from and including the Original Issue Date specified above to but excluding the relevant Interest Payment Date or Maturity, as the case may be. If any Interest Payment Date or Maturity falls on a day which is not a Business Day (as defined below) the payment of the principal of and interest on this Note due on such Interest Payment Date or Maturity will be paid on the next succeeding Business Day with the same force and effect as if paid on such Maturity or Interest Payment Date, as the case may be, and no interest shall accrue with respect to such payment for the period from and after such Interest Payment Date or Maturity.

Payments of principal of and interest on this Note shall be made in such coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts at the office or agency of the Company maintained for such purpose in the Borough of Manhattan, The City of New York and at such additional places as the Company may designate from time to time; PROVIDED, HOWEVER, that payments of interest on this Note, other than interest payable at Maturity, may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Notwithstanding the foregoing, a Holder of \$10,000,000 or more in aggregate principal amount of Notes which pay interest on the same Interest Payment Dates shall be entitled, by notice to the Trustee on or before the Regular Record Date preceding an Interest Payment Date, to receive payments of interest on all such Notes held by such Holder on such Interest Payment Date, and on all subsequent Interest Payment Dates until written notice to the contrary is given to the Trustee, by wire transfer of immediately available funds to an account maintained by such Holder with a depository institution located in the United States, provided such depository institution shall have appropriate facilities therefor.

The principal of and interest on this Note due at any Maturity will be paid against presentation and surrender of this Note at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York or at such additional places as the Company may designate from time to time, and will be paid by wire transfer of immediately available funds if the Trustee shall have received appropriate wire transfer instructions not later than the close of business at least two Business Days prior to the related Maturity.

As used herein, a "Business Day" means any day that is not a Saturday or Sunday and that in New York, New York or Los Angeles, California is not a day on which banking institutions are authorized or obligated by law to close.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions

shall for all purposes have the same effect as if set forth at this place. References herein to "this Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Unless the certificate of authentication hereon has been executed by the Trustee under the Indenture referred to on the reverse hereof by the manual signature of one of its authorized signatories, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or in facsimile, and its corporate seal (or a facsimile thereof) to be imprinted hereon.

[SEAL]

SOUTHERN CALIFORNIA GAS COMPANY

By:

Ralph Todaro
Vice President-Finance
and Controller

By:

Thomas Sanger
Secretary

FORM OF REVERSE

SOUTHERN CALIFORNIA GAS COMPANY
MEDIUM-TERM NOTE
(FIXED RATE)

This Note is one of a duly authorized series of Securities of the Company issued and to be issued under an Indenture dated as of May 1, 1989, as amended and supplemented by a First Supplemental Indenture dated as of October 1, 1992 (the Indenture, as amended and supplemented by such First Supplemental Indenture, is hereinafter referred to as the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series of Securities designated as "Medium-Term Notes" and herein referred to as the "Notes."

This Note will not have a sinking fund and, unless otherwise provided on the face hereof, is not redeemable or repayable prior to the Stated Maturity stated on the face hereof. The Indenture provides for its satisfaction and discharge, and for the defeasance of the Notes, in certain circumstances.

This Note may be subject to repayment at the option of the Holder on any Optional Repayment Date(s), if any, indicated on the face hereof. If no Optional Repayment Date(s) are set forth on the face hereof, this Note may not be so repaid at the option of the Holder hereof prior to the Stated Maturity specified on the face hereof. On any Optional Repayment Date, if any, this Note shall be repayable, in whole or in part, in increments of \$1,000 in principal amount (provided that any remaining principal hereof shall be an authorized denomination) at the option of the Holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with interest accrued on the principal amount to be repaid to the date of repayment. For this Note to be repaid in whole or in part at the option of the Holder hereof, this Note must be received by the Trustee, with the form entitled "Option to Elect Repayment" below duly completed, at Citibank, N.A., 111 Wall Street, 15th Floor, Corporate Trust Services, Attention: Issuance and Transfer, New York, New York 10043, or at such other address of which the Company shall from time to time notify the Holders of the Notes, not more than 60 nor less than 30 days prior to the related Optional Repayment Date. Exercise of such repayment option by the Holder hereof shall be irrevocable. In the event of repayment of this Note in part only, a new Note or Notes with identical terms for the

