FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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

For the fiscal year ended December 31, 1994
Commission file number 1-40

PACIFIC ENTERPRISES
(Exact name of Registrant as specified in its charter)

California	95-0743670
(State of incorporation)	(IRS Employer Identification No.)

555 West Fifth Street, Los Angeles, California	90031-1001
(Address of principal executive offices)	(Zip Code)

(213) 895-5000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock and Associated Common Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange
Preferred Stock	
$7.64 dividend	
$4.75 dividend	
$4.50 dividend	American Stock Exchange
$4.40 dividend	Pacific Stock Exchange
$4.36 dividend	

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

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 and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of Registrant's voting stock (Common Stock and Voting Preferred Stock) held by non-affiliates at March 14, 1995, was approximately $2.2 billion. This amount excludes the market value of 141,737 shares of Common Stock held by Registrant's directors and executive officers.

Registrant's Common Stock outstanding at March 14, 1995, numbered 84,541,092 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in this Annual Report is incorporated by reference to information contained or to be contained in other documents filed or to be filed by Registrant with the Securities and Exchange Commission. The following table identifies the information so incorporated in each Part of this Annual Report on Form 10-K and the document in which it is or will be contained.

Annual Report On Form 10-K	Information Incorporated by Reference and Document in Which Information is or will be Contained
Part II -	Information contained under the captions "Financial Review -- Management's Discussion and Analysis", "Quarterly Financial Data", "Range of Market Prices of Capital Stock" and "Selected Financial Data and Comparative Statistics 1984-1994", in Registrant's 1994 Annual Report to Shareholders.
Part III -	Information contained under the captions "Election of Directors", "Share Ownership of Directors and Executive Officers" and "Executive Compensation" in Registrant's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 4, 1994.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

PACIFIC ENTERPRISES

Pacific Enterprises is a Los Angeles-based utility holding company primarily engaged in supplying natural gas throughout most of southern and portions of central California. These operations are conducted through Southern California Gas Company, the nation's largest natural gas distribution utility. Through other subsidiaries, Pacific Enterprises is also engaged in interstate and offshore natural gas transmission and in alternate energy development.

Pacific Enterprises was incorporated in California in 1907 as the successor to a corporation organized in 1886. Its principal executive offices are located at 555 West Fifth Street, Los Angeles, California 90013-1011 and its telephone number is (213) 895-5000.

SOUTHERN CALIFORNIA GAS COMPANY

Pacific Enterprises' principal subsidiary is Southern California Gas Company ("SoCalGas"), a public utility owning and operating a natural gas distribution, transmission and storage system that supplies natural gas in 535 cities and communities throughout most of southern California and parts of central California. SoCalGas is the nation's largest natural gas distribution utility, providing gas service to approximately 17 million residential, commercial, industrial, utility electric generation and wholesale customers through approximately 4.7 million meters in a 23,000-square mile service area.

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

For 1995, the CPUC has authorized SoCalGas to earn a rate of return on rate base of 9.67 percent and a 12.00 percent rate of return on common equity compared to 9.22 percent and 11.00 percent, respectively, in 1994. Growth in rate base for 1994 was approximately 3 percent. Rate base is expected to remain at the same level in 1995. SoCalGas has achieved or exceeded its authorized return on rate base for the last twelve consecutive years.

OPERATING STATISTICS

The following table sets forth certain operating statistics of SoCalGas from 1990 through 1994.

OPERATING STATISTICS

	Year Ended December 31				
	1994	1993	1992	1991	1990
Gas Sales, Transportation & Exchange Revenues (thousands of dollars):					
Residential	$1,712,899	$1,652,562	$1,483,654	$1,673,837	$1,547,492
Commercial/Industrial	798,180	853,579	836,672	977,065	1,057,030
Utility Electric Generation	118,353	147,208	194,639	148,573	235,102
Wholesale	98,354	116,737	128,881	144,779	164,716
Exchange	690	3,745	5,863	7,482	8,496
Total in rates	2,728,476(1)	2,773,831	2,649,709	2,951,736	3,012,836
Regulatory balancing accounts and other	(141,952)	37,243	190,216	(21,430)	199,789
Operating Revenue	$2,586,524	$2,811,074	$2,839,925	$2,930,306	$3,212,625
Volumes (millions of cubic feet):					
Residential	256,400	247,507	243,920	249,522	261,887
Commercial/Industrial	347,419	339,706	363,124	460,368	436,330
Utility Electric Generation	260,290	212,720	220,642	170,043	158,985
Wholesale	146,279	147,978	149,232	141,931	139,034
Exchange	10,002	16,969	23,888	25,604	30,246
Total	1,020,390	964,880	1,000,806	1,047,468	1,026,482
Core	341,469	338,795	334,630	351,432	372,677
Noncore	678,921	626,085	666,176	696,036	653,805
Total	1,020,390	964,880	1,000,806	1,047,468	1,026,482
Sales	362,624	352,052	355,177	411,414	515,757
Transportation	647,764	595,859	621,741	610,450	480,479
Exchange	10,002	16,969	23,888	25,604	30,246
Total	1,020,390	964,880	1,000,806	1,047,468	1,026,482
Revenues (per thousand cubic feet):					
Residential	$6.68	$6.68	$6.08	$6.71	$5.91
Commercial/Industrial	$2.30	$2.51	$2.30	$2.12	$2.42
Utility Electric Generation	$0.45	$0.69	$0.88	$0.87	$1.48
Wholesale	$0.67	$0.79	$0.86	$1.02	$1.18
Exchange	$0.07	$0.22	$0.25	$0.29	$0.28
Customers					
Active Meters (at end of period):					
Residential	4,483,324	4,459,250	4,445,500	4,429,896	4,381,563
Commercial	187,518	187,602	189,364	193,051	193,409
Industrial	23,505	23,924	24,419	25,642	26,530
Utility Electric Generation	8	8	8	8	8
Wholesale	3	3	2	2	2
Total	4,694,358	4,670,787	4,659,293	4,648,599	4,601,512
Residential Meter Usage (annual average):					
Revenues	$383	$371	$334	$380	$356
Volumes (thousands of cubic feet)	57.4	55.6	55.0	56.6	60.3
System Usage (millions of cubic feet):					
Average Daily Sendout	2,795	2,611	2,717	2,881	2,824
Peak Day Sendout	4,350	4,578	4,547	4,356	5,267
Sendout Capability (at end of period)	7,570	7,351	7,419	7,073	7,073
Degree Days(2):					
Number	1,438(3)	1,203	1,258	1,409	1,432
Average (20 Year)	1,418	1,430	1,458	1,474	1,506
Percent of Average	101.4%	84.1%	86.3%	95.6%	95.1%
Population of Service Area (estimated at year end)	17,070,000	15,600,000	15,600,000	15,600,000	15,100,000

(1) Beginning January 1, 1994, rates included the ratepayer's portion of the Comprehensive Settlement (the amount included in rates for 1994 was $119 million).
(2) The number of degree days for any period of time indicates whether the temperature is relatively hot or cold. A degree day is recorded for each degree the average temperature for any day falls below 65 degrees Fahrenheit.
(3) Estimated calendar degree days.

SERVICE AREA

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

[MAP OF SOUTHERN CALIFORNIA GAS COMPANY SERVICE TERRITORY]

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

UTILITY SERVICES

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

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

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

SoCalGas also provides a gas storage service for noncore customers on a bid basis. The storage service program provides opportunities for customers to store gas on an "as available" basis during the summer to reduce winter purchases when gas costs are generally higher, or to reduce their level of winter curtailment in the event temperatures are unusually cold. During 1994, SoCalGas stored approximately 24 billion cubic feet of customer-owned gas.

DEMAND FOR GAS

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

During 1994, 97 percent of residential energy customers in SoCalGas' service territory used natural gas for water heating and 94 percent for space heating. Approximately 78 percent of those customers used natural gas for cooking and 72 percent for clothes drying.

Demand for natural gas by noncore customers such as large volume commercial, industrial and electric generating customers is very sensitive to the price of alternative competitive fuels. These customers number only approximately 1,200; however, during 1994, accounted for approximately 17 percent of total gas revenues, 67 percent of total gas volumes delivered and

14 percent of the authorized gas margin. Changes in the cost of gas or alternative fuels, primarily fuel oil, can result in significant shifts in this market, subject to air quality regulations. Demand for gas for UEG use is also affected by the price and availability of electric power generated in other areas and purchased by SoCalGas' UEG customers. See "Competition" below.

COMPETITION

Since interstate pipelines began operations in SoCalGas' service territories, SoCalGas' throughput to customers in the Kern County area who use natural gas to produce steam for enhanced oil recovery projects has decreased significantly because of the bypass of SoCalGas' system. The decrease in revenues from enhanced oil recovery customers is subject to full balancing account treatment, except for a five percent incentive to SoCalGas for attaining certain throughput levels, and therefore, does not have a material impact on earnings. However, bypass of other Company markets also may occur. SoCalGas is fully at risk for lost noncore volumes due to competition, and would not receive balancing account treatment except in the enhanced oil recovery market.

In order to respond to certain bypass threats, SoCalGas has received authorization from the CPUC for expedited review of price discounts proposed for long-term gas transportation contracts with some noncore customers. The CPUC has also approved changes in the methodology for allocating SoCalGas' costs between core and noncore customers to reduce the subsidization of core customer rates by noncore customers. These have resulted in a reduction of noncore rates and a corresponding increase in core rates that better reflects the cost of serving each customer class and, together with price discounting authority, has enabled SoCalGas to better compete with new interstate pipelines for noncore customers. In addition, in August 1993 a capacity brokering program was implemented. Under the program, for a fee, SoCalGas provides to noncore customers, or others, a portion of its control of interstate pipeline capacity to allow more direct access to producers. Also, the Comprehensive Settlement (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Comprehensive Settlement of Regulatory Issues.") will help improve SoCalGas' competitiveness by reducing the cost of transportation service to noncore customers.

Historically, environmental laws have favorably impacted the use of natural gas in SoCalGas' service territory, particularly by utility electric generation customers. However, increasingly complex administrative requirements may discourage natural gas use by large commercial and industrial customers.

In April 1994, the CPUC announced it would review the structure of California's electric utility service, a review that could lead to significant changes in the way investor-owned utilities conduct business, including the amount of electricity purchased from out-of-state suppliers. The CPUC's proposed deregulation of electricity sales by the year 2002 may affect the future volumes of natural gas SoCalGas transports for electric utilities. Utility electric generation customers currently account for 26 percent of SoCalGas' annual throughput. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Factors Influencing Future Performance."

SUPPLIES OF GAS

In 1994, SoCalGas delivered approximately 1 trillion cubic feet of natural gas through its system. Approximately 65 percent of these deliveries were customer-owned gas for which SoCalGas provided transportation services, compared to 64 percent in 1993. The balance of gas deliveries was gas purchased by SoCalGas and resold to customers.

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

SoCalGas currently has paramount rights to daily deliveries of up to 2,200 million cubic feet of natural gas over the interstate pipeline systems of El Paso Natural Gas Company (up to 1,450 million cubic feet) and Transwestern Pipeline Company (up to 750 million cubic feet). The rates that interstate pipeline companies may charge for gas and transportation services and other terms of service are regulated by the Federal Energy Regulatory Commission (FERC).

Existing interstate pipeline capacity into California exceeds current demand by over 1 billion cubic feet per day. Up to 2 billion cubic feet per day of capacity on the El Paso and Transwestern interstate pipeline systems, representing over $175 million and $55 million, respectively, of reservation charges annually, may be relinquished within the next few years based on existing contract reduction options and contract expirations. Some of this capacity may not be resubscribed. Current FERC regulation could permit costs of unsubscribed capacity to be allocated to remaining firm service customers, including SoCalGas. Under existing regulation in California, SoCalGas would have the opportunity to include its portion of any such reallocated costs in its rates. If competitive conditions did not support higher rates resulting from these reallocated costs, then SoCalGas would be at risk for lost revenues in the noncore market.

SoCalGas, as a part of a coalition of customers who hold 90 percent of the firm transportation capacity rights on the El Paso and Transwestern systems, has offered a proposal for market based rates with balanced incentives to El Paso and Transwestern to resolve the issue of unsubscribed capacity. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Influencing Future Performance."

The following table sets forth the sources of gas deliveries by SoCalGas from 1990 through 1994.

SOURCES OF GAS

	Year Ended December 31				
	1994	1993	1992	1991	1990
Gas Purchases: (Millions of Cubic Feet)					
Market Gas:					
30-Day	98,071	84,696	20,695	139,649	148,849
Other	148,371	159,197	198,049	168,486	225,710
Total Market Gas	246,442	243,893	218,744	308,135	374,559
Affiliates	101,276	96,559	99,226	98,566	103,406
California Producers & Federal Offshore	36,158	28,107	42,262	39,613	52,633
Total Gas Purchases	383,876	368,559	360,232	446,314	530,598
Customer-Owned Gas and Exchange Receipts	658,293	622,307	641,080	629,038	531,263
Storage Withdrawal (Injection) - Net	(9,299)	(9,498)	14,379	(8,451)	(13,288)
Company Use and Unaccounted For	(12,480)	(16,488)	(14,885)	(19,432)	(22,091)
Net Gas Deliveries	1,020,390	964,880	1,000,806	1,047,469	1,026,482
Gas Purchases: (Thousands of dollars)					
Commodity Costs	$ 643,865	$ 815,145	$ 805,550	$1,071,445	$1,371,854
Fixed Charges*	368,516	397,714	397,579	358,294	405,233
Total Gas Purchases	$1,012,381	$1,212,859	$1,203,129	$1,429,739	$1,777,087
Average Cost of Gas Purchased (Dollars per Thousand Cubic Feet)**	$1.68	$2.21	$2.24	$2.40	$2.59

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

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

Market sensitive gas supplies (supplies purchased on the spot market as well as under longer-term contracts and ranging from one month to ten years based on spot prices) accounted for approximately 64 percent of total gas volumes purchased by SoCalGas during 1994, as compared with 66 percent and 61 percent, respectively, during 1993 and 1992. These supplies were generally purchased at prices significantly below those for other long-term sources of supply.

