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

FORM 10-Q

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

For the quarterly period ended June 30, 1997

Commission file number 1-1402

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

California	95-1240705
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

555 West Fifth Street, Los Angeles, California 90013-1011
(Address of principal executive offices)
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of common stock outstanding on August 12, 1997 was 91,300,000.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARY
CONDENSED STATEMENT OF CONSOLIDATED INCOME
(Millions of Dollars)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1997	1996	1997	1996
Operating Revenues	$575	$497	$1,313	$1,117
Operating Expenses:				
Cost of gas distributed	167	144	517	394
Operation and maintenance	181	191	352	347
Depreciation	62	63	125	123
Income taxes	52	26	97	71
Other taxes and franchise payments	22	19	49	49
Total	484	443	1,140	984
Net Operating Revenue	91	54	173	133
Other Income and (Deductions)	0	(1)	0	0
Interest Charges and (Credits):				
Interest on long-term debt	20	20	41	40
Other interest	(1)	2	1	5
Allowance for borrowed funds used during construction	0	(1)	(1)	(1)
Total	19	21	41	44
Net Income	72	32	132	89
Dividends on Preferred Stock	2	2	4	5
Net Income Applicable to Common Stock	$ 70	$ 30	$128	$ 84

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
ASSETS
(Millions of Dollars)
(Unaudited)

	June 30 1997	December 31 1996
Utility Plant	$5,968	$5,963
Less accumulated depreciation	2,852	2,796
Utility plant - net	3,116	3,167
Current Assets:		
Cash and cash equivalents	0	14
Accounts and notes receivable (less allowance for doubtful receivables of $19 in 1997 and $16 in 1996)	265	413
Regulatory accounts receivable	261	296
Deferred income taxes	27	22
Gas in storage	17	28
Materials and supplies	13	13
Prepaid expenses	10	14
Income Taxes Receivable	0	11
Total current assets	593	811
Regulatory Assets	306	376
Total	$4,015	$4,354

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
CAPITALIZATION AND LIABILITIES
(Millions of Dollars)
(Unaudited)

	June 30 1997	December 31 1996
Capitalization:		
Common equity:		
Common stock	$ 835	$ 835
Retained earnings	506	555
Total common equity	1,341	1,390
Preferred stock	97	97
Long-term debt	902	1,090
Total capitalization	2,340	2,577
Current Liabilities:		
Short-term debt	116	262
Accounts payable	352	474
Accounts payable-affiliates	30	44
Accrued taxes and franchise payments	16	28
Accrued Income taxes payable	3	0
Long-term debt due within one year	294	147
Accrued interest	24	41
Other accrued liabilities	123	63
Total current liabilities	958	1,059
Deferred Credits:		
Customer advances for construction	39	42
Deferred income taxes	418	405
Deferred investment tax credits	62	64
Other deferred credits	198	207
Total deferred credits	717	718
Total	$4,015	$4,354

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARY
CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
(Millions of Dollars)
(Unaudited)

	Six Months Ended June 30	
	1997	1996
Cash Flows From Operating Activities:		
Net income	$132	$ 89
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	125	123
Deferred income taxes	12	7
Other	(8)	(18)
Net change in other working capital components	143	301
Net cash provided by operating activities	404	502
Cash Flows from Investing Activities:		
Expenditures for utility plant	(78)	(85)
Decrease in other assets	28	0
Net cash used in investing activities	(50)	(85)
Cash Flows from Financing Activities:		
Redemption of preferred stock		(100)
Decrease in long-term debt	(188)	(107)
Decrease in short-term debt	1	(98)
Dividends paid	(181)	(125)
Net cash used in financing activities	(368)	(430)
Decrease in Cash and Cash Equivalents	(14)	(13)
Cash and Cash Equivalents, January 1	14	13
Cash and Cash Equivalents, June 30	$ 0	$ 0
Supplemental Disclosure of Cash Flow Information:		
Cash paid (received) during the period:		
Interest (net of amount capitalized)	$ 44	$57
Income Taxes	$ 93	$124

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. MERGER AGREEMENT WITH ENOVA CORPORATION

On October 14, 1996, Pacific Enterprises (PE) and Enova Corporation (Enova), the parent company of San Diego Gas & Electric (SDG&E), announced an agreement, which both Boards of Directors unanimously approved, for the combination of the two companies, tax-free, in a strategic merger of equals to be accounted for as a pooling of interests. The combination was approved by the shareholders of both companies but remains subject to approval by regulatory and governmental agencies. To accommodate obtaining these approvals, on August 6, 1997, PE and Enova extended until September 1, 1998 the date after which either company may unilaterally terminate the business combination if not previously completed.