unpaid portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

If so provided on the face of this Note, this Note may be redeemed by the Company on any date (each, a "Redemption Date") on and after the Initial Redemption Date, if any, indicated on the face hereof. If no Initial Redemption Date is set forth on the face hereof, this Note may not be redeemed prior to its Stated Maturity. On and after the Initial Redemption Date, if any, this Note may be redeemed at any time in whole or from time to time in part in increments of \$1,000 in principal amount (provided that any remaining principal hereof shall be an authorized denomination) at the option of the Company at the applicable Redemption Price (as defined below), together with interest accrued on the principal amount to be redeemed to the Redemption Date, on notice to the Holder of this Note as provided below. In the event of redemption of this Note in part only, a new Note with identical terms for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

The "Redemption Price" referred to above shall initially be the Initial Redemption Percentage, if any, specified on the face hereof of the principal amount of this Note to be redeemed and, if the Initial Redemption Percentage is greater than 100%, shall decline at each anniversary of the Initial Redemption Date, if any, shown on the face hereof by the Annual Redemption Percentage Reduction, if any, specified on the face hereof of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

Notice of redemption of this Note shall be given to the Holder hereof in the manner provided in the Indenture not less than 30 nor more than 60 days prior to the date fixed for redemption.

Interest payments on this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months if the Day Count Convention specified on the face hereof is "30/360" for the period specified thereunder, on the basis of the actual number of days in the period for which interest is being calculated and a 360-day year if the Day Count Convention specified on the face hereof is "Actual/360" for the period specified thereunder, or on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days in the year if the Day Count Convention specified on the face hereof is "Actual/Actual" for the period specified thereunder.

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Note, its payment dates or any other matter relating hereto may be modified as specified in an Addendum hereto if so specified on the face hereof.

If an Event of Default with respect to the Notes shall occur and be continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Notes may declare the principal of all the Notes due and payable immediately in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected thereby at any time by the Company and the Trustee with the consent of the Holders of 66-2/3% in aggregate principal amount of the Outstanding Securities of each series affected thereby. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the time, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture, and subject to certain limitations therein set forth, the transfer of this Note may be registered on the Security Register upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or by his attorney duly authorized in writing and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount and having the identical terms and provisions, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in minimum denominations of \$1,000 or any amount in excess thereof which is a multiple of \$1,000. As provided in the Indenture, and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes having identical terms and provisions, in authorized denominations, as requested by the Holder surrendering the same.

No service charge will be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Company on Company Request or (if then held by the Company) shall be discharged from such trust, and the Holder of this Note shall thereafter look only to the Company for payment thereof, all as provided in the Indenture.

The Notes shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State.

All capitalized terms used in this Note and not defined herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture. All references in this Note to "principal" shall be deemed to mean and include "and premium, if any."

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Company to repay this Note (or portion thereof specified below) pursuant to its terms on _____ at a price equal to the principal amount of this Note to be repaid, together with interest accrued on the principal amount to be repaid to the repayment date, by payment to the undersigned, at _____

(Please print or type name and address of the undersigned)

For this Note to be repaid, the Trustee must receive at Citibank, N.A., 111 Wall Street, 15th Floor, Corporate Trust Services, Attention: Issuance and Transfer, New York, New York 10043, or at such other address of which the Company shall from time to time notify the Holder of this Note, not more than 60 nor less than 30 days prior to an Optional Repayment Date, if any, shown on the face of this Note, this Note with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be in increments of \$1,000 in principal amount) which the Holder elects to have repaid (in the absence of any such specification, the entire principal amount hereof will be repaid) and specify the denomination or denominations (which shall be \$1,000 or in any amount thereof which is a multiple of \$1,000) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid).

\$ _____
(Specify portion to be repaid, if less than the entire principal amount of this Note)

NOTICE: The signature on this Option to Elect Repayment must correspond with the name as written upon the face of this Note in every particular without alteration or enlargement or any change whatsoever.