On March 16, 1994, the CPUC approved a new process for evaluating SoCalGas' gas purchases substantially replacing the previous process of reasonableness reviews. The new "Gas Cost Incentive Mechanism" ("GCIM") is a three-year pilot program that began in April 1994. The GCIM essentially compares SoCalGas' cost of gas with a benchmark level. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - SoCalGas Operations - Ratemaking Procedures.

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

RATES AND REGULATION

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

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

SoCalGas' operating and fixed costs, including return on rate base, are allocated between core and noncore customers under a methodology that is based upon the costs incurred in serving these customer classes. For 1995, approximately 89 percent of the CPUC-authorized gas margin has been allocated to core customers and 11 percent to noncore customers, including wholesale customers. Under the current regulatory framework, costs may be reallocated between the core and the noncore markets once every other year in a biennial cost allocation proceeding (BCAP).

During 1994, SoCalGas began exploring a new approach for setting rates to its customers known as "Performance Based Ratemaking" ("PBR"). This new approach would maintain cost based rates but would link financial performance with increases and decreases in productivity and generally would allow for rates to increase by the rate of inflation, less an agreed upon adjustment for productivity improvements. SoCalGas proposes to file a PBR application with the CPUC in 1995, and if approved, the change would not take effect until January 1, 1997, at the earliest. Although PBR could result in increased earnings volatility, SoCalGas would have the opportunity to improve financial performance to the extent it was able to reduce expenses, increase energy deliveries and generate profits from new products and services. See also "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Influencing Future Performance."

PROPERTIES

At December 31, 1994, SoCalGas owned approximately 3,040 miles of transmission and storage pipeline, 42,683 miles of distribution pipeline and 42,647 miles of service piping. It also owned 13 transmission compressor stations and 6 underground storage reservoirs (with a combined working storage capacity of approximately 116 billion cubic feet) and general office buildings, shops, service facilities, and certain other equipment necessary in the conduct of its business.

Southern California Gas Tower, a wholly owned subsidiary of SoCalGas, has a 15 percent limited partnership interest in a 52-story office building in downtown Los Angeles. SoCalGas occupies about half of the building. See also "Item 2. Properties."

ENVIRONMENTAL MATTERS

SoCalGas has identified and reported to California environmental authorities 42 former gas manufacturing sites for which it (together with other utilities as to 21 of the sites) may have remedial obligations under environmental laws. As of December 31, 1994, eight of the sites have been remediated, of which five have received certification from the California Environmental Protection Agency. Preliminary investigations, at a minimum, have been completed on thirty-three of the sites, including those sites at which the remediations described above have been completed. In addition, SoCalGas is one of a large number of major corporations that have been identified as a potentially responsible party for environmental remediation of three industrial waste disposal sites and a landfill site. These 46 sites are in various stages of investigation or remediation. It is anticipated that the investigation, and if necessary, remediation of these sites will be completed over a period of from ten years to twenty years.

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

At December 31, 1994, SoCalGas' estimated remaining liability for investigation and remediation for the 46 sites was approximately $65 million, which it is authorized to recover through the rate recovery mechanism described above. The estimated liability is subject to future adjustment pending further investigation. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation -- SoCalGas Operations - Environmental Matters." Because of current and expected rate recovery, Pacific Enterprises believes that compliance with environmental laws and regulations will not have a material adverse effect on its financial statements.

INTERSTATE PIPELINE OPERATIONS

Pacific Enterprises is engaged, through Pacific Interstate Company, in interstate and offshore purchase and transmission of natural gas which is resold to SoCalGas under long-term supply contracts. Two subsidiaries own and operate pipelines and related facilities for deliveries to SoCalGas of gas produced from offshore fields near Santa Barbara, California. Another subsidiary has an interest in pipeline facilities for deliveries to SoCalGas of gas from Western Canada. During 1994, these operations accounted for approximately 26% of the total volume of gas purchased by SoCalGas and 10% of SoCalGas' total throughput. The gas is purchased under long-term contracts which have been restructured in conjunction with the Comprehensive Settlement (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Comprehensive Settlement of Regulatory Issues.").

ALTERNATE ENERGY OPERATIONS

Through Pacific Energy, Pacific Enterprises develops and operates electricity generating plants fueled by renewable energy sources, including gas, from landfills, waste wood plants, hydroelectric dams and geothermal hot water. Electricity produced by these plants is sold to electric utilities under long-term contracts generally providing for escalating fixed prices for ten years with pricing thereafter at the utility's short-run avoided cost. The fixed pricing periods for Pacific Energy's existing contracts expire between 1995 and 2000 and Pacific Enterprises anticipates that avoided cost pricing will result in substantially lower prices for its electrical production than the fixed prices currently being received.

Pacific Energy also develops and operates centralized heating and air conditioning plants. These plants supply heated and chilled water for heating and cooling major office buildings, hotels and apartments.

EMPLOYEES

Pacific Enterprises and its subsidiaries employ approximately 8,500 persons. Of these, approximately 8,200 are employed by SoCalGas.

Most field, clerical and technical employees of SoCalGas are represented by the Utility Workers' Union of America or the International Chemical Workers' Union. Collective bargaining agreements covering these approximately 5,560 employees expire with respect to wages and working conditions on March 31, 1996 and with respect to medical benefits on December 31, 1995. The agreement with respect to all benefits except medical expires on March 31, 1995, and SoCalGas is currently in the process of negotiating a new agreement.

MANAGEMENT

The executive officers of Pacific Enterprises are as follows:

Name	Age	Position
Willis B. Wood, Jr.	60	Chairman of the Board and Chief Executive Officer
Richard D. Farman	59	President and Chief Operating Officer
Lloyd A. Levitin	62	Executive Vice President and Chief Financial Officer
Warren I. Mitchell	57	President, Southern California Gas Company
Frederick E. John	49	Senior Vice President
Christopher R. Sherman	42	Senior Vice President
Debra L. Reed	38	Senior Vice President, Southern California Gas Company
Lee M. Stewart	49	Senior Vice President, Southern California Gas Company
Leslie E. LoBaugh, Jr.	49	Vice President and General Counsel
Ralph Todaro	44	Vice President and Controller

Executive officers are elected annually and serve at the pleasure of the Board of Directors.

All of Pacific Enterprises' executive officers have been employed by Pacific Enterprises or its subsidiaries in management positions for more than five years.

There are no family relationships between any of Pacific Enterprises' executive officers.

ITEM 2. PROPERTIES

Pacific Library Tower, a wholly-owned subsidiary of Pacific Enterprises, has a 25% ownership interest in a 72-story office building in downtown Los Angeles that was completed in late 1990. Pacific Enterprises and its subsidiaries lease twelve floors of the building.

Information with respect to the properties of other Pacific Enterprises' subsidiaries is set forth in Item 1 of this Annual Report.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of 1994 to a vote of Pacific Enterprises' security holders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Pacific Enterprises' Common Stock is traded on the New York and Pacific Stock Exchanges. Information as to the high and low sales prices for such stock as reported on the composite tape for stocks listed on the New York Stock Exchange and dividends paid for each quarterly period during the two years ended December 31, 1994 is set forth under the captions "Financial Review--Range of Market Prices of Capital Stock" and "Quarterly Financial Data" in Pacific Enterprises' 1994 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

At December 31, 1994, there were 43,139 holders of record of Pacific Enterprises' Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is set forth under the caption "Financial Review - Selected Financial Data and Comparative Statistics 1984-1994" in Pacific Enterprises' 1994 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is set forth under the caption "Financial Review - Management's Discussion and Analysis" in Pacific Enterprises' 1994 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pacific Enterprises' consolidated financial statements and schedules required by this Item are listed in Item 14(a)1 and 2 in Part IV of this Annual Report. The consolidated financial statements listed in Item 14(a)1 are incorporated herein by reference.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item with respect to the Company's directors is set forth under the caption "Election of Directors" in the Company's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 4, 1994. Such information is incorporated herein by reference.

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

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is set forth under the caption "Election of Directors" and "Executive Compensation" in the Company's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 4, 1994. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this Item is set forth under the caption "Election of Directors" in the Company's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 4, 1994. Such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

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

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

1.01 Report of Deloitte & Touche LLP, Independent Certified Public Accountants (Contained in Exhibit 13.01).

1.02 Statement of Consolidated Income for the years ended December 31, 1994, 1993 and 1992 (Contained in Exhibit 13.01).

1.03 Consolidated Balance Sheet at December 31, 1994 and 1993 (Contained in Exhibit 13.01).

1.04 Statement of Consolidated Cash Flows for the years ended December 31, 1994, 1993 and 1992 (Contained in Exhibit 13.01).

1.05 Statement of Consolidated Shareholders' Equity for the years ended December 31, 1994, 1993 and 1992 (Contained in Exhibit 13.01).

1.06 Notes to Consolidated Financial Statements (Contained in Exhibit 13.01).

3. ARTICLES OF INCORPORATION AND BY-LAWS:

3.01 Articles of Incorporation of Pacific Enterprises (Note 22; Exhibit 4.1).

3.02 Bylaws of Pacific Enterprises

4. INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS:

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

4.01 Specimen Common Stock Certificate of Pacific Enterprises (Note 16; Exhibit 4.01).

4.02 Specimen Preferred Stock Certificates of Pacific Enterprises (Note 8; Exhibit 4.02).

4.03 Specimen Remarketed Preferred Stock Certificate (Note 17; Exhibit 4.03).

4.04 First Mortgage Indenture of Southern California Gas Company to American Trust Company dated October 1, 1940 (Note 1; Exhibit B-4).

4.05 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of July 1, 1947 (Note 2; Exhibit B-5).

4.06 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of August 1, 1955 (Note 3; Exhibit 4.07).

4.07 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of June 1, 1956 (Note 4; Exhibit 2.08).

4.08 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of August 1, 1972 (Note 6; Exhibit 2.19).

4.09 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of May 1, 1976 (Note 5; Exhibit 2.20).

4.10 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of September 15, 1981 (Note 9; Exhibit 4.25).

4.11 Supplemental Indenture of Southern California Gas Company to Manufacturers Hanover Trust Company of California, successor to Wells Fargo Bank, National Association, and Crocker National Bank as Successor Trustee dated as of May 18, 1984 (Note 11; Exhibit 4.29).

4.12 Supplemental Indenture of Southern California Gas Company to Bankers Trust Company of California, N.A., successor to Wells Fargo Bank, National Association dated as of January 15, 1988 (Note 13; Exhibit 4.11).

4.13 Supplemental Indenture of Southern California Gas Company to First Trust of California, National Association, successor to Bankers Trust Company of California, N.A. (Note 18; Exhibit 4.37).

4.14 Rights Agreement dated as of March 7, 1990 between Pacific Enterprises and Security Pacific National Bank, as Rights Agent (Note 19; Exhibit 4).

10. MATERIAL CONTRACTS

10.01 Sale and Purchase Agreement, dated as of May 22, 1992, as amended between TCH Corporation and Pacific Enterprises (Note 19; Exhibit 1).

10.02 Sale and Purchase Agreement, dated as of May 22, 1992, as amended, among Big 5 Holdings, Inc., Pacific Enterprises and Thrifty Corporation (Note 19; Exhibit 2).

10.03 Sale and Purchase Agreement, dated as of October 11, 1992 by and between Hunt Oil Company and Pacific Enterprises Oil Company (USA) (Note 19; Exhibit 1).

10.04 Sale and Purchase Agreement, dated as of October 11, 1992 by and between Hunt Oil Company and Pacific Enterprises Mineral Company (Note 20; Exhibit 2).

10.05 Sale and Purchase Agreement, dated as of October 11, 1992 by and between Hunt Oil Company and Pacific Enterprises Oil Company (Western) (Note 20; Exhibit 3).

10.06 Sale and Purchase Agreement, dated as of October 11, 1992 by and between Hunt Oil Company and Pacific Gas Gathering Company (Note 6; Exhibit 4).

10.07 Form of Indemnification Agreement between Pacific Enterprises and each of its directors and officers (Note 21; Exhibit 10.07).