As a result of the combination, the Company and Enova will become subsidiaries of a new holding company and their common shareholders will become common shareholders of the new holding company. The Company's common shareholders will receive 1.5038 shares of the new holding company's common stock for each of their shares of PE common stock, and Enova common shareholders will receive one share of the new holding company's common stock for each of their shares of Enova common stock. Preferred stock of the Company, Southern California Gas Company (SoCalGas or the Gas Company), and SDG&E will remain outstanding.

The merger is subject to approval by certain governmental and regulatory agencies including the California Public Utility Commission (CPUC), the Federal Energy Regulatory Commission (FERC), the Securities and Exchange Commission, and the Department of Justice.

In June 1997, the CPUC revised its procedural schedule for the proposed business combination after delaying until July 1997, its final decision on the Performance Based Regulation (PBR) proceeding for SoCalGas. Under this timeline, a CPUC Administrative Law Judge should issue a proposed decision on the combination in late January 1998, with a CPUC decision scheduled for March 1998.

On June 25, 1997, the FERC conditionally approved the proposed business combination subject to the filing of appropriate standards of conduct and the adoption by the CPUC of satisfactory rules primarily relating to affiliate transactions.

On August 7, 1997, PE and Enova announced an agreement to acquire AIG Trading Corporation, a natural gas and power marketing firm. Headquartered in Greenwich, Conn., AIG Trading Corporation is a subsidiary of AIG Trading Group Inc. Its business primarily focuses on wholesale trading and marketing of natural gas, power and oil. Total cost of the acquisition is approximately $225 million consisting of an acquisition price of $190 million and commitments of up to $35 million for certain long-term incentive compensation and retention arrangements.

2. SUMMARY OF ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements have been prepared in accordance with the interim period reporting requirements of Form 10-Q. Reference is made to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 for additional information.

Results of operations for interim periods are not necessarily indicative of results for the entire year. In order to match revenues and costs for interim reporting purposes, SoCalGas defers revenue related to costs which are expected to be incurred later in the year. In the opinion of management, the accompanying statements reflect all adjustments which are necessary for a fair presentation. These adjustments are of a normal recurring nature.

Certain changes in account classification have been made in the prior years' consolidated financial statements to conform to the 1997 financial statement presentation.

Income tax expense recognized in a period is the amount of tax currently payable plus or minus the change in the aggregate deferred tax assets and liabilities. Deferred taxes are recorded to recognize the future tax consequences of events that have been recognized in the financial statements or tax returns.

Amounts authorized to be recovered in rates are recorded as regulatory assets. Estimated liabilities for environmental remediation are recorded when the amounts are probable and estimable. Possible recoveries of environmental remediation liabilities from third parties are not deducted from the liability shown on the balance sheet.

The accompanying condensed consolidated financial statements have been prepared in accordance with the interim period reporting requirements of Form 10-Q. Reference is made to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 for additional information.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q and Management's Discussion and Analysis contained in the Company's 1996 Annual Report to Shareholders and incorporated into the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The following discussion includes forward-looking statements with respect to matters inherently involving various risks and uncertainties. These statements are identified by the words "estimates", "expects", "anticipates", "plans", "believes" and similar expressions. The analyses employed to develop these statements are necessarily based upon various assumptions involving judgments with respect to the future including, among others, national, regional and local economic, competitive conditions, regulatory and business trends and decisions, technological developments, inflation rates, weather conditions, and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Southern California Gas Company (Company). Accordingly, while the Company believes these assumptions to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized.

SUMMARY

The Company reported net income of $70 million and $128 million for the three months and six months ended June 30, 1997 compared to $30 million and $84 million reported for the same periods in 1996. The increase in earnings is primarily due to savings resulting from lower operating and maintenance expenses than the amounts authorized in rates and an increase in the common equity component of the Company's capital structure to 48% from 47.4%. The increase is also due to a reduction of earnings during the second quarter of 1996 due to a one-time non-cash $26.6 million charge, after-tax, related to the Comprehensive Settlement of excess gas costs and other regulatory matters which did not affect consolidated Pacific Enterprises results.