\$ _____
(Specify denomination or denominations of Note or Notes to be issued for the portion, if any, of this Note not being repaid)

Date: _____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

Please Insert Social Security or Other Identifying Number of Assignee:

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS,
INCLUDING ZIP CODE OF ASSIGNEE:

the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

FACE OF FLOATING RATE MEDIUM-TERM NOTE

[The following legend is for inclusion only in Book-Entry Securities -- Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

SOUTHERN CALIFORNIA GAS COMPANY
MEDIUM-TERM NOTE
(FLOATING RATE)

REGISTERED	CUSIP NO.	PRINCIPAL AMOUNT
No. FLR		\$
		(Minimum Denomination \$1,000)

Original Issue Date:	Interest Payment Dates:
Stated Maturity:	Interest Payment Period:
Base Rate(s):	Initial Interest Reset Date:
If LIBOR:	
[] LIBOR Telerate	
[] LIBOR Reuters	Interest Reset Dates:
Index Currency: _____	
Initial Interest Rate:	Interest Rate Reset Period:
Index Maturity:	Initial Redemption Date:
	Initial Redemption
	Percentage:
Spread (Plus or Minus):	Annual Redemption Percentage
Spread Multiplier:	Reduction:
Maximum Interest Rate:	Optional Repayment Date(s):
Minimum Interest Rate:	

ADDENDUM ATTACHED:

- YES
- NO

DAY COUNT CONVENTION:

- Actual/360 for the period from to
- Actual/Actual for the period from to
- 30/360 for the period from to

Calculation Agent:

- Citibank, N.A.
- Other:

ORIGINAL ISSUE DISCOUNT:

- Yes No
- Total Amount of OID:
- Yield to Maturity:
- Initial Accrual Period:

OTHER PROVISIONS:

.....

TRUSTEE'S CERTIFICATE OF AUTHENTICATION:

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

CITIBANK, N.A.,
as Trustee

By: _____
Authorized Signatory

SOUTHERN CALIFORNIA GAS COMPANY, a California corporation (the "Company", which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of

DOLLARS on

the Stated Maturity specified above (except to the extent redeemed or repaid prior to such Stated Maturity) and to pay interest thereon at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions on the reverse hereof and any Addendum relating hereto, depending upon the Base Rate or the lowest of two or more Base Rates specified above, in each case (i) plus or minus the Spread, if any, or (ii) multiplied by the Spread Multiplier, if any, specified above until the principal hereof is paid or duly made available for payment.

The Company will pay interest as shown above under Interest Payment Period on each Interest Payment Date shown above in each year, commencing with the first Interest Payment Date next succeeding the Original Issue Date specified above, and on the Stated Maturity and any earlier Redemption Date (as defined on the reverse hereof) or Optional Repayment Date specified above with respect to which such redemption or repayment option has been exercised (each such Stated Maturity, each such Redemption Date and Optional Repayment Date with respect to which such redemption or repayment option has been exercised, and the date on which principal or an installment of principal is due and payable by declaration of acceleration or otherwise pursuant to the Indenture referred to on the reverse hereof, being referred to hereinafter as a "Maturity" with respect to principal payable on such date); PROVIDED, HOWEVER, that if the Original Issue Date occurs between a Regular Record Date (as defined below) and the next succeeding Interest Payment Date, interest payments will commence on the Interest Payment Date following the next succeeding Regular Record Date to the Holder of this Note at the close of business on such next succeeding Regular Record Date; and PROVIDED, FURTHER, that if an Interest Payment Date would fall on a day that is not a Business Day (as defined below), such Interest Payment Date shall be the next succeeding day which is a Business Day, except that in the case of a Note for which LIBOR is the Base Rate or a Base Rate, as indicated above, if such next succeeding Business Day falls in the next succeeding calendar month, such Interest Payment Date will be the next preceding day that is a Business Day. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the 15th calendar day (whether or not

a Business Day) immediately preceding such Interest Payment Date (a "Regular Record Date"); PROVIDED, HOWEVER, that interest payable at any Maturity will be payable to the Person to whom the principal hereof shall be payable. Any such interest not so punctually paid or duly provided for on any Interest Payment Date will forthwith cease to be payable to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the relevant Regular Record Date and may either be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest or be paid in any lawful manner not inconsistent with the requirements of any securities exchange such securities are listed, all on the terms and subject to the conditions set forth in the Indenture. If any Maturity falls on a day that is not a Business Day, the payment of the principal of and interest on this Note due on such Maturity will be paid on the next succeeding Business Day with the same force and effect as if paid on such Maturity, and no interest shall accrue with respect to such payment for the period from and after such Maturity.