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

10.08	Restatement and Amendment of Pacific Enterprises 1979 Stock Option Plan (Note 7; Exhibit 1.1).
10.09	Pacific Enterprises Supplemental Medical Reimbursement Plan for Senior Officers (Note 8; Exhibit 10.24).
10.10	Pacific Enterprises Financial Services Program for Senior Officers (Note 8; Exhibit 10.25).
10.11	Pacific Enterprises Supplemental Retirement and Survivor Plan (Note 11; Exhibit 10.36).
10.12	Pacific Enterprises Stock Payment Plan (Note 11; Exhibit 10.37).
10.13	Pacific Enterprises Pension Restoration Plan (Note 8; Exhibit 10.28).
10.14	Southern California Gas Company Pension Restoration Plan For Certain Management Employees (Note 8; Exhibit 10.29).
10.15	Pacific Enterprises Executive Incentive Plan (Note 13; Exhibit 10.13).
10.16	Pacific Enterprises Deferred Compensation Plan for Key Management Employees (Note 12; Exhibit 10.41).
10.17	Pacific Enterprises Employee Stock Ownership Plan and Trust Agreement as amended in toto effective October 1, 1992. (Note 21; Exhibit 10.18).
10.18	Pacific Enterprises Stock Incentive Plan (Note 15; Exhibit 4.01).
10.19	Pacific Enterprises Retirement Plan for Directors (Note 21; Exhibit 10.20).
10.20	Pacific Enterprises Director' Deferred Compensation Plan (Note 21; Exhibit 10.21).
10.21	Pacific Enterprises Employee Stock Option Plan (Note 23; Exhibit 4.01).

11. STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

11.01 Pacific Enterprises Computation of Earnings per Share (see Statement of Consolidated Income contained in Exhibit 13.01).

13. ANNUAL REPORT TO SECURITY HOLDERS

13.01 Pacific Enterprises 1994 Annual Report to Shareholders. (Such report, except for the portions thereof which are expressly incorporated by reference in this Annual Report, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Annual Report).

21. SUBSIDIARIES OF THE REGISTRANT

21.01 List of subsidiaries of Pacific Enterprises.

23. CONSENTS OF EXPERTS AND COUNSEL

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

24. POWER OF ATTORNEY

24.01 Power of Attorney of Certain Officers and Directors of Pacific Enterprises (contained on signature pages).

27. FINANCIAL DATA SCHEDULE

27.01 Financial Data Schedule

(b) REPORTS ON FORM 8-K:

No reports on Form 8-K were filed during the last quarter of 1994.

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

Note Reference	Document
1	Registration Statement No. 2-4504 filed by Southern California Gas Company on September 16, 1940.
2	Registration Statement No. 2-7072 filed by Southern California Gas Company on March 15, 1947.

3 Registration Statement No. 2-11997 filed by Pacific Lighting Corporation on October 26, 1955.

4 Registration Statement No. 2-12456 filed by Southern California Gas Company on April 23, 1956.

5 Registration Statement No. 2-56034 filed by Southern California Gas Company on April 14, 1976.

6 Registration Statement No. 2-59832 filed by Southern California Gas Company on September 6, 1977.

7 Registration Statement No. 2-66833 filed by Pacific Lighting Corporation on March 5, 1980.

8 Annual Report on Form 10-K for the year ended December 31, 1980, filed by Pacific Lighting Corporation.

9 Annual Report on Form 10-K for the year ended December 31, 1981, filed by Pacific Lighting Corporation.

10 Annual Report on Form 10-K for the year ended December 31, 1983, filed by Pacific Lighting Corporation.

11 Annual Report on Form 10-K for the year ended December 31, 1984, filed by Pacific Lighting Corporation.

12 Annual Report on Form 10-K for the year ended December 31, 1985, filed by Pacific Lighting Corporation.

13 Annual Report on Form 10-K for the year ended December 31, 1987, filed by Pacific Enterprises.

14 Current Report on Form 8-K dated March 7, 1990, filed by Pacific Enterprises.

15 Registration Statement No. 33-21908 filed by Pacific Enterprises on May 17, 1988.

16 Annual Report on Form 10-K for the year ended December 31, 1988, filed by Pacific Enterprises.

17 Annual Report on form 10-K for the year ended December 31, 1989, filed by Pacific Enterprises.

18 Registration Statement No. 33-50826 filed by Southern California Gas Company on August 13, 1992.

19 Current Report on Form 8-K dated September 25, 1992, filed by Pacific Enterprises.

20 Current Report on Form 8-K dated January 5, 1993, filed by Pacific Enterprises.

21 Annual Report on Form 10-K for the year ended December 31, 1992, filed by Pacific Enterprises.

22 Registration Statement No. 33-61278 filed by Pacific Enterprises on April 20, 1993.

23 Registration Statement No. 33-54055 filed by Pacific Enterprises on June 9, 1994.

SIGNATURES

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

PACIFIC ENTERPRISES

By: /s/ Willis B. Wood, Jr.

Name: Willis B. Wood, Jr.

Title: Chairman of the Board and
Chief Executive Officer

Dated: March 17, 1995

Each person whose signature appears below hereby authorizes Willis B. Wood, Jr., Richard D. Farman, and Lloyd A. Levitin, and each of them, severally, as attorney-in-fact, to sign on his or her behalf, individually and in each capacity stated below, and file all amendments to this Annual Report.

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

Signature	Title	Date
/s/ Willis B. Wood, Jr. (Willis B. Wood, Jr.)	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 17, 1995
/s/ Lloyd A. Levitin (Lloyd A. Levitin)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 17, 1995
/s/ Ralph Todaro (Ralph Todaro)	Vice President and Controller	March 17, 1995
/s/ Hyla H. Bertea (Hyla H. Bertea)	Director	March 17, 1995
/s/ Herbert L. Carter (Herbert L. Carter)	Director	March 17, 1995
/s/ Richard D. Farman (Richard D. Farman)	Director	March 17, 1995
/s/ Wilford D. Godbold, Jr. (Wilford D. Godbold, Jr.)	Director	March 17, 1995
/s/ Ignacio E. Lozano, Jr. (Ignacio E. Lozano, Jr.)	Director	March 17, 1995
/s/ Harold M. Messmer, Jr. (Harold M. Messmer, Jr.)	Director	March 17, 1995
/s/ Paul A. Miller (Paul A. Miller)	Director	March 17, 1995
/s/ Joseph R. Rensch (Joseph R. Rensch)	Director	March 17, 1995
/s/ Diana L. Walker (Diana L. Walker)	Director	March 17, 1995

EXHIBIT 3.02

BYLAWS

OF

PACIFIC ENTERPRISES

MARCH 1, 1995

BYLAWS

OF

PACIFIC ENTERPRISES

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ARTICLE I

PRINCIPAL OFFICE

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

ARTICLE II

MEETINGS OF SHAREHOLDERS

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

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

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

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

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

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

ARTICLE III

BOARD OF DIRECTORS

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

a. Conduct, manage and control the business of the Company, and make rules consistent with law, the Articles of Incorporation and the Bylaws;

b. Elect, and remove at their discretion, Officers of the Company, prescribe their duties, and fix their compensation;

c. Authorize the issue of shares of stock of the Company upon lawful terms: (i) in consideration of money paid, labor done, services actually rendered to the Company or for its benefit or in its reorganization, debts or securities cancelled, and tangible or intangible property actually received either by this Company or by a wholly-owned subsidiary; but neither promissory notes of the purchaser (unless adequately secured by collateral other than the shares acquired or unless permitted by Section 408 of the California Corporations Code) nor future services shall constitute payment or part payment for shares of this Company, or (ii) as a share dividend or upon a stock split, reverse stock split, reclassifications of outstanding shares into shares of another class, conversion of outstanding shares into shares of another class, exchange of outstanding shares for shares of another class or other change affecting outstanding shares;

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

e. Elect an Executive Committee and other committees.

SECTION 2. The Board of Directors shall elect an Executive Committee from the Directors, which shall consist of six members including the Chairman of the Board and the President. The Board may designate one of the members of the Executive Committee as the Chairman of the Executive Committee and may also designate one or more Directors as alternate members of the Executive Committee, who may replace any absent member at any meeting of the Executive Committee. Subject to change by resolution adopted by the Board of Directors or the Executive Committee, meetings of the Executive Committee shall be called and held at times and places fixed by the Chairman of the Board, the Chairman of the Executive Committee, or any two members of the Executive Committee; notice of meetings shall be given in the manner described in the Bylaws for giving notice of special meetings of the Board of Directors; the Chairman of the Executive Committee shall preside and, in his absence, the Chairman of the Board shall be the presiding officer. The Executive Committee shall have all the authority of the Board of Directors except with respect to (a) the approval of any action for which California General Corporation Law also requires shareholders' approval or approval of the outstanding shares; (b) the filling of vacancies on the Board or in any committee; (c) the fixing of compensation of the Directors for serving on the Board or on any committee; (d) the amendment or repeal of Bylaws or the adoption of new bylaws; (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (f) a distribution, except at a rate, in a periodic amount or within a price range set forth in the Articles of Incorporation or determined by the Board; (g) the appointment of other committees of the Board or the members thereof; and (h) the fixing of compensation of officers of the Company or its subsidiaries. A majority of the authorized number of members of the Executive Committee shall constitute a quorum for the transaction of business.

SECTION 3. The Board of Directors shall consist of not less than nine nor more than seventeen members. The exact number of Directors shall be fixed from time to time, within the limits specified, by a resolution duly adopted by the Board of Directors. A majority of the authorized number of Directors shall constitute a quorum of the Board.

ARTICLE IV

MEETING OF DIRECTORS

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

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

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

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

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

ARTICLE V

OFFICERS

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

ARTICLE VI

THE CHAIRMAN OF THE BOARD AND THE PRESIDENT

SECTION 1. The Chairman of the Board of Directors shall be a member of the Board and the Chief Executive Officer of the Company and shall preside at all Meetings of Shareholders and the Board. The Chairman of the Board shall have general charge and supervision of the Company's business and all of its Officers, employees and agents and he shall have all of the powers and perform all of the duties inherent in that office. The Chairman of the Board shall have additional powers and perform further duties as may be prescribed by the Board of Directors.

SECTION 2. The President shall be a member of the Board and the Chief Operating Officer of the Company. The President shall have all of the powers and perform all of the duties inherent in that office. The President shall have additional powers and perform further duties as may be prescribed by the Board of Directors.

ARTICLE VII

VICE PRESIDENTS

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

ARTICLE VIII

SECRETARY

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

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

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

ARTICLE IX

TREASURER

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

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

ARTICLE X

RECORD DATE

SECTION 1. The Board of Directors may fix a time in the future as a record date for ascertaining the Shareholders entitled to notice and to vote at any meeting of Shareholders, to give consent to corporate action in writing without a meeting, to receive any dividend, distribution, or allotment of rights or to exercise rights related to any change, conversion, or exchange of shares. The selected record date shall not be more than sixty nor less than 10 days prior to the date of the Meeting nor more than sixty days prior to any other action or event for the purposes for which it is fixed. When a record date is fixed, only Shareholders of Record on that date are entitled to notice and to vote at the Meeting, to give consent to corporate action, to receive a dividend, distribution, or allotment of rights, or to exercise any rights in respect of any other lawful action, notwithstanding any transfer of shares on the books of the Company after the record date. The record date for determining Shareholders, entitled to give consent to corporate action in writing without a Meeting, when no prior action by the Board has been taken, shall be the sixtieth calendar day following the day on which the first consent is delivered to the Secretary.

ARTICLE XI

INDEMNIFICATION OF AGENTS OF THE COMPANY; PURCHASE OF LIABILITY INSURANCE

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

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

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

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

a. In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company in the performance of such person's duty to the Company and its Shareholders, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine;

b. Of amounts paid in settling or otherwise disposing of a pending action without court approval;

c. Of expenses incurred in defending a pending action which is settled or otherwise disposed of without court approval.

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

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

a. A majority vote of a quorum consisting of Directors who are not parties to such proceeding;

b. If such a quorum of Directors is not obtainable, by independent legal counsel in a written Opinion;

c. Approval of the Shareholders, with the shares owned by the person to be indemnified not being entitled to vote thereon;

d. The court in which such proceeding is or was pending upon application made by the Company or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Company.

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

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

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

a. That it would be inconsistent with a provision of the Articles of Incorporation, these Bylaws, a resolution of the Shareholders or an agreement in effect at the time of the accrual of the alleged causes of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification;

b. That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

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

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

ARTICLE XII

SEAL

SECTION 1. The Company shall have a common seal upon which shall be inscribed:

"Pacific Enterprises
Incorporated May 21, 1907
California"

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pacific Enterprises (the Company), is a holding company whose primary subsidiary is Southern California Gas Company (SoCalGas), a public utility engaged in natural gas distribution, transmission and storage in a 23,000-square-mile service area in southern California and parts of central California. This section includes management's analysis of operating results from 1992 through 1994, and is intended to provide additional information about the Company's financial performance. This section also focuses on the major factors expected to influence future operating results and discusses future investment and financing plans. This section should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF CONSOLIDATED OPERATIONS

Net income for 1994 was $172 million, or $1.95 per share of common stock, compared to net income of $181 million, or $2.06 per share, in 1993 and a net loss of $550 million, or $7.57 per share, in 1992. The decrease of $9 million during 1994 is due primarily to a federal tax benefit of $8 million recognized in 1993 and lower earnings at SoCalGas, partially offset by lower interest expense. Although SoCalGas' authorized rate of return on common equity was reduced from 11.90 percent in 1993 to 11.00 percent in 1994 this reduction was substantially offset by continued reductions in operating expenses, higher earnings from the noncore market and the growth in rate base. The net loss in 1992 resulted from losses from discontinued operations of $686 million, or $9.17 per share, partially offset by income from continuing operations of $136 million or $1.60 per share.