On July 16, 1997 the CPUC issued its final decision on the Company's application for Performance Based Regulation (PBR) (See "REGULATORY ACTIVITY INFLUENCING FUTURE PERFORMANCE".)

RESULTS OF OPERATIONS

Net income for the second quarter of 1997 was $70 million compared to $30 million for the same period in 1996. Net income for the six months ended June 30, 1997 was $128 million compared to $84 million for the same period in 1996. The increase is partially due to savings resulting from lower operating and maintenance expenses than the amounts authorized to be collected in utility rates, and an increase in the common equity component of the Company's capital structure to 48.0% from 47.4%. The change is also due to lower earnings during the second quarter of 1996 resulting from a one-time non-cash $26.6 million charge, after-tax, related to the Comprehensive Settlement of excess gas costs and other regulatory matters which did not affect consolidated Pacific Enterprises results. This was partially offset by an $8.0 million, after- tax, representing a one-time favorable settlement of environmental insurance claims. Earnings for the first quarter 1996, also benefited from a one-time $5.6 million, after-tax, favorable settlement from gas producers for damages incurred to the Company and customer equipment resulting from impure gas supplies.

The table below compares the Company's throughput and revenues by customer class for the three months ended June 30, 1997 and 1996.

($ in Millions, vol. in billion cubic feet)	Gas Sales Throughput	Gas Sales Revenue	Trans. & Exchg. Throughput	Trans. & Exchg. Revenue	Total Throughput	Total Revenue
1997:						
Residential	44	$301	0	$ 0	44	$301
Comm'l/Ind'l.	19	105	73	60	92	165
Utility Elec.	0	0	35	17	35	17
Wholesale	0	0	31	17	31	17
Exchange	0	0	2	1	2	1
Total in Rates	63	$406	141	$95	204	$501
Balancing Accts. & Other						74
Total Operating Rev.						$575*
1996:						
Residential	42	$304	0	$ 0	42	$304
Comm'l/Ind'l.	19	102	74	46	93	148
Utility Elec.	0	0	26	17	26	17
Wholesale	0	0	27	18	27	18
Exchange	0	0	1	0	1	0
Total in Rates	61	$406	128	$81	189	$487
Balancing Accts. & Other						10
Total Operating Rev.						$497

* Includes intersegment transactions

The Company's operating revenue for the three and six months ended June 30, 1997, increased $78 million and $196 million, respectively when compared to the same periods in 1996. The increase in operating revenue is primarily due to higher gas costs reflected in rates. Increased gas costs account for $123 million of the operating revenue increase. Additionally, the increase in operating revenues for both periods is partially due to a non-cash charge recorded in the second quarter of 1996 of $47.7 million ($26.6 million after-tax). The $47.7 million charge related to the Comprehensive Settlement of excess gas costs and other regulatory matters. This charge resulted from estimates that throughput to noncore customers would decline from levels projected at the time of the Comprehensive Settlement. The increase partially offsets $14.3 million ($8.0 million after-tax), representing a one-time favorable settlement from the resolution of environmental insurance claims received during the second quarter of 1996. Operating revenues also increased due to an increase in the authorized equity component of the Company's capital structure in which the Company earns a return.

Cost of gas distributed was $167 million and $144 million for the three months ended June 30, 1997 and 1996 respectively. The increase is primarily due to an increase in the average cost of gas purchased to $2 per thousand cubic feet (MCF) for the second quarter of 1997 compared to $1.34 per MCF for the second quarter of 1996. The increase in the average cost of gas distributed was mediated by the utilization of lower priced inventories. For the six months ended June 30, 1997 and 1996, the cost of gas distributed was $517 million and $394 million respectively. The increase is primarily due to an increase in the average cost of gas purchased to $2.44 per thousand cubic feet (MCF) for the six months ended June 30, 1997 compared to $1.46 per MCF for the same period in 1996. Under the current regulatory framework, changes in revenue resulting from changes in volumes in the core market and cost of gas do not affect net income.

Operating and maintenance expenses for the three months and six months ended June 30, 1997, decreased $10 million and increased $5 million, respectively, compared to the same periods in 1996. The decrease for the first three months ended June 30, 1997, represents the Company's continuing efforts to reduce costs. The increase for the six months ended June 30, 1997, is primarily due to benefits received in the first quarter of 1996 of $9.5 million, pre-tax, ($5.6 million after-tax), representing one-time favorable settlements which reduced operating and maintenance expenses.