Payments of principal of and interest on this Note shall be made in such coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts at the office or agency of the Company maintained for such purpose in the Borough of Manhattan, The City of New York and at such additional places as the Company may designate from time to time; provided, however, that payments of interest on this Note, other than interest payable at Maturity, may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Notwithstanding the foregoing, a Holder of \$10,000,000 or more in aggregate principal amount of Notes which pay interest on the same Interest Payment Dates shall be entitled, by notice to the Trustee on or before the Regular Record Date preceding an Interest Payment Date, to receive payments of interest on all such Notes held by such Holder on such Interest Payment Date, and on all subsequent Interest Payment Dates until written notice to the contrary is given to the Trustee, by wire transfer of immediately available funds to an account maintained by such Holder with a depository institution located in the United States, provided such depository institution shall have appropriate facilities therefor.

The principal of and interest on this Note due at any Maturity will be paid against presentation and surrender of this Note at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York or at such additional places as the Company may designate from time to time, and will be paid by wire transfer of immediately available funds if the Trustee shall have received appropriate wire

instructions not later than the close of business at least two Business Days prior to the related Maturity.

As used herein, "Business Day" means any day that is not a Saturday or Sunday and that in New York, New York or Los Angeles, California is not a day on which banking institutions are authorized or obligated by law to close, and in the case of a Note for which LIBOR is the Base Rate or a Base Rate, as indicated above, is also a London Business Day. As used herein, "London Business Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place. References herein to "this Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Unless the certificate of authentication hereon has been executed by the Trustee under the Indenture referred to on the reverse hereof by the manual signature of one of its authorized signatories, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or in facsimile, and its corporate seal (or a facsimile thereof) to be imprinted hereon.

[SEAL]

SOUTHERN CALIFORNIA GAS COMPANY

By:

Ralph Todaro
Vice President-Finance
and Controller

By:

Thomas Sanger
Secretary

REVERSE OF NOTE

SOUTHERN CALIFORNIA GAS COMPANY
MEDIUM-TERM NOTE
(FLOATING RATE)

This Note is one of a duly authorized series of Securities of the Company issued and to be issued under an Indenture dated as of May 1, 1989, as amended and supplemented by a First Supplemental Indenture dated as of October 1, 1992 (the Indenture, as amended and supplemented by such First Supplemental Indenture, is hereinafter referred to as the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series of Securities designated as "Medium-Term Notes" and herein referred to as the "Notes."

This Note will not have a sinking fund and, unless otherwise provided on the face hereof, is not redeemable or repayable prior to the Stated Maturity stated on the face hereof. The Indenture provides for its satisfaction and discharge, and for the defeasance of the Notes, in certain circumstances.

This Note may be subject to repayment at the option of the Holder on any Optional Repayment Date(s), if any, indicated on the face hereof. If no Optional Repayment Date(s) are set forth on the face hereof, this Note may not be so repaid at the option of the Holder hereof prior to the Stated Maturity specified on the face hereof. On any Optional Repayment Date, if any, this Note shall be repayable, in whole or in part, in increments of \$1,000 in principal amount (provided that any remaining principal hereof shall be an authorized denomination) at the option of the Holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with interest accrued on the principal amount to be repaid to the date of repayment. For this Note to be repaid in whole or in part at the option of the Holder hereof, this Note must be received by the Trustee, with the form entitled "Option to Elect Repayment" below duly completed, at Citibank, N.A., 111 Wall Street, 15th Floor, Corporate Trust Services, Attention: Issuance and Transfer, New York, New York 10043, or at such other address of which the Company shall from time to time notify the Holders of the Notes, not more than 60 nor less than 30 days prior to the related Optional Repayment Date. Exercise of such repayment option by the Holder hereof shall be irrevocable. In the event of repayment of this Note in part only, a new Note or Notes with identical terms for the

unpaid portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

If so provided on the face of this Note, this Note may be redeemed by the Company on any date (each, a "Redemption Date") on and after the Initial Redemption Date, if any, indicated on the face hereof. If no Initial Redemption Date is set forth on the face hereof, this Note may not be redeemed prior to its Stated Maturity. On and after the Initial Redemption Date, if any, this Note may be redeemed at any time in whole or from time to time in part in increments of \$1,000 in principal amount (provided that any remaining principal hereof shall be an authorized denomination) at the option of the Company at the applicable Redemption Price (as defined below), together with interest accrued on the principal amount to be redeemed to the Redemption Date, on notice to the Holder of this Note as provided below. In the event of redemption of this Note in part only, a new Note with identical terms for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

The "Redemption Price" referred to above shall initially be the Initial Redemption Percentage, if any, specified on the face hereof of the principal amount of this Note to be redeemed and, if the Initial Redemption Percentage is greater than 100%, shall decline at each anniversary of the Initial Redemption Date, if any, shown on the face hereof by the Annual Redemption Percentage Reduction, if any, specified on the face hereof of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

Notice of redemption of this Note shall be given to the Holder hereof in the manner provided in the Indenture not less than 30 nor more than 60 days prior to the date fixed for redemption.