In 1993, the Company completed a strategic restructuring to refocus on its natural gas utility and related businesses. This restructuring included divestiture of its retailing and oil and gas operations in late 1992 and early 1993, substantial reduction of its corporate overhead and sale of 8 million shares of common stock, the proceeds of which were used to repay all of the bank debt at the holding company, excluding debt related to the employee benefit plans, and for other general corporate purposes. The Company resumed its dividend at a $1.20 per common share annual rate in the third quarter of 1993 after having suspended the regular quarterly dividend in the second quarter of 1992. The dividend was subsequently increased to a $1.28 annual rate in the second quarter of 1994.

In 1992, the loss from discontinued operations was primarily due to losses on disposal of retailing operations of $475 million after-tax and of oil and gas operations of $156 million after-tax and a provision for downsizing the Company's corporate operations of $37 million after-tax. In addition, operating losses from these units were $18 million after-tax. In connection with the divestitures, the Company effected a quasi-reorganization for financial reporting purposes effective December 31, 1992. Assets and liabilities were adjusted to their fair values and the accumulated deficit in retained earnings was eliminated by a charge to common stock. Fair value adjustments charged to common stock totaled $190 million.

The weighted average number of shares of common stock outstanding increased 2 percent to 81.9 million in 1994, following an 8 percent increase in 1993. The increase in 1994 was due primarily to the full year's impact of 8 million shares issued in a second quarter public offering in 1993, partially offset by the effect of the adoption in 1994 of the American Institute of Certified Public Accountants' Statement of Position No. 93-6, "Employers' Accounting for Employee Stock Ownership Plans" (SOP 93-6). For further discussion of SOP 93-6, see Note 12 of Notes to Consolidated Financial Statements. The increase in 1993 was due primarily to the shares issued in the public offering.

Book value per share was $14.74, $12.19 and $9.44 at December 31, 1994, 1993 and 1992, respectively.

SOCALGAS OPERATIONS

SoCalGas markets are separated into core customers and noncore customers. Core customers consist of approximately 4.7 million customers (4.5

[Bar Chart]

Allowed vs. Achieved Return on Rate Base (Percent)

	1990	1991	1992	1993	1994
Allowed	10.75	10.79	10.49	9.99	9.22
Achieved	10.83	10.94	11.01	10.27	9.74

million residential and 0.2 million smaller commercial and industrial customers). The noncore market consists of approximately 1,200 customers which primarily include utility electric generation, wholesale, and large commercial and industrial customers. Many noncore customers are sensitive to the price relationship between natural gas and alternate fuels, and are capable of readily switching from one fuel to another, subject to air quality regulations.

FINANCIAL RESULTS

Under current utility ratemaking policies, the return that SoCalGas is authorized to earn is the product of an authorized rate of return on rate base and the amount of rate base. Rate base consists primarily of net investment in utility plant. Thus, SoCalGas' earnings are affected by changes in the authorized rate of return on rate base and the growth in rate base and by SoCalGas' ability to control expenses and investment in rate base within the amounts authorized by the California Public Utilities Commission (CPUC) in setting rates. In addition, achievement of the authorized rate of return is affected by other regulatory and operating factors. SoCalGas is exploring a new approach for setting rates to its customers as discussed in Factors Influencing Future Performance.

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

(Dollars in Millions)	1994	1993	1992
Net income (after preferred dividends)	$ 180	$ 184	$ 188
Authorized return on rate base	9.22%	9.99%	10.49%
Authorized return on common equity	11.00%	11.90%	12.65%
Weighted average rate base	$2,862	$2,769	$2,720
Growth in weighted average rate base over prior period	3.4%	1.8%	2.1%

SoCalGas net income decreased $4 million in 1994 due primarily to a reduction in SoCalGas' authorized rate of return on common equity from 11.90 percent in 1993 to 11.00 percent in 1994 partially offset by reductions in operating expenses, higher earnings from the noncore market and the growth in rate base. During 1993, net income decreased $4 million due primarily to a reduction in SoCalGas' authorized rate of return on common equity and lower earnings from the noncore market, partially offset by reductions in SoCalGas' cost of service, including operating and financing costs, and growth in rate base.

SoCalGas has achieved or exceeded the rate of return on rate base authorized by the CPUC for 12 consecutive years. In 1994, SoCalGas achieved a 9.74 percent return on rate base compared to a 9.22 percent authorized return and a 12.33 percent return on equity compared to an 11.00 percent authorized return. The improved returns were primarily due to more efficient operations through aggressive reductions in operating expenses, noncore earnings and a conservation award. SoCalGas plans to continue efforts to reduce costs in 1995. In 1995, SoCalGas is authorized to earn 9.67 percent on rate base and 12.00 percent on common equity. Rate base is expected to remain at the same level as 1994.

SoCalGas' operating revenues decreased $224 million in 1994. The decrease reflects a reduction in authorized gas margin and the average unit cost of gas partially offset by the growth in rate base and an increase in noncore volumes transported. SoCalGas' cost of gas distributed decreased $195 million in 1994. The decrease reflects a lower average unit cost of gas in 1994 partially offset by a slight increase in core volumes delivered. Core volumes increased as a result of colder weather in 1994 compared to 1993. SoCalGas' operating revenues decreased $29 million from 1992 to 1993. The decrease reflects a reduction in authorized gas margin, the average unit cost of gas and noncore volumes transported partially offset by the growth in rate base. SoCalGas' cost of gas distributed

[Bar Chart]

Annual Throughput Volumes (Billions of Cubic Feet)

Transported and Exchanged	1990	1991	1992	1993	1994
Sold	1,026	1,047	1,001	965	1,020

decreased $20 million in 1993. The decrease reflects a lower average unit cost of gas in 1993 partially offset by an increase in core volumes delivered. The average unit cost of gas has declined as a result of lower market prices. The average commodity cost of gas purchased by SoCalGas, excluding fixed charges, for 1994 was $1.68 per thousand cubic feet, compared to $2.21 per thousand cubic feet in 1993 and $2.24 per thousand cubic feet in 1992.

OPERATING RESULTS

The table below summarizes the components of SoCalGas' throughput and rates charged to customers for the past three years. Beginning January 1, 1994, rates included the ratepayer portion of the Comprehensive Settlement (See Note 3 of Notes to Consolidated Financial Statements). The amount included in rates for 1994 was $119 million.

(Dollars in millions, volume in billion cubic feet)	Gas Sales		Transportation and Exchange		Total	
	Throughput	Revenue	Throughput	Revenue	Throughput	Revenue
1994:						
Residential	254	$1,704	2	$ 9	256	$1,713
Commercial/Industrial	100	592	258	207	358	799
Utility Electric Generation			260	118	260	118
Wholesale	8	21	138	77	146	98
Total in Rates	362	$2,317	658	$411	1,020	2,728
Balancing and Other						(141)
Total Operating Revenues						$2,587
1993:						
Residential	244	$1,641	4	$ 12	248	$1,653
Commercial/Industrial	97	610	259	247	356	857
Utility Electric Generation		4	213	143	213	147
Wholesale	11	27	137	90	148	117
Total in Rates	352	$2,282	613	$492	965	2,774
Balancing and Other						37
Total Operating Revenues						$2,811
1992:						
Residential	241	$1,475	3	$ 9	244	$1,484
Commercial/Industrial	100	586	287	256	387	842
Utility Electric Generation		21	221	174	221	195
Wholesale	14	34	135	95	149	129
Total in Rates	355	$2,116	646	$534	1,001	2,650
Balancing and Other						190
Total Operating Revenues						$2,840

Although the revenues from transportation throughput are less than for gas sales, SoCalGas generally earns the same margin whether it buys the gas and sells it to the customer or transports gas already owned by the customer. For 1995, approximately 89 percent of total margin authorized is contributed by the core market (residential and smaller commercial and industrial customers), with 11 percent contributed by the noncore market. Throughput, the total gas sales and transportation volumes moved through SoCalGas' system, has increased during 1994 as a result of greater weather-related demand in noncore volumes, primarily utility electric generation and large commercial and industrial customers. During 1993, throughput declined from 1992 levels as a result of bypass of SoCalGas' system, primarily by enhanced oil recovery customers. (See Factors Influencing Future Performance).

[Bar Chart]

	1990	1991	1992	1993	1994
Employees Per 1,000 Meters	2.11	2.06	1.99	1.93	1.75

RATEMAKING PROCEDURES

SoCalGas is regulated by the CPUC. It is the responsibility of the CPUC to determine that utilities operate in the best interest of the ratepayer with the opportunity to earn a reasonable return on investment. Current ratemaking procedures are summarized below.

- --> GENERAL RATE CASES   General rate applications are filed every three years. In a general rate case, the CPUC establishes a margin, which is the amount of revenue authorized to be collected from customers to recover authorized operating expenses (other than the cost of gas as discussed below, see BCAP), depreciation, interest, taxes and return on rate base. Rate adjustments from SoCalGas' next general rate case proceeding would normally be scheduled to go into effect in 1997, however, SoCalGas has filed a petition for modification with the CPUC to delay the proceeding and is exploring a new approach for setting rates to its customers. Known as "Performance Based Ratemaking" (PBR), this new method would link financial performance with productivity improvements and generally would allow for rates to increase by the rate of inflation, less an agreed-upon percentage for productivity improvements. SoCalGas proposes to file a PBR application with the CPUC in 1995 and if approved, to implement it in 1997 at the earliest. For a further discussion of PBR, see Factors Influencing Future Performance-Performance Based Ratemaking.

- --> ATTRITION   In a process referred to as the annual attrition allowance, the CPUC annually adjusts rates for years between general rate cases to cover the changes in rate base and the effects of inflation as adjusted by a productivity improvement factor. Separate proceedings are held annually to review SoCalGas' cost of capital, including return on common equity, interest costs and changes in capital structure. The CPUC has authorized annual allowances for operational attrition for 1995 and 1996 to the extent that the annual inflation rate for those years exceeds 2 percent and 3 percent, respectively, for operating and maintenance expenses. This compares to a 3 percent productivity adjustment authorized for 1994. The rate base attrition will continue based upon a three year rolling average of recorded net utility plant additions. For further discussion of annual attrition allowances, see Note 3 of Notes to Consolidated Financial Statements.

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

All savings from gas purchased below the benchmark are shared equally between ratepayers and shareholders. SoCalGas can recover all costs in excess of the benchmark but within a tolerance band. If SoCalGas' cost of gas exceeds the tolerance band, then the excess costs are shared equally between ratepayers and shareholders. For the first year of the program, the GCIM provides a 4.5 percent tolerance band above the benchmark. For the second and third years of the program, the tolerance band decreases to 4 percent. In 1994, since the inception of the GCIM, SoCalGas' gas purchases were within the tolerance band.

SoCalGas enters into a certain amount of gas futures contracts in the open market to help reduce gas costs within the GCIM tolerance band. SoCalGas' policy is to use gas futures contracts to mitigate risk and better manage gas costs. The CPUC has approved the use of gas futures for managing risk associated with the GCIM. For the year ended December 31, 1994, gains or losses from gas futures contracts are not material to the Company's financial statements.

[Bar Chart]

Average Cost of Gas Purchased, Excluding Fixed Charges
(Dollars Per Thousand Cubic Feet)

1990	1991	1992	1993	1994
2.59	2.40	2.24	2.21	1.68

- -->BCAP In a biennial cost allocation proceeding (BCAP), the CPUC specifies for each two-year period the allocation of total authorized revenue requirements (including cost of gas) to be collected from SoCalGas' core and noncore customer classes. SoCalGas maintains regulatory accounts to accumulate undercollections and overcollections from customers and makes periodic filings with the CPUC to adjust future rates to amortize outstanding balances in those accounts. In the most recent BCAP decision issued by the CPUC in December 1994, SoCalGas has been authorized to collect a $130 million revenue increase effective January 1, 1995. Of this amount, $45 million has been authorized for the 1995 attrition allowance, $27 million as a result of the increase in the 1995 authorized rate of return on common equity and rate base, and $58 million for the BCAP. Included in the BCAP decision was a partial reallocation of costs to further reduce subsidies by nonresidential core customers to residential customers in order to better align residential rates with the cost of providing residential service.

For the core market, SoCalGas records margin ratably each month. The BCAP balancing account procedure, which substantially eliminates the effect on income of variances in gas costs and volumes sold, allows SoCalGas to increase rates for increased gas acquisition costs or for revenue shortfalls due to reductions in demand by core customers, subject to the terms and conditions of the GCIM mechanism and the Comprehensive Settlement (as discussed below). Conversely, SoCalGas reduces rates for decreased gas acquisition costs or for higher than projected revenues from increases in demand by core customers.

RESTRUCTURING OF GAS SUPPLY CONTRACTS

SoCalGas and the Company's gas supply subsidiaries restructured long-term gas supply contracts with suppliers of California offshore and Canadian gas. SoCalGas' cost of these supplies had been substantially in excess of its average delivered cost of gas for all supplies. The new contracts substantially reduced the ongoing delivered costs of these gas supplies and provided lump sum payments of $391 million to the suppliers. The expiration date for the Canadian gas supply contract was also shortened from 2012 to 2003.