OTHER CPUC REGULATORY ACTIVITY

Under the Gas Cost Incentive Mechanism (GCIM), the Company can recover all gas purchase costs to the extent that they do not exceed a tolerance band extending 4 percent above an index benchmark level. If the Company's cost of gas exceeds the tolerance band, the excess costs are shared equally between customers and shareholders. All savings from gas purchased below the benchmark are shared equally between customers and shareholders.

The Company's purchased gas costs were below the specified GCIM benchmark for the annual period ended March 1996 and, in June 1997, the CPUC approved a $3.2 million reward for shareholders under the procurement portion of the incentive mechanism which was recognized as income in the second quarter. The Company initially requested a reward based on purchased gas cost savings of $12.4 million. The Company and the CPUC subsequently agreed on a purchased gas cost savings of $6.2 million resulting in the $3.2 million reward. In June 1997, the Company also filed a motion with the CPUC requesting a reward of $10.8 million resulting from reduced purchased gas costs of $21.2 million for the 12-month period ended March 31, 1997.

The CPUC has approved the use of gas futures for managing risk associated with the GCIM. The Company enters into gas futures contracts in the open market on a limited basis to mitigate risk and better manage gas costs.

REGULATORY ACTIVITY INFLUENCING FUTURE PERFORMANCE

Future regulatory restructuring, increased competitiveness in the industry and the electric industry restructuring will affect the Company's future performance. On July 16, 1997, the CPUC issued its final decision on the Company's PBR application.

PBR replaces the general rate case and certain other regulatory proceedings. Under PBR, regulators allow future income potential to be tied to achieving or exceeding specific performance and productivity measures, rather than relying solely on expanding utility rate base in a market where the Company already has a highly developed infrastructure. Key elements of the PBR include a reduction in base rates, an indexing mechanism that limits future rate increases to the inflation rate less a productivity factor, and rate refunds to customers if service quality deteriorates. These changes in regulation will change the way earnings are affected by various factors. For example, earnings will become more reliant on operational efficiencies and less on investment in plant.

Under ratemaking procedures in effect prior to the PBR decision, the Company typically filed a general rate case with the CPUC every three years. In a general rate case, the CPUC established a base margin, which is the amount of revenue to be collected from customers to recover authorized operating expenses (other than the cost of gas), depreciation, taxes and return on rate base. Separate proceedings were held annually to review the Company's cost of capital including return on common equity, interest costs and changes in capital structure.

Under PBR, annual cost of capital proceedings will be replaced by an automatic adjustment mechanism if changes in certain indices exceed established tolerances. The mechanism is triggered if actual interest rates increase or decrease by more than 150 basis points and are forecasted to continue to vary by at least 150 basis points for the next year. If this occurs, there would be an automatic adjustment of rates for the change in the cost of capital according to a pre-established formula which applies a percentage of the change to various capital components.

Furthermore, under the prior ratemaking procedures the CPUC also allowed annual adjustments to rates for years between general rate cases to reflect the changes in rate base and the effects of inflation. This attrition allowance mechanism is eliminated by PBR. Biennial Cost Allocation Proceedings (BCAP), which will continue under PBR, adjust rates to reflect variances in the cost of gas and core customer demand from estimates previously adopted. The Commission's PBR decision indicates that it will address issues such as throughput forecast, cost allocation, rate design and other matters which may arise from the Company's PBR experience in the 1998 BCAP which is anticipated to become effective on August 1, 1999. The GCIM proceeding will not change under PBR.

The Commission's PBR decision establishes the following rules for the Company:

- A rate reduction now of $191 million, offset by an estimated $31 million rate increase to reflect inflation and customer growth on January 1, 1998. (A net rate reduction of $160 million for an initial base margin of $1.3 billion). The CPUC refers to a rate reduction of $229 million in its decision; however, that amount includes recovery of approximately $38 million of other social program costs authorized in another proceeding, that were previously part of base margin.

- A sharing with customers of earnings that exceed the authorized rate of return on ratebase. Earnings between 25 and 300 basis points above the authorized rate of return on ratebase will be shared with customers in eight blocks of 25 to 50 basis points each with the first block returning 75% of the excess to customers and declining to 0% as earned returns approach 300 basis points above authorized amounts. There is no sharing of any amount by which actual earnings may fall below the authorized rate of return. In 1997, the Company was authorized to earn a 9.49% return on ratebase which the decision adopts as the authorized rate for PBR.