This Note will bear interest at the rate determined by reference to the Base Rate (or the lowest of two or more specified Base Rates) shown on the face hereof (i) plus or minus the Spread, if any, specified on the face hereof and/or (ii) multiplied by the Spread Multiplier, if any, specified on the face hereof. Commencing on the Initial Interest Reset Date specified on the face hereof, the rate at which interest on this Note is payable shall be reset daily, weekly, monthly, quarterly, semiannually or annually (as shown on the face hereof under Interest Rate Reset Period) as of each Interest Reset Date specified on the face hereof. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that in the case of a Note for which LIBOR is the Base Rate or a Base Rate, if such next succeeding Business Day falls in the next succeeding calendar month, such Interest

Reset Date shall be the next preceding day that is a Business Day.

Unless otherwise specified above, interest payable on this Note on any Interest Payment Date or Maturity shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid or duly provided for (or from and including the Original Issue Date specified on the face hereof if no interest has been paid or duly provided for with respect to this Note), to but excluding the relevant Interest Payment Date or Maturity, as the case may be; PROVIDED, HOWEVER, that if the Interest Rate Reset Period with respect to this Note is daily or weekly, interest payable on any Interest Payment Date will include interest accrued from but excluding the Regular Record Date to which interest has been paid or duly provided for (or from and including the Original Issue Date specified on the face hereof if no interest has been paid or duly provided for with respect to this Note) through and including the Regular Record Date next preceding such Interest Payment Date, except that interest payable at Maturity will include interest accrued to but excluding such Maturity.

Accrued interest hereon shall be an amount calculated by multiplying the principal amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day in the period for which interest is being calculated. The interest factor for each such day shall be computed by (i) dividing the interest rate applicable to such day by 360 if the Day Count Convention specified on the face hereof is "Actual/360" for the period specified thereunder, (ii) dividing the interest rate applicable to such day by the actual number of days in the year (for a leap year, the actual number of days in the year will be 366 and all other years will have 365 days) if the Day Count Convention specified on the face hereof is "Actual/Actual" for the period specified thereunder, or (iii) multiplying the interest rate for that day by the result of 30 divided by 360 and then dividing that number by the actual number of days in the month in which the day falls for which interest is being calculated if the Day Count Convention specified on the face hereof is "30/360" for the period specified thereunder. The interest factor for Notes for which the interest rate is calculated with reference to the lowest of two or more Base Rates will be calculated in each period in the same manner as if only the lowest of the applicable Base Rates applied.

The interest rate in effect on this Note on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) pertaining to such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date pertaining to the next preceding Interest Reset Date, provided that (i) the interest rate in

effect from the Original Issue Date specified on the face hereof to the Initial Interest Reset Date specified on the face hereof shall be the Initial Interest Rate specified on the face hereof, and (ii) the interest rate in effect for the ten days immediately prior to any Maturity shall, as to the principal amount due at such Maturity, be the rate in effect on the tenth day preceding such Maturity.

The Interest Determination Date with respect to the CD Rate, the Commercial Paper Rate, the Federal Funds Rate, the Prime Rate, the CMT Rate and the J.J. Kenny Rate (as such terms are defined below) shall be the second Business Day preceding each Interest Reset Date. The Interest Determination Date with respect to LIBOR (as defined below) shall be the second London Business Day preceding each Interest Reset Date. The Interest Determination Date with respect to the Treasury Rate (as defined below) shall be the day of the week in which the Interest Reset Date falls on which Treasury Bills (as defined below) normally would be auctioned; PROVIDED, HOWEVER, that if as a result of a legal holiday an auction is held on the Friday of the week preceding the Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and PROVIDED, FURTHER, that if an auction shall fall on any Interest Reset Date then the Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Note is determined with reference to the lowest of two or more Base Rates, the Interest Determination Date pertaining to this Note will be the first Business Day which is at least two Business Days prior to the Interest Reset Date on which each such Base Rate shall be determinable. Each Base Rate shall be determined and compared on such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

Unless otherwise specified above, the "Calculation Date" pertaining to any Interest Determination Date shall be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

All percentages resulting from any calculation on this Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) will be rounded upward to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on this Note will be rounded to the nearest cent (with one-half cent being rounded upward).