COMPREHENSIVE SETTLEMENT OF REGULATORY ISSUES

On July 20, 1994, the CPUC approved a comprehensive settlement (Comprehensive Settlement) of a number of pending regulatory issues including partial rate recovery of restructuring costs associated with the long-term gas supply contracts discussed above. The Comprehensive Settlement permits SoCalGas to recover in utility rates approximately 80 percent of the contract restructuring costs of $391 million and accelerated amortization of related pipeline assets of approximately $140 million, together with interest, over a period of approximately five years (See Note 3 of Notes to Consolidated Financial Statements).

FACTORS INFLUENCING FUTURE PERFORMANCE

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

The impact of any future regulatory restructuring, such as Performance Based Ratemaking, increased competitiveness in the industry, including the continuing threat of customers bypassing SoCalGas' system and obtaining service directly from interstate pipelines, and electric industry restructuring could also affect SoCalGas' future performance. The Company's ability to report as earnings the results from revenues in excess of SoCalGas' authorized return from noncore customers due to volume increases has been eliminated for the five years beginning August 1, 1994 as a consequence of the Comprehensive Settlement

[Pie Chart]

1995 Authorized Margin

Core Market 89%
Noncore Market 11%

described above. This is because certain forecasted levels of gas deliveries in excess of the 1991 throughput levels used to establish noncore rates were contemplated in estimating the costs of the Comprehensive Settlement at December 31, 1993.

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

- --> ALLOWED RATE OF RETURN AND GROWTH IN RATE BASE   SoCalGas' earnings for 1995 will be affected by the increase in the authorized rate of return on common equity, reflecting the overall increase in cost of capital. For 1995, SoCalGas is authorized to earn a rate of return on rate base of 9.67 percent and a rate of return on common equity of 12.00 percent compared to 9.22 percent and 11.00 percent, respectively, in 1994. A change in return on equity of 1 percent (100 basis points) impacts earnings approximately $ .17 per share. Rate base is expected to remain at the same level as 1994.

- --> NONCORE BYPASS   Since the completion of the Kern River and Mojave Interstate Pipelines in February 1992, SoCalGas' throughput to customers in the Kern County area, who use natural gas to produce steam for enhanced oil recovery projects, has decreased significantly because of the bypass of SoCalGas' system. The Kern River and Mojave Interstate Pipelines now deliver natural gas to customers formerly served by SoCalGas amounting to 350 million to 400 million cubic feet per day. The decrease in revenues from enhanced oil recovery customers is subject to full balancing account treatment, except for a 5 percent incentive to SoCalGas, and therefore, does not have a material impact on SoCalGas' earnings. However, bypass of other markets may also occur, and SoCalGas is fully at risk for lost noncore volumes due to competition, and would not receive balancing account treatment except in the enhanced oil recovery market.

- --> NONCORE PRICING   In order to respond to certain bypass threats, SoCalGas has received authorization from the CPUC for expedited review of price discounts proposed through long-term gas transportation contracts with some noncore customers. In addition, in December 1992, the CPUC approved changes in the methodology for allocating SoCalGas' costs between core and noncore customers to reduce subsidization of core customer rates by noncore customers. Effective in June 1993, the CPUC implemented the new cost allocation policy known as "long-run marginal cost". The revised methodologies have resulted in a reduction of noncore rates and a corresponding increase in core rates that better reflects the cost of serving each customer class and, together with price discounting authority, has enabled SoCalGas to better compete with new interstate pipelines for noncore customers. In addition, in August 1993 a capacity brokering program was implemented. Under the program, for a fee, SoCalGas provides to noncore customers, or others, a portion of its control of interstate pipeline capacity to allow more direct access to producers. Also, the Comprehensive Settlement will help improve SoCalGas' competitiveness by reducing the cost of transportation service to noncore customers.

- --> NONCORE THROUGHPUT   SoCalGas' earnings are subject to variability if gas throughput to its noncore customers varies from estimates adopted by the CPUC in establishing rates. There is a continuing risk that an unfavorable variance in noncore volumes can result from external factors such as weather, the use of increased hydroelectric power, the price relationship between alternative fuels and natural gas, competing pipeline bypass of SoCalGas' system and general economic conditions. In these cases SoCalGas is at risk for the lost revenue. In addition, although an economic downturn or recession does not affect SoCalGas as significantly as nonregulated businesses, there exists the risk that an unfavorable variance in the noncore volumes can result.

[Bar Chart]

Annual Cost of Appliance Operation
Gas vs. Electric
(Dollars)

	Space	Water	Clothes	Cooking
Gas	254	134	45	30
Electric	852	531	126	115

- --> MANAGEMENT CONTROL OF EXPENSES AND INVESTMENT   Over the past 12 years, management has been able to control operating expenses and investment within the amounts authorized to be collected in rates and intends to continue to do so to remain competitive and reduce the risk of bypass. Future cost reductions are expected, including employee reductions and productivity gains as a result of moving to a realigned business unit organization. In connection with the Comprehensive Settlement, SoCalGas has agreed to absorb a 2 percent and 3 percent productivity adjustment to its authorized level of operating and maintenance expenses in 1995 and 1996, respectively, before it can seek any rate recovery due to the effects of inflation.

SoCalGas also bears the risk of nonrecovery of margin or other costs authorized by the CPUC for the noncore market under the terms of the Comprehensive Settlement. Unanticipated significant increases in the inflation rate could also reduce earnings and cash flow.

- --> PERFORMANCE BASED RATEMAKING   During 1994, SoCalGas began exploring a new approach for setting rates to its customers. Known as PBR, the new method would maintain cost based rates but would link financial performance with increases and decreases in productivity and generally would allow for rates to increase by the rate of inflation, less an agreed-upon adjustment for productivity improvements. Although PBR could result in increased earnings volatility, SoCalGas would have the opportunity to improve financial performance to the extent it was able to reduce expenses, increase energy deliveries and generate profits from new products and services. Under PBR, SoCalGas would be at risk for changes in interest rates and cost of capital, changes in core volumes not related to weather, and achieving the productivity improvements. SoCalGas proposes to file a PBR application with the CPUC in 1995 and if approved, to implement it in 1997 at the earliest.

- --> ELECTRIC INDUSTRY RESTRUCTURING   Demand for natural gas by electric generation customers is sensitive to the price and availability of electric power generated in other areas and purchased by these electric generation customers. In April 1994, the CPUC announced it will review the structure of California's electric utility service, a review that could lead to significant changes in the way California's investor-owned electric utilities and cogenerators conduct business. The CPUC's proposal has no immediate effect on SoCalGas' operations. However, SoCalGas is closely monitoring the process and has taken an active role in the proceedings because of its considerable experience with natural gas deregulation and because future volumes of natural gas it transports for electric utilities could be adversely affected. In addition, as a result of restructuring, electric rates could become more competitive in the future.

The following table indicates the comparative energy cost of gas versus the energy cost of electricity in 1995 for an average residential customer in SoCalGas' service territory:

Fuel	Price	Price/MMBTU
Natural Gas	$.716/Therm	$7.16
Electricity	$.132/KWH	$38.58

The electric industry restructuring may result in a reduction of electric rates to core customers, but it is unlikely to overcome the entire cost advantage of natural gas for residential heating.

- --> EXCESS INTERSTATE PIPELINE CAPACITY   Existing interstate pipeline capacity into California exceeds current demand by over 1 billion cubic feet per day. Up to 2 billion cubic feet per day of capacity on the El Paso and Transwestern interstate pipeline systems, representing over $175 million and $55 million, respectively, of reservation charges annually, may be relinquished within the next few years based on existing contract reduction options and contract expirations. Some of this capacity may not be resubscribed. Current FERC regulation could permit

[Bar Chart]

New Meter Sets Per Year
(Thousands)

1990	1991	1992	1993	1994
103.2	75.8	55.8	47.0	43.4

the cost of unsubscribed capacity to be allocated to remaining firm service customers, including SoCalGas. Under existing regulation in California, SoCalGas would have the opportunity to include its portion of any such reallocated costs in its rates. If competitive conditions did not support higher rates resulting from these reallocated costs, then SoCalGas would be at risk for lost revenues in the noncore market.

SoCalGas, as a part of a coalition of customers who hold 90 percent of the firm transportation capacity rights on the El Paso and Transwestern systems, has offered a proposal for market based rates with balanced incentives to El Paso and Trans-western to resolve the issue of stranded or unsubscribed capacity. Negotiations on a settlement of the issue, consistent with the coalition's proposal, are progressing with Transwestern. Discussions of the proposal with El Paso are continuing.

- --> ENVIRONMENTAL MATTERS   SoCalGas' operations and those of its customers are affected by a growing number of environmental laws and regulations. These laws and regulations affect current operations as well as future expansion. Historically, enviromental laws favorably impacted the use of natural gas in SoCalGas' service territory, particularly by utility electric generation and large industrial customers. However, increasingly complex administrative requirements may discourage natural gas use by commercial and industrial customers. Environmental laws also require clean up of facilities no longer in use. Because of current and expected rate recovery, SoCalGas believes that compliance with these laws will not have a significant impact on its financial statements. For further discussion of environmental and regulatory matters, see Note 5 of Notes to Consolidated Financial Statements.

OTHER REGULATED SUBSIDIARIES

The Company's interstate pipeline subsidiaries, certain of which are regulated by the Federal Energy Regulatory Commission (FERC), purchase natural gas from producers in Canada and from federal waters offshore California and transport it for resale to SoCalGas. During 1994, these deliveries from the interstate pipeline subsidiaries accounted for approximately 26 percent of the total volume of gas purchased by SoCalGas and approximately 10 percent of SoCalGas' total throughput. The gas is purchased under long-term contracts which have been restructured in conjunction with the Comprehensive Settlement. Net income of other regulated subsidiaries was $4 million in 1993 and 1992. As a result of the accelerated amortization of the pipeline assets, net income totaled $600,000 in 1994.

OTHER OPERATIONS

Other operations include Pacific Energy, the Company's partnership interest in its headquarters building and other miscellaneous activities. Pacific Energy develops and operates alternate energy facilities and operates centralized heating and air conditioning plants.

Net income of other operations was $12 million in 1994 compared to net income of $10 million in 1993 and a net loss of $4 million in 1992. The increase from the prior year is primarily a result of improved operating results at the alternate energy facilities. The increase in net income in 1993 was due primarily to lower expense as a result of fair value adjustments at December 31, 1992 under the quasi-reorganization.

PARENT COMPANY

During 1994, 1993 and 1992, net losses were $20 million, $17 million and $52 million, including $12 million, $17 million and $23 million of interest expense after-tax, respectively. The smaller loss in 1993 is primarily a result of a tax benefit of $8 million recognized in 1993 for the change in the federal tax rate. The decrease from 1992 to 1993 is due to reductions in the parent company's work force and other cost reduction measures, the tax benefit recognized in 1993 and provisions for parent downsizing costs recorded in 1992.

[Bar Chart]

Capital Expenditures
(Millions of Dollars)

1990	1991	1992	1993	1994
386	335	329	331	249

CAPITAL EXPENDITURES

Capital expenditures were $249 million, $331 million and $329 million in 1994, 1993 and 1992, respectively. Capital expenditures primarily represent ratebase investment at SoCalGas. The decline in capital expenditures is due primarily to the continued sluggishness in the southern California economy, lower amounts required to replace aging pipeline and fewer large projects. Capital expenditures are estimated to be $260 million in 1995 and will be financed primarily by internally generated funds.

LIQUIDITY

Cash and Cash Equivalents at December 31, 1994 was $287 million which includes $228 million at the parent. Parent cash is available for investment in new energy-related projects, retirement of remarketed preferred stock and debt and other corporate purposes during the next few years. Regulatory Accounts Receivable decreased in 1994 primarily due to overcollections under the BCAP balancing account procedures due primarily to lower gas prices than forecasted. Regulatory Accounts Receivable increased in 1993 and 1992 reflecting higher undercollections due primarily to core market throughput falling below CPUC-adopted forecast levels. Regulatory Assets decreased in 1994 primarily due to the recovery of $119 million related to the Comprehensive Settlement. In 1993 Accounts Payable - Other included the liability for lump sum settlement payments of $375 million to restructure long-term gas supply contracts which were paid in 1994.

- --> PREFERRED STOCK REDEMPTION The Company redeemed $40 million of remarketed preferred stock in 1994. The Company may retire all of the remaining re-marketed preferred stock during the next few years.

- --> INTEREST EXPENSE Interest expense for continuing operations was $128 million, $135 million and $157 million in 1994, 1993 and 1992, respectively. Interest expense in 1994 and 1993 was reduced from the 1992 level as a result of repayment of nonutility debt and refinancing of SoCalGas debt at lower interest rates. The Company has two interest rate swap agreements which effectively set $200 million of variable rate debt to fixed rates and expire in September 1995 (See Note 8 of Notes to Consolidated Financial Statements).