- An indexing of revenue or margin per customer by inflation less an estimated productivity factor of 2.1% that increased by 0.1% per year up to 2.5% in the fifth year. This factor includes 1% to approximate the projected impact of declining ratebase. This methodology, combined with the retention of the Core Fixed Cost Balancing account, rejects the Company's proposed risk/reward potential for shareholders arising from higher or lower gas throughput per customer to core (residential and small commercial/industrial) customers.

- A retention of the current residential customer charge of $5 per month. The CPUC decision defers action on residential rate design to a future Commission proceeding, but does allow for some pricing flexibility for residential and small commercial customers with any shortfalls being borne by shareholders; and

- A continuation of the Company's authority to offer the same types of products and services that it currently offers (e.g. contract meter reading). However, the decision defers the issue of other new product and service offerings to a future Commission proceeding.

The Company has implemented the base margin reduction effective August 1, 1997, and will implement all other PBR elements on January 1, 1998. The CPUC intends for its PBR decision to be in effect for five years, but provides the possibility that changes to the PBR mechanism could be adopted in a decision to be issued in the Company's 1998 BCAP application which is anticipated to become effective on August 1, 1999.

It is the intent of management to control operating expenses and investment within the amounts authorized to be collected in rates in the PBR decision. The Company intends to make the efficiency improvements, changes in operations and cost reductions necessary to achieve this objective and earn its authorized rate of return. However, in view of the earnings sharing mechanism and other elements of PBR authorized by the CPUC, it will be more difficult for SoCalGas to achieve the level of returns it has recently experienced.

For 1997, the Company is authorized to earn a rate of return on common equity of 11.6 percent and a 9.49 percent return on rate base, compared to 11.6 percent and 9.42 percent, respectively, in 1996. The CPUC also authorized a 60 basis point increase in the Company's authorized common equity ratio to 48.0 percent in 1997 compared to 47.4 percent in 1996. The 60 basis point increase in the common equity component could potentially add $2 million to earnings in 1997.

In the second quarter of 1997, the CPUC issued a decision on the Company's 1996 BCAP filing. The CPUC decision extends the recovery period of approximately $20 million in noncore costs, resulting in a noncore rate decrease and leaves in place the existing residential rate structure. The decision did not adopt the Company's proposal to increase flexibility in offering discounts to utility electric generating customers to retain load or prevent by-pass. The Company implemented the new rates and core residential monthly gas pricing on June 1, 1997.

As part of its continuing evaluation of the impact of electric restructuring on operations, the Company under SFAS 121 "Accounting for the Impairment of Long Lived Assets and Long Lived Assets to be Disposed of" evaluated its long lived assets for impairment. Although Management believes that the volume of gas transported may be adversely impacted by the electric restructuring, it is not anticipated that it would result in an impairment of assets as defined in SFAS 121 because the expected future cash flows from the Company's investment in its gas transportation infrastructure is greater than its carrying amount.

Management believes that under the new PBR regulatory framework, the Company continues to meet the criteria of the Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulations."

LIQUIDITY

The decrease in cash provided from operating activities to $404 million in the six months ended June 30, 1997 from $502 million in the same period 1996 is primarily due to lower amounts received from undercollected regulatory balancing accounts in 1997 compared to 1996.

Capital expenditures were $78 million for the six months ended June 30 1997. This represents a decrease of $7 million compared to the same period 1996. The decrease is primarily due to the completion of a New Customer Information System which increased the Company's responsiveness to customer needs and reduced operating costs. Capital expenditures for utility plant are expected to be $196 million in 1997 and will be financed primarily by internally-generated funds.

In the six months ended June 30, 1997, $368 million was used for financing activities. This was primarily the result of repayment of debt and payment of dividends.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) There was no Form 8-K filed during the quarter ended June 30, 1997.

SIGNATURE

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 thereunto duly authorized.

SOUTHERN CALIFORNIA GAS COMPANY
- -------------------------------
(Registrant)

/s/ Ralph Todaro
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Ralph Todaro
Vice President and Controller
(Chief Accounting Officer and
duly authorized signatory)
Date: August 14, 1997

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED STATEMENT OF CONSOLIDATED INCOME, BALANCE SHEET AND CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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SOUTHERN CALIFORNIA GAS COMPANY
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PER-BOOK
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