Except as specified on the face hereof or in an Addendum (if any) hereto, the Base Rate or Rates on this Note shall be

determined in accordance with the provisions of the applicable heading below:

DETERMINATION OF CD RATE. The CD Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the CD Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the CD Rate (a "CD Interest Determination Date"), the rate on such day for negotiable certificates of deposit having the Index Maturity specified on the face hereof as published in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)", or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Interest Determination Date, the CD Rate will be the rate on such CD Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified on the face hereof as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication ("Composite Quotations") under the heading "Certificates of Deposit". If such rate is not yet published in either H.15(519) or the Composite Quotations by 3:00 P.M., New York City time, on such Calculation Date, then the CD Rate on such CD Interest Determination Date will be calculated by the calculation agent specified on the face hereof or any successor in such capacity (the "Calculation Agent") and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Interest Determination Date, of three leading nonbank dealers in negotiable United States Dollar certificates of deposit in New York, New York selected by the Calculation Agent (after consultation with the Company) for negotiable certificates of deposit of major United States money market banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified on the face hereof in the denomination of \$5,000,000; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as described above, the CD Rate in effect for the applicable period will be the CD Rate in effect on such CD Interest Determination Date.

DETERMINATION OF COMMERCIAL PAPER RATE. The Commercial Paper Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Commercial Paper Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Interest Determination Date"), the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified on the face hereof as such rate shall be published in H.15(519) under the heading "Commercial Paper". In the event such rate is not published prior to 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest

Determination Date, then the Commercial Paper Rate will be the Money Market Yield on such Commercial Paper Interest Determination Date of the rate for commercial paper of the Index Maturity shown on the face hereof as published in Composite Quotations under the heading "Commercial Paper". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates, as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date, of three leading dealers of commercial paper in New York, New York selected by the Calculation Agent (after consultation with the Company) for commercial paper of the Index Maturity specified on the face hereof placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized statistical rating agency; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate in effect for the applicable period will be the Commercial Paper Rate in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" shall be the yield calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the period for which interest is being calculated.

DETERMINATION OF FEDERAL FUNDS RATE. The Federal Funds Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Federal Funds Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Federal Funds Rate (a "Federal Funds Rate Interest Determination Date"), the rate of interest on that date for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time on the Calculation Date pertaining to such Federal Funds Rate Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Rate Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate". If such rate is not published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on such Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in New York, New York

selected by the Calculation Agent (after consultation with the Company) as of 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; PROVIDED, HOWEVER, that if the brokers selected as aforesaid by the Calculation Agent are not quoting as described in this sentence, the Federal Funds Rate in effect for the applicable period will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

DETERMINATION OF LIBOR. LIBOR will be determined by the Calculation Agent in accordance with the following provisions:

(i) With respect to an Interest Determination Date relating to a LIBOR Note or any Floating Rate Note for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be either: (a) if "LIBOR Reuters" is specified on the face of this Note, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency (as defined below) having the Index Maturity designated on the face of this Note, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appear on the Designated LIBOR Page as of 11:00 A.M. London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified on the face of this Note, the rate for deposits in the Index Currency having the Index Maturity designated on the face of this Note commencing on the second London Business Day immediately following that LIBOR Interest Determination Date that appears on the Designated LIBOR Page as of 11:00 A.M. London time, on that LIBOR Interest Determination Date. If fewer than two offered rates appear, or no rate appears, as applicable, LIBOR in respect of the related LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity designated on the face of this Note, commencing on the second London Business Day immediately following such

LIBOR Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 AM. (or such other time specified in an Addendum to this Note), in the applicable Principal Financial Center (as defined below), on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent for loans in the Index Currency to leading European banks, having the Index Maturity designated on the face of this Note and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined on such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Index Currency" means the currency (including composite currencies) specified on the face of this Note as the currency for which LIBOR shall be calculated. If no such currency is specified on the face of this Note, the Index Currency shall be U.S. Dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is designated on the face of this Note, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is designated on the face of this Note, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency. If neither LIBOR Reuters nor LIBOR Telerate is specified on the face of this Note, LIBOR for the applicable Index Currency will be determined as if LIBOR Telerate (and, if U.S. Dollars is the Index Currency, LIBO Page 3750) had been specified.