- --> FUTURE BORROWINGS At December 31, 1994, all financing for the Comprehensive Settlement has been completed. The Company has $330 million of commercial paper outstanding to finance the Comprehensive Settlement. This amount is expected to decline over the five year period of the Comprehensive Settlement as amounts are recovered in rates. The Company anticipates that cash requirements in 1995 for capital expenditures, dividends and debt requirements will come from cash generated from operating activities, existing cash balances and any future refinancing of existing debt. Future refinancings are expected to include a combination of commercial paper and medium-term notes.

- --> SHAREHOLDER LAWSUITS In January 1994, the Company announced that an agreement had been reached to settle pending shareholder lawsuits originally filed in February 1992. After the Federal Court approved the settlement in May, an appeal of the approval was filed in June, 1994. On February 9, 1995 the 9th Circuit Court of Appeals affirmed the Federal District Court's approval of the settlement. The settlement was reflected in prior year's financial statements.

- --> DIVIDENDS In 1994, the Company paid dividends of $104 million on common stock and $12 million on preferred stock for a total of $116 million. This compares to $65 million in 1993 and $48 million in 1992. The increase in 1994 was due to the resumption of common dividends effective with the third quarter of 1993 and the increase in the quarterly dividend rate in the second quarter of 1994 partially offset by lower preferred dividends. The common dividends rate was $.30 per share in the first quarter of 1994 and $.32 per share in the last three quarters of 1994.

STATEMENT OF CONSOLIDATED INCOME

(Dollars are in millions, except per-share amounts)	1994	1993	1992
	Year Ended December 31		
REVENUES AND OTHER INCOME			
Operating Revenues	$2,664	$2,899	$2,900
Other	38	24	9
Total	2,702	2,923	2,909
EXPENSES			
Cost of Gas Distributed	924	1,086	1,081
Operating Expenses	977	1,029	1,048
Depreciation and Amortization	239	243	236
Franchise Payments and Other Taxes	113	113	122
Preferred Dividends of a Subsidiary	10	10	7
Total	2,263	2,481	2,494
Income from Continuing Operations Before Interest and Taxes	439	442	415
Interest	128	135	157
Income from Continuing Operations Before Income Taxes	311	307	258
Income Taxes	139	126	122
Income from Continuing Operations	172	181	136
Discontinued Operations:			
Loss from discontinued operations			(18)
Loss on disposal of discontinued operations			(668)
Total			(686)
Net Income (Loss)	172	181	(550)
Dividends on Preferred Stock	12	15	16
Net Income (Loss) Applicable to Common Stock	$ 160	$ 166	$ (566)
NET INCOME (LOSS) PER SHARE OF COMMON STOCK			
Continuing operations	$ 1.95	$ 2.06	$ 1.60
Discontinued operations			(9.17)
Total	$ 1.95	$ 2.06	$(7.57)
Common Dividends Declared Per Share	$ 1.26	$ .60	$ .44
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING (IN THOUSANDS)	81,939	80,472	74,820

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEET

(Dollars in Millions)	December 31 1994	1993
ASSETS		
Property, Plant and Equipment	$5,953	$5,763
Less accumulated depreciation and amortization	2,673	2,476
Total property, plant and equipment--net	3,280	3,287
Current Assets:		
Cash and cash equivalents	287	152
Accounts receivable--trade (less allowance for doubtful receivables of $13 in 1994 and $19 in 1993)	500	469
Accounts and notes receivable--other	37	50
Income taxes receivable		20
Deferred income taxes		8
Gas in storage	64	53
Other inventories	35	33
Regulatory accounts receivable--net	360	449
Prepaid expenses	40	30
Total current assets	1,323	1,264
Other Investments	51	51
Other Receivables	30	31
Regulatory Assets	707	918
Other Assets	54	45
Total assets	$5,445	$5,596

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(Dollars in Millions)	December 31 1994	1993
CAPITALIZATION		
Shareholders' Equity:		
Capital stock:		
Remarketed Preferred, Series A	$ 108	$ 148
Preferred	110	110
Common	1,092	1,048
Total capital stock	1,310	1,306
Retained earnings, after elimination of accumulated deficit of $452 million against common stock at December 31, 1992 as part of the quasi-reorganization	172	116
Less deferred compensation relating to Employee Stock Ownership Plan	(54)	(138)
Total shareholders' equity	1,428	1,284
Preferred Stocks of a Subsidiary	195	195
Long-Term Debt	1,420	1,262
Debt of Employee Stock Ownership Plan	130	132
Total capitalization	3,173	2,873
LIABILITIES		
Current Liabilities:		
Short-term debt	278	267
Accounts payable--trade	235	216
Accounts payable--other	234	724
Accrued income taxes	12	
Deferred income taxes	34	
Other taxes payable	53	52
Long-term debt due within one year	128	58
Accrued interest	42	62
Other	130	84
Total current liabilities	1,146	1,463
Long-Term Liabilities	255	251
Customer Advances for Construction	44	45
Postretirement Benefits Other than Pensions	245	255
Deferred Income Taxes	157	181
Deferred Investment Tax Credits	70	73
Other Deferred Credits	355	455
Commitments and Contingent Liabilities (Note 5)		
Total capitalization and liabilities	$5,445	$5,596

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED CASH FLOWS

(Dollars in Millions)	1994	1993	1992
	Year Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from Continuing Operations	$ 172	$ 181	$ 136
Adjustments to Reconcile Income from Continuing Operations to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and amortization	239	243	236
Deferred income taxes	(37)	95	26
Other	(31)	(12)	7
Net change in other working capital components	(153)	(130)	(209)
Total from continuing operations	190	377	196
Loss from Discontinued Operations			(686)
Adjustments to Reconcile Loss from Discontinued Operations to Net Cash Provided by Discontinued Operating Activities:			
Provision for losses			668
Changes in operating assets and liabilities of discontinued operations	65	106	200
Total from discontinued operations	65	106	182
Net cash provided by operating activities	255	483	378
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for Property, Plant and Equipment	(249)	(331)	(329)
Increase in Other Investments		(3)	(6)
Total capital expenditures and other investments	(249)	(334)	(335)
Proceeds from Disposition of Properties	1		2
(Increase) Decrease in Other Receivables, Regulatory Assets and Other Assets	40	(28)	7
Net Investing Activities Relating to Discontinued Operations		102	109
Net cash used in investing activities	(208)	(260)	(217)
CASH FLOWS FROM FINANCING ACTIVITIES			
Sale of Common Stock	7	189	43
Redemption of Remarketed Preferred Stock	(40)		
Sale of Preferred Stock of a Subsidiary		75	
Redemption of Preferred Stock of a Subsidiary		(75)	
Increase in Long-Term Debt	246	931	805
Decrease in Long-Term Debt	(20)	(1,610)	(623)
Increase in Short-Term Debt	11	52	92
Common and Preferred Dividends	(116)	(65)	(48)
Net Financing Activities Relating to Discontinued Operations			(96)
Net cash provided by (used in) financing activities	88	(503)	173
Increase (Decrease) in Cash and Cash Equivalents	135	(280)	334
Cash and Cash Equivalents, January 1	152	432	98
Cash and Cash Equivalents, December 31	$ 287	$ 152	$ 432

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED CASH FLOWS

(Dollars in Millions)	Year Ended December 31 1994	1993	1992
CHANGES IN OTHER WORKING CAPITAL COMPONENTS (Excluding cash and cash equivalents, short-term debt and long-term debt due within one year)			
Current Assets:			
Receivables	$ (18)	$ 5	$ 24
Inventories	(13)	(17)	15
Regulatory accounts receivable	237	(113)	(107)
Other	(10)	32	25
Total	196	(93)	(43)
Current Liabilities:			
Accounts payable	(454)	38	(135)
Accrued income taxes	32	(49)	(1)
Deferred income taxes	46	(23)	(10)
Other taxes payable	1	(8)	(7)
Other	26	5	(13)
Total	(349)	(37)	(166)
Net change in other working capital components	$(153)	$(130)	$(209)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid (Refunded) During the Year for:			
Interest (net of amount capitalized)	$ 130	$ 131	$ 207
Income taxes	$ 98	$ (25)	$ (91)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

Years Ended December 31, 1994, 1993 and 1992 (In millions, except share amounts)	Preferred Stock Number of shares	Preferred Stock No par value	Common Stock Number of shares	Common Stock No par value	Retained earnings	Deferred compensation relating to Employee Stock Ownership Plan (ESOP)	Total shareholders' equity
BALANCES AT DECEMBER 31, 1991	1,101,903	$258	73,017,441	$1,458	$ 146	$(163)	$1,699
Net Loss					(550)		(550)
Cash Dividends Declared:							
Preferred stock					(16)		(16)
Common stock					(32)		(32)
Common Stock Sold			2,272,387	43			43
Quasi-Reorganization (see Note 2 of Notes to Consolidated Financial Statements)				(642)	452		(190)
Decrease in Deferred Compensation Relating to ESOP						15	15
BALANCES AT DECEMBER 31, 1992	1,101,903	258	75,289,828	859		(148)	969
Net Income					181		181
Cash Dividends Declared:							
Preferred stock					(15)		(15)
Common stock					(50)		(50)
Common Stock Sold			8,904,387	189			189
Redemption of Preferred Stock	(50)						
Decrease in Deferred Compensation Relating to ESOP						10	10
BALANCES AT DECEMBER 31, 1993	1,101,853	258	84,194,215	1,048	116	(138)	1,284
Net Income					172		172
Cash Dividends Declared:							
Preferred stock					(12)		(12)
Common stock					(104)		(104)
Common Stock Sold			337,577	7			7
Quasi-Reorganization Adjustment (See Note 2 of Notes to Consolidated Financial Statements)				37		77	114
Redemption of Remarketed Preferred Stock	(400)	(40)					(40)
Adoption of SOP 93-6 (See Note 12 of Notes to Consolidated Financial Statements)			(2,575,690)				
Common Stock Released from ESOP			155,161			7	7
BALANCES AT DECEMBER 31, 1994	1,101,453	$218	82,111,263	$1,092	$ 172	$ (54)	$1,428

THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED AT DECEMBER 31, 1994 AND 1993 IS 600,000,000. THE NUMBER OF SHARES OF PREFERRED STOCK AND CLASS A PREFERRED STOCK AUTHORIZED AND OUTSTANDING AT DECEMBER 31, 1994 AND 1993 IS SET FORTH IN NOTE 11 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries of Pacific Enterprises (the Company). Investments in 50-percent-or-less owned joint ventures and partnerships are accounted for by the equity or cost method, as appropriate.

RECLASSIFICATIONS

Certain changes in account classification have been made in the prior years' consolidated financial statements to conform to the 1994 financial statement presentation.

REGULATION

Southern California Gas Company (SoCalGas) follows accounting policies prescribed or authorized by the California Public Utilities Commission (CPUC). Interstate natural gas transmission subsidiaries follow accounting policies prescribed or authorized by the Federal Energy Regulatory Commission (FERC). The regulated subsidiaries apply the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." This statement requires cost-based rate regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements.

INVENTORIES

Gas in storage inventory is stated at last-in, first-out (LIFO) cost. As a result of a regulatory accounting procedure, the pricing of gas in storage does not have any effect on net income. If the first-in, first-out (FIFO) method of accounting for gas in storage inventory had been used by SoCalGas, inventory would have been higher than reported at December 31, 1994 and 1993 by $34 million and $58 million, respectively. Other inventories are generally stated at the lower of cost, determined on an average cost basis, or market.

PROPERTY, PLANT AND EQUIPMENT

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

REGULATORY ACCOUNTS RECEIVABLE -- NET

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

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

AFUDC represents the cost of funds used to finance the construction of utility plant and is added to the cost of utility plant. Interest expense of $4 million in 1994, $7 million in 1993 and $6 million in 1992 was capitalized.

OTHER

Cash equivalents include short-term investments purchased with maturities of less than 90 days. Certain assets and liabilities of a real estate finance subsidiary, which is being phased out, are shown on a net basis. Other major accounting policies are included in the following notes.

2. DISCONTINUED OPERATIONS AND QUASI-REORGANIZATION

During 1993, the Company completed a strategic plan to refocus on its natural gas utility and related businesses. The strategy included the divestiture of its retailing operations and substantially all of its oil and gas exploration and production business. In connection with the divestitures, the Company effected a quasi-reorganization for financial reporting purposes effective December 31, 1992. Fair value adjustments charged to common stock totaled $190 million. These after-tax adjustments represented $53 million related to the Company's ownership and occupancy of the Company's headquarters building, $50 million for undeveloped mineral interests and real estate, $43 million for alternate energy plants, $18 million for financial instruments and $26 million for other adjustments, including gas contract issues. Additionally, the accumulated deficit in retained earnings of $452 million at December 31, 1992 was eliminated by a reduction in the common stock account.

The Company resumed its common dividend at a $.30 per share quarterly rate in the third quarter of 1993 after having suspended the regular quarterly dividend in the second quarter of 1992. In April 1994, the Company increased the quarterly dividend to $.32 per share.

In connection with the sale of its retailing operations, the Company assumed Thrifty's Employee Stock Ownership Plan (ESOP) and related indebtedness (see Notes 8 and 12). In addition, Thrifty's buyer agreed to reimburse the Company for a portion of the ESOP quarterly debt service. In April 1994, the Company received a $65 million payment from the buyer. This payment primarily reflected the settlement of the buyer's remaining debt service obligation. It also canceled a warrant granted to the Company in connection with the Thrifty sale to purchase approximately 10 percent of the buyer's common stock. Since the sale of the retailing operations was recorded prior to the quasi-reorganization, the settlement and resolution of other contingencies related to the ESOP resulted in a $114 million increase to shareholders' equity, of which $37 million was to common stock.

In 1992, the Company provided charges of $730 million ($475 million after-tax, or $6.45 per share) and $232 million ($156 million after-tax, or $2.09 per share) for the losses on disposal of the remaining retailing operations and discontinued oil and gas exploration and production operations, respectively.

Revenues from the retailing operations were $2,091 million for 1992 (through September 25, the date of sale). The loss from the discontinued retailing operations was $28 million for 1992, net of related income tax benefits of $12 million. Revenues from the oil and gas operations were $232 million for 1992. The income from the discontinued oil and gas operations was $10 million for 1992, net of related income tax expense of $4 million.

Costs of downsizing corporate operations of $37 million were also charged to the loss on disposal of discontinued operations in 1992, net of related income tax benefits of $24 million. Interest expense of $47 million was allocated to discontinued operations in 1992. The allocation was based on net assets of the discontinued operations, in relation to consolidated net assets.

The retailing and oil and gas segments have been reported as discontinued operations in the Consolidated Financial Statements.

Certain of the liabilities established in connection with discontinued operations and the quasi-reorganization will be resolved in future years. As of December 31, 1994, the provisions previously established for these matters are adequate.

3. REGULATORY MATTERS

RESTRUCTURING OF GAS SUPPLY CONTRACTS

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

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

COMPREHENSIVE SETTLEMENT OF REGULATORY ISSUES

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

- --> NONCORE CUSTOMER RATES The Comprehensive Settlement changed the procedures for determining noncore rates to be charged by SoCalGas to its customers for the five-year period commencing August 1, 1994. Rates charged to the customers are established based upon SoCalGas' recorded throughput to these customers for 1991. SoCalGas will bear the full risk of any declines in noncore deliveries from 1991 levels. Any revenue enhancement from deliveries in excess of 1991 levels will be limited by a crediting account mechanism that will require a credit to customers of 87.5 percent of revenues in excess of certain limits. These annual limits above which the credit is applicable increase from $11 million to $19 million over the five-year period from August 1, 1994 through July 31, 1999. The Company's ability to report as earnings the results from revenues in excess of SoCalGas' authorized return from noncore customers due to volume increases has been eliminated for the five years beginning August 1, 1994 as a consequence of the Comprehensive Settlement described above. This is because forecasted deliveries in excess of the 1991 throughput levels used to establish noncore rates were contemplated in estimating the costs of the Comprehensive Settlement at December 31, 1993.

- --> REASONABLENESS REVIEWS The Comprehensive Settlement includes settlement of all pending reasonableness reviews with respect to SoCalGas' gas purchases from April, 1989 through March, 1992, as well as certain other future reasonableness review issues. The Comprehensive Settlement also allows recovery of future excess interstate pipeline capacity costs in SoCalGas rates.

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

All savings from gas purchased below the benchmark are shared equally between ratepayers and shareholders. SoCalGas can recover all costs in excess of the benchmark but within a tolerance band. If SoCalGas' cost of gas exceeds the tolerance band, then the excess cost will be shared equally between ratepayers and shareholders. For the first year of the program, the GCIM provides a 4.5 percent tolerance band above the benchmark. For the second and third years of the program, the tolerance band decreases to 4 percent. In 1994, since the inception of the GCIM, SoCalGas' gas purchases were within the tolerance band (See Note 9).

- --> ATTRITION ALLOWANCES The Comprehensive Settlement authorizes SoCalGas annual allowances for operational attrition for 1995 and 1996 to the extent that the annual inflation rate for those years exceeds 2 percent and 3 percent, respectively, for operating and maintenance expenses. This compares to a 3 percent productivity adjustment authorized for 1994.The rate base attrition will continue based upon a three year rolling average of recorded net utility plant additions. This is a departure from past regulatory practice of allowing recovery of the full effect of inflation on operating and maintenance expenses in rates. SoCalGas intends to continue to attempt to control operating expenses and investment in those years to amounts authorized in rates to offset the effect of this regulatory change.

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

Regulatory Accounts Receivable and Regulatory Assets include a total of approximately $327 million and $465 million in 1994 and 1993, respectively, for the recovery of costs as provided in the Comprehensive Settlement. At December 31, 1993 Accounts Payable-Other included the remaining liability for settlement payments of $375 million, which were paid in 1994, to restructure the long-term gas supply contracts. The CPUC authorized the borrowing of up to $425 million primarily to provide for funds needed under the Comprehensive Settlement. As of December 31, 1994, SoCalGas has $524 million in commercial paper outstanding, of which $330 million relates to the Comprehensive Settlement (See Note 7).

4. INCOME TAXES

In 1992, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the effect of which was not material to the financial statements.

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

	Year Ended December 31		
(Dollars in Millions)	1994	1993	1992
Computed statutory federal income tax expense	$109	$108	$ 88
Increases (reductions) resulting from:			
Depreciation and other items not deferred -- SoCalGas	17	18	17
Capitalized expenses not deferred -- SoCalGas	(6)		
Federal income tax rate change		(8)	
State income taxes -- net of federal income tax benefit	17	16	13
Research and development credit		(6)	
Investment tax credits	(3)	(4)	(4)
Other -- net	5	2	8
Income tax expense from continuing operations	$139	$126	$122

The components of income tax expense for continuing operations are as follows:

	Year Ended December 31		
(Dollars in Millions)	1994	1993	1992
Federal			
Current	$ 79	$ 59	$ 20
Deferred	34	38	82
	113	97	102
State			
Current	26	17	24
Deferred		12	(4)
	26	29	20
Total			
Current	105	76	44
Deferred	34	50	78
	$139	$126	$122

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

(Dollars in Millions)	December 31, 1994 Assets	Liabilities	Total
Accelerated depreciation for tax purposes		$(417)	$(417)
Comprehensive Settlement	$212		212
Regulatory accounts receivable		(151)	(151)
Postretirement benefits	95		95
Restructuring costs deferred for tax purposes	78		78
Deferred investment tax credits	31		31
Partnership income		(45)	(45)
Customer advances for construction	26		26
Regulatory asset		(243)	(243)
Other regulatory	109	(62)	47
AMT carryforward	93		93
Other	100	(17)	83
Total deferred income tax assets (liabilities)	$744	$(935)	$(191)

(Dollars in Millions)	December 31, 1993 Assets	Liabilities	Total
Accelerated depreciation for tax purposes		$(382)	$(382)
Net operating loss carryforward	$ 83		83
Regulatory accounts receivable		(162)	(162)
Restructuring costs deferred for tax purposes	80		80
Deferred investment tax credits	32		32
Partnership income		(36)	(36)
Customer advances for construction	22		22
Regulatory asset		(45)	(45)
Other regulatory	154	(57)	97
AMT Carryforward	69		69
Other	123	(54)	69
Total deferred income tax assets (liabilities)	$563	$(736)	$(173)

In 1994, the Company utilized all of its remaining net operating loss carryforward for federal income tax purposes. No valuation allowance has been provided for deferred tax assets since they are expected to be realized through either reversal of existing temporary differences or future taxable income.

SoCalGas generally provides for income taxes on the basis of amounts expected to be paid currently, except for the provision for deferred taxes on regulatory accounts, customer advances for construction and accelerated depreciation of property placed in service after 1980. In addition, SoCalGas recognizes certain other deferred tax liabilities (primarily accelerated depreciation of property placed in service prior to 1981 and deferred investment tax credits) which are expected to be recovered through future rates. At December 31, 1994 and 1993, $97 million and $109 million, respectively, of deferred income taxes have been offset by an equivalent amount in regulatory assets.

5. COMMITMENTS AND CONTINGENT LIABILITIES

ENVIRONMENTAL OBLIGATIONS

SoCalGas has identified and reported to California environmental authorities 42 former manufactured gas plant sites for which it (together with other utilities as to 21 of these sites) may have environmental obligations under environmental laws. As of December 31, 1994, eight of these sites have been remediated, of which five have received certification from the California Environmental Protection Agency. Preliminary investigations, at a minimum, have been completed on 33 of the gas plant sites, including those sites at which the remediations described above have been completed. In addition, SoCalGas has been named as a potentially responsible party of one landfill site and three industrial waste disposal sites.

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

At December 31, 1994, SoCalGas' estimated remaining investigation and remediation liability was approximately $65 million which it is authorized to recover through the mechanism discussed above. The estimated liability is subject to future adjustment pending further investigation. In 1993 and 1992 the Company charged $7 million and $5 million, respectively, to income and the remaining amount is included in Regulatory Assets. There were no related charges to income in 1994. The Company believes that any costs not ultimately recovered through rates, insurance or other means, upon giving effect to previously established liabilities, will not have a material adverse effect on the Company's financial statements.

LITIGATION

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

OTHER COMMITMENTS AND CONTINGENCIES

At December 31, 1994, commitments for capital expenditures were approximately $33 million.

On January 17, 1994, SoCalGas' service area was struck by a major earthquake. The result was a disruption in service to 150,000, or less than 3 percent, of its customers, and damage to some facilities. The financial impact of the damages related to the earthquake not recovered by insurance is expected to be recovered in rates under an existing balancing account mechanism, and should have no material impact on the Company's financial statements.

6. LEASES

The Company and its subsidiaries have leases on real and personal property expiring at various dates from 1995 to 2011. The rentals payable under these leases are determined on both fixed and percentage bases and most leases contain options to extend which are exercisable by the Company or the subsidiaries.

Rental expense under operating leases was $63 million, $63 million and $62 million in 1994, 1993 and 1992, respectively.

The following is a schedule of future minimum operating lease commitments as of December 31, 1994:

(Dollars in Millions)	Future Minimum Lease Payments
Year Ending December 31:	
1995	$ 53
1996	47
1997	48
1998	46
1999	46
Later years	473
Total	$713

In connection with the quasi-reorganization and loss on disposal of discontinued operations (see Note 2), the Company established reserves of $102 million to fair value operating leases related to its headquarters and other leases at December 31, 1992. The amount of these reserves was $91 million at December 31, 1994.

7. COMPENSATING BALANCES AND SHORT-TERM BORROWING ARRANGEMENTS

The parent has $400 million of unsecured revolving credit with banks, of which $200 million is a multi-year credit agreement requiring annual fees of .11 percent and $200 million is a 364 day credit agreement requiring annual fees of .075 percent. SoCalGas has an additional $750 million of unsecured revolving lines of credit, of which $350 million is a multi-year credit agreement requiring annual fees of .10 percent and $400 million is a 364 day credit agreement requiring annual fees of .07 percent. The interest rates on these lines vary and are derived from formulas based on market rates and the Companies' credit ratings. The multi-year credit agreements expire on February 8, 2000. At December 31, 1994, all bank lines of credit were unused. The unused bank lines of credit support SoCalGas' commercial paper program and provide liquidity for the Company.

At December 31, 1994 and 1993, SoCalGas had $524 million and $267 million, respectively, of commercial paper obligations outstanding. The weighted average annual interest rate of commercial paper obligations outstanding was 5.96 percent and 3.25 percent at December 31, 1994 and 1993, respectively. At December 31, 1994, the Company has classified $246 million of the commercial paper as long-term debt since it is the Company's intent (supported by the $350 million multi-year credit agreement above) to continue to refinance that portion of the debt on a long-term basis.

8. LONG-TERM DEBT

(Dollars in Millions)	December 31 1994	December 31 1993
SOUTHERN CALIFORNIA GAS COMPANY		
First Mortgage Bonds:		
6 1/2% December 15, 1997	$ 125	$ 125
5 1/4% March 1, 1998	100	100
6 7/8% August 15, 2002	100	100
5 3/4% November 15, 2003	100	100
9 3/4% December 1, 2020	18	18
8 3/4% October 1, 2021	150	150
7 3/8% March 1, 2023	100	100
7 1/2% June 15, 2023	125	125
6 7/8% November 1, 2025	175	175
Other Long-Term Debt:		
4.69% Notes, June 16, 1995	31	31
8 3/4% Notes, August 4, 1995	20	20
5.03% - 5.05% Notes, August 28 - September 1, 1995	28	28
5.81% - 5.85% Notes, December 1, 1995	7	7
8 3/4% Notes, July 8, 1996	20	20
5.98% Notes, August 28, 1997	22	22
8 3/4% Notes, July 6, 2000	10	10
SFr. 100,000,000 5 1/8% Bonds, February 6, 1998 (Foreign currency exposure hedged through currency swap at an interest rate of 9.725%)	47	47
SFr. 150,000,000 7 1/2% Foreign Interest Payment Securities, May 14, 1996	75	75
5.96% Commercial Paper, February 8, 2000	246	
	1,499	1,253
PACIFIC INTERSTATE COMPANIES		
7.65% 1995	39	57
OTHER		
8.0%-10.0% 1999-2004	26	28
Total	1,564	1,338
Less:		
Long-term debt due within one year	128	58
Unamortized debt discount less premium	16	18
	144	76
Long-Term Debt	$1,420	$1,262

The annual principal payment requirements of long-term debt, including debt of the Employee Stock Ownership Plan, for the years 1995 through 1999 are $132 million, $127 million, $181 million, $428 million, and $35 million, respectively. Substantially all of utility plant serves as collateral for the First Mortgage Bonds, and certain assets of the nonutility subsidiaries are pledged as collateral for their obligations.