"Principal Financial Center" will generally be the capital city of the country of the specified Index Currency, except that with respect to U.S. dollars, Deutsche marks, Dutch guilders, Italian lire, Swiss francs and ECUs, the Principal Financial Center shall be The City of New York, Frankfurt, Amsterdam, Milan, Zurich and Luxembourg, respectively.

DETERMINATION OF PRIME RATE. The Prime Rate means, with respect to any Interest Determination Date relating to a Note for

which the Base Rate is the Prime Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Prime Rate (a "Prime Rate Interest Determination Date"), the rate set forth on such date in H.15 (519) under the heading "Bank Prime Loan". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Calculation Date pertaining to such Prime Rate Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen NYMF Page (as defined below) as such bank's prime rate or base lending rate as in effect for that Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen NYMF page for such Prime Rate Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in such year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by three major money center banks in The City of New York as selected by the Calculation Agent (after consultation with the Company). If fewer than three quotations are provided by such major money center banks, the Prime Rate shall be calculated by the Calculation Agent and shall be determined as the arithmetic mean of the prime rates so quoted in The City of New York on such date by the three substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least \$500,000,000 and being subject to supervision or examination by a Federal or State authority, selected by the Calculation Agent (after consultation with the Company); PROVIDED, HOWEVER, that if the substitute banks selected as aforesaid by the Calculation Agent are not quoting rates as set forth in this sentence, the Prime Rate in effect for the applicable period will be the Prime Rate determined on the immediately preceding Prime Rate Interest Determination Date. "Reuters Screen NYMF Page" means the display designated as page "NYMF" on the Reuters Monitor Money Rates Service (or such other page as may replace the NYMF Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

DETERMINATION OF TREASURY RATE. The Treasury Rate means, with respect to any Interest Determination Date relating to a Note for which the Base Rate is the Treasury Rate or any Interest Determination Date for a Note for which the interest rate is determined with reference to the Treasury Rate (a "Treasury Rate Interest Determination Date"), the rate applicable to the most recent auction of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified on the face hereof, as such rate is published in H.15(519) under the heading "Treasury Bills -- auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Rate Interest

Determination Date, the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury Bills having the Index Maturity specified on the face hereof are not reported as provided by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent (after consultation with the Company), for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified on the face hereof; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as described above, the Treasury Rate in effect for the applicable period will be the Treasury Rate then in effect on such Treasury Rate Interest Determination Date.

DETERMINATION OF CMT RATE. CMT Rate means, with respect to any Interest Determination Date relating to a CMT Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the CMT Rate (a "CMT Rate Interest Determination Date"), the rate displayed on Telerate Page 7059 for "Daily Treasury Constant Maturities and Money Markets ... Federal Reserve Board Release H.15 ... Mondays approximately 3:45 P.M. EDT," under the heading "10 Year" for the last New York Business Day in the "Current Week" section as of the applicable CMT Rate Interest Determination Date or such other page as may replace that page on such service for the purpose of displaying rates or prices comparable to the CMT Rate, as determined by Calculation Agent. If such rate is no longer displayed, then the CMT Rate for such Interest Reset Date will be such 10-year Treasury Constant Maturity rate (or other 10-year United States Treasury rate) for the CMT Rate Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on Telerate Page 7059 and published in H.15(519). If such information is not provided, then the CMT Rate for the Interest Reset Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing bid side prices as of approximately 3:30 P.M. (New York City time) on the CMT Rate Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers

(each, a "Reference Dealer") in The City of New York selected by the Calculation Agent, for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Note") with an original maturity of approximately ten years and a remaining term to maturity of not less than nine years. If the Calculation Agent cannot obtain three such Treasury Note quotations, the CMT Rate for such Interest Reset Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market bid side prices as of approximately 3:30 P.M. (New York City time) on the CMT Rate Interest Determination Date of three reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), for Treasury Notes with an original maturity of approximately thirty years and a remaining term to maturity closest to ten years. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotes will be eliminated. If fewer than three Reference Dealers selected by the Calculation Agent are quoting as described herein, the CMT Rate will be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two Treasury Notes with an original maturity of approximately thirty years have remaining terms to maturity equally close to ten years, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

For purposes of the above, the term "New York Business Day" means any other day other than a Saturday or Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.

DETERMINATION OF J.J. KENNY RATE NOTES. J.J. Kenny Rate means, with respect to any Interest Determination Date relating to a J.J. Kenny Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the J.J. Kenny Rate (a "J.J. Kenny Rate Interest Determination Date"), the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny Information Systems ("Kenny") to the Calculation Agent. The Weekly Index is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax

under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny ceases to make available such Weekly Index, a successor indexing agent will be selected by the Company, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly Index, the interest on which is (A) variable on a weekly basis, (B) exempt from federal income taxation under the Code, and (C) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any J.J. Kenny Rate Interest Determination Date shall be 67% of the rate determined as if the Treasury Rate option had been originally selected.

Anything herein to the contrary notwithstanding, (i) the interest rate in effect with respect to this Note from time to time shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof and (ii) the interest rate hereon will in no event be higher than the maximum rate permitted from time to time by New York law, as the same may be modified by United States law of general application.

The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. At the request of the Holder hereof, the Calculation Agent will provide to the Holder hereof the interest rate hereon then in effect and, if determined, the interest rate which will become effective as of the next Interest Reset Date.

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Note, its payment dates or any other matter relating hereto may be modified as specified in an Addendum hereto if so specified on the face hereof.

If an Event of Default with respect to the Notes shall occur and be continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Notes may declare the principal of all the Notes due and payable immediately in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected thereby at any time by the Company and the Trustee with the consent of the Holders of 66-2/3% in aggregate principal amount of the Outstanding Securities of each series affected thereby. The Indenture also contains provisions permitting the Holders of

specified percentages in aggregate principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the time, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture, and subject to certain limitations therein set forth, the transfer of this Note may be registered on the Security Register upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or by his attorney duly authorized in writing and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount and having the identical terms and provisions, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. As provided in the Indenture, and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes having identical terms and provisions, in authorized denominations, as requested by the Holder surrendering the same.

No service charge will be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the

principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Company on Company Request or (if then held by the Company) shall be discharged from such trust, and the Holder of this Note shall thereafter look only to the Company for payment thereof, all as provided in the Indenture.

The Notes shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State.

All capitalized terms used in this Note and not defined herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture. All references in this Note to "principal" shall be deemed to mean and include "and premium, if any".

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Company to repay this Note (or portion hereof specified below) pursuant to its terms on _____ at a price equal to the principal amount of this Note to be repaid, together with interest accrued on the principal amount to be repaid to the repayment date, by payment to the undersigned, at

(Please print or type the name and address of the undersigned)

For this Note to be repaid, the Trustee must receive at Citibank, N.A., 111 Wall Street, 15th Floor, Corporate Trust Services, Attention: Issuance and Transfer, New York, New York 10043, or at such other address of which the Company shall from time to time notify the Holder of this Note, not more than 60 nor less than 30 days prior to an Optional Repayment Date, if any, shown on the face of this Note, this Note with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be in increments of \$1,000 in principal amount) which the Holder elects to have repaid (in the absence of any such specification, the entire principal amount hereof will be repaid) and specify the denomination or denominations (which shall be \$1,000 or in multiples thereof in excess of \$1,000) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid).

\$ _____
(Specify portion to be repaid, if less than the entire principal amount of this Note)

NOTICE: The signature on this Option to Elect Repayment must correspond with the name as written upon the face of this Note in every particular, without alteration or enlargement or any change whatsoever.

\$ _____
(Specify denomination or denominations of Note or Notes to be issued for the portion, if any, of this Note not being repaid)

Date: _____

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM--as tenants in common

UNIF TSFR (GIFT) MIN ACT--____Custodian____ --
(Cust) (Minor)

Under Uniform Transfer (Gifts) to Minors Act

(State)

TEN ENT-- as tenants by the entirety

JT TEN-- as joint tenants with right of survivorship and not as tenants
in common

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

Please Insert Social Security or Other Identifying Number of Assignee:

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS,
INCLUDING ZIP CODE OF ASSIGNEE:

the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____

_____ attorney to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.