DEBT OF EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST (TRUST) (SEE NOTE 12)

The TRUST covers substantially all employees and is used to fund the Company's retirement savings program. It has an ESOP feature and holds approximately 2.4 million shares of common stock of the Company. The variable rate ESOP debt held by the TRUST bears interest at a rate necessary to place or remarket the notes at par. Principal is payable annually and interest is payable monthly through 1999. The TRUST debt is secured by letters of credit issued by banks which expire in April 1996. The Company is obligated to make contributions to the TRUST sufficient to satisfy debt service requirements. The debt is scheduled to mature in 1999. As the Company makes contributions to the TRUST, these contributions, plus any dividends paid on the unallocated shares of the Company's common stock held by the TRUST, will be used to repay the debt. As dividends are increased or decreased, required contributions are reduced or increased, respectively. Interest on ESOP debt amounted to $5 million in 1994, $6 million in 1993 and $8 million in 1992. Dividends used for debt service amounted to $3 million, $2 million and $2 million in 1994, 1993 and 1992, respectively, and are deductible for federal income tax purposes.

CURRENCY RATE SWAPS

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

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

INTEREST RATE SWAPS

The Company has entered into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its floating rate debt. The differential of interest to be paid or received is accrued as interest rates change and is recognized over the life of the agreements. The Company is exposed to credit losses in the event of nonperformance by the other parties to the interest rate swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

At December 31, 1994, the Company had outstanding interest rate swaps related to continuing operations which effectively set $100 million of ESOP debt to a fixed 7.3 percent until September 15, 1995 and an interest rate swap related to discontinued operations which set the interest rate on $100 million of long-term debt to a fixed 9.12 percent until September 5, 1995. At December 31, 1993, the Company also had outstanding an interest rate swap related to discontinued operations which set the interest rate on $125 million of long-term debt to a fixed 8.445 percent until December 5, 1994. The swaps related to continuing operations were adjusted to market value in the 1992 quasi-reorganization. Losses on the swaps related to discontinued operations were included in the 1992 loss on disposal.

9. FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. The Flexible Auction preferred stocks of SoCalGas approximate fair value since they are remarketed periodically. The debt of the ESOP approximates fair market value based on rates currently available to the Company for debt with similar terms and maturity.

Interest rate swaps were adjusted to fair value as part of the quasi-reorganization. The fair value of interest rate swaps is the estimated amount that the bank would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The carrying amount of interest rate swaps approximates fair value.

The fair value of SoCalGas' long-term debt, 6 percent preferred, 6 percent Series A preferred and 7 3/4 percent preferred stock is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to SoCalGas for debt of similar remaining maturities. The fair value of these financial instruments is different from the carrying amount. These instruments were not adjusted to fair value in the quasi-reorganization because they represent obligations of the rate regulated subsidiaries which are recoverable in future rates.

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

(Dollars in Millions)	Carrying Amount	Fair Value
1994:		
Long-Term Debt of SoCalGas	$1,499	$1,377
Preferred Stocks of SoCalGas	$ 95	$ 77
1993:		
Long-Term Debt of SoCalGas	$1,253	$1,272
Preferred Stocks of SoCalGas	$ 95	$ 94

In October, 1994, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 119 (SFAS 119), "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments." SFAS 119 is effective for financial statements issued for fiscal years ending after December 15, 1994 and requires certain disclosures about financial instruments not covered by SFAS 105, "Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk." As a result of the Gas Cost Incentive Mechanism (GCIM) (See Note 3), SoCalGas enters into a certain amount of gas futures contracts in the open market to help reduce gas costs within the GCIM tolerance band. SoCalGas' policy is to use gas futures contracts to mitigate risk and better manage gas costs. The CPUC has approved the use of gas futures for managing risk associated with the GCIM. For the year ended December 31, 1994, gains or losses from gas futures contracts are not material to the Company's financial statements.

10. PREFERRED STOCKS OF A SUBSIDIARY

The amount of preferred stocks of SoCalGas outstanding at December 31 is as follows:

	Number of Shares	Millions of Dollars
1994:		
6%, $25 par value	29,642	$ 1
6% Series A, $25 par value	783,032	19
Series Preferred, no par value		
Flexible Auction, Series A	500	50
Flexible Auction, Series C	500	50
7 3/4%, $25 Stated Value	3,000,000	75
		$195
1993:		
6%, $25 par value	29,642	$ 1
6% Series A, $25 par value	783,032	19
Series Preferred, no par value		
Flexible Auction, Series A	500	50
Flexible Auction, Series C	500	50
7 3/4%, $25 Stated Value	3,000,000	75
		$195

Each issue of the Flexible Auction Series Preferred Stock is auctioned on specified dividend dates. The term of each subsequent dividend period is, at SoCalGas' option, 49 days or longer, not to exceed ten years. The weighted average dividend rates for the Flexible Auction Preferred Stock for 1994, 1993 and 1992 were: Series A, 3.40 percent, 2.67 percent and 3.21 percent, respectively; and, Series C, 3.33 percent, 2.75 percent and 3.28 percent, respectively. Subsequent dividend rates may be affected by general market conditions and the credit rating assigned to the Flexible Auction Series Preferred Stock. SoCalGas has the option of redeeming the shares, in whole or in part, at $100,000 per share plus accumulated dividends on any scheduled dividend payment date.

11. PREFERRED STOCK

The Company has 1,100 shares of Remarketed Preferred (RP) Stock outstanding with a liquidation preference of $100,000 per share. The RP shares are remarketed by designated agents at specified dividend dates. In connection with the remarketing process, the holders of the shares may elect dividend periods of seven or 49 days. The dividend rate may be affected by general market conditions and the credit rating assigned to the RP shares.

The weighted average dividend rates for 1994 and 1993 were 4.9 percent and 6.2 percent, respectively. The Company has the option of redeeming the RP shares, in whole or in part, at $100,000 per share plus accumulated dividends on any scheduled dividend payment date.

All or any part of every series of presently outstanding preferred stock is subject to redemption at the Company's option at any time upon not less than 30 days notice, at the applicable redemption prices for each series, together with the accrued and accumulated dividends to the date of redemption. None of the outstanding issues of preferred stock has any conversion rights. During 1994, the Company repurchased 400 shares of Remarketed, Series A preferred stock.

The number of shares of preferred stock and class A preferred stock authorized and outstanding is as follows:

	Redemption Price Per Share	December 31, 1994 Shares Authorized	December 31, 1994 Shares Outstanding	December 31, 1993 Shares Authorized	December 31, 1993 Shares Outstanding
Preferred stock --					
cumulative, no par value:					
Remarketed, Series A	$100,000.00	1,500	1,100	1,500	1,500
$7.64 Dividend	101.00	300,000	300,000	300,000	300,000
$4.75 Dividend	100.00	200,000	200,000	200,000	200,000
$4.50 Dividend	100.00	300,000	300,000	300,000	300,000
$4.40 Dividend	101.50	100,000	100,000	100,000	100,000
$4.36 Dividend	101.00	200,000	200,000	200,000	200,000
$4.75 Dividend	101.00	353	353	353	353
Unclassified		8,898,147		8,898,147	
Total preferred		10,000,000	1,101,453	10,000,000	1,101,853
Class A preferred stock --					
cumulative, no par value		5,000,000		5,000,000	

12. PENSION, POSTRETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS

PENSION PLANS

The Company and certain subsidiaries have noncontributory defined benefit pension plans covering substantially all of their employees. Over 90 percent of the employees covered by the plans are employed by SoCalGas. Benefits are based on an employee's years of service and compensation during his or her last years of employment. The Company's policy is to fund the plans annually at a level which is fully deductible for federal income tax purposes and as necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members.

Pension expense for continuing operations was as follows:

(Dollars in Millions)	Year Ended December 31 1994	1993	1992
Service cost--benefits earned during the period	$ 36	$ 34	$ 34
Interest cost on projected benefit obligation	87	84	82
Actual return on plan assets	(1)	(160)	(72)
Net amortization and deferral	(102)	57	(14)
Net periodic pension cost	20	15	30
Special early retirement program	12	18	12
Regulatory adjustment	(3)	1	(9)
Total pension expense	$ 29	$ 34	$ 33

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

(Dollars in Millions)	December 31 1994	1993
Actuarial present value of pension benefit obligations:		
Accumulated benefit obligation, including $824 and $862 in vested benefits at December 31, 1994 and 1993, respectively	$ 920	$ 981
Effect of future salary increases	215	278
Projected benefit obligation	1,135	1,259
Less: plan assets at fair value, primarily publicly traded common stocks and equity pooled funds	(1,312)	(1,348)
Unrecognized net gain	254	161
Unrecognized prior service cost	(40)	(42)
Unrecognized transition obligation	(6)	(13)
Accrued pension liability included in the Consolidated Balance Sheet	$ 31	$ 17
The plans' major actuarial assumptions include:		
Weighted average discount rate	8%	7%
Rate of increase in future compensation levels	5%	5%
Expected long-term rate of return on plan assets	8%	8 1/2%

POSTRETIREMENT BENEFIT PLAN

In 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106). SFAS 106 requires the accrual of the cost of certain postretirement benefits other than pensions over the active service period of the employee. The Company previously recorded these costs when paid or funded. SFAS 106 allows amortization of the cumulative adjustment over 20 years. However, at December 31, 1992, the Company implemented a quasi-reorganization and accrued the postretirement liability at its entire fair

value. The CPUC and the FERC in late 1992 authorized SFAS 106 amounts to be recovered in rates for the regulated entities. Therefore, a regulatory asset has been recorded to reflect the portion of the liability which will be recovered in future rates. The cumulative impact of $5 million after-tax for the nonregulated portion of the postretirement liability was charged to common stock as part of the quasi-reorganization in 1992.

The Company's postretirement benefit plan currently provides medical and life insurance benefits to qualified retirees. In the past, employee cost-sharing provisions have been implemented to control the increasing costs of these benefits. Other changes could occur in the future. The Company's policy is to fund these benefits at a level which is fully tax deductible for federal income tax purposes, not to exceed amounts recoverable in rates for regulated companies, and as necessary on an actuarial basis to provide assets sufficient to be paid to plan participants. The net postretirement benefit expense was as follows:

	Year Ended December 31		
(Dollars in Millions)	1994	1993	1992
Service cost -- benefits earned during the period	$ 14	$ 12	$ 12
Interest cost on projected benefit obligation	28	28	26
Actual return on plan assets	(1)	(10)	(4)
Net amortization and deferral	(10)	3	11
Net periodic postretirement benefit cost	31	33	45
Regulatory adjustment	13	13	(21)
Net postretirement benefit expense	$ 44	$ 46	$ 24

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

	December 31	
(Dollars in Millions)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ 168	$ 162
Fully eligible active plan participants	189	187
Other active plan participants	19	32
	376	381
Less: plan assets at fair value, primarily publicly traded common stocks and equity pooled funds	(147)	(114)
Unrecognized net gain (loss)	16	(12)
Net postretirement benefit liability included in the Consolidated Balance Sheet	$ 245	$ 255
The plan's major actuarial assumptions include:		
Health care cost trend rate	8%	8%
Weighted average discount rate	8%	7%
Rate of increase in future compensation levels	5%	5%
Expected long-term rate of return on plan assets	8%	8 1/2%

The assumed health care cost trend rate is 7 1/2 percent for 1995. The trend rate is expected to decrease from 1995 to 1998 with a 6 percent ultimate trend rate thereafter. The effect of a one-percentage-point increase in the assumed health care cost trend rate for each future year is $7.7 million on the aggregate of the service and interest cost components of net periodic postretirement cost for 1994 and $58.3 million on the accumulated postretirement benefit obligation at December 31, 1994. The estimated income tax rate used in the return on plan assets is zero since the plan is tax exempt.

POSTEMPLOYMENT BENEFITS

At December 31, 1992, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). SFAS 112 requires the accrual of the obligation to provide benefits to former or inactive employees after employment but before retirement. There was no impact on earnings since these costs are currently recovered in rates as paid, and as such, have been reflected as a regulatory asset. At December 31, 1994 and 1993 the liability was $50 million and $39 million, respectively, and represents primarily workers compensation and disability benefits.

RETIREMENT SAVINGS PLAN

Upon completion of one year of service, all employees of the Company and certain subsidiaries are eligible to participate in the Company's retirement savings plan administered by bank trustees. Employees may contribute from 1 percent to 14 percent of their regular earnings. The Company generally contributes an amount of cash or a number of shares of the Company's common stock of equivalent fair market value which, when added to prior forfeitures, will equal 50 percent of the first 6 percent of eligible base salary contributed by employees. The employees' contributions, at the direction of the employees, are primarily invested in the Company's common stock, mutual funds or guaranteed investment contracts. The Company's contributions, which were invested in the Company's common stock, were $9 million in 1992. In 1993 and 1994 the Company's contributions were partially funded by the Pacific Enterprises Employee Stock Ownership Plan and Trust. The Company's compensation expense was $9 million in 1994, 1993 and 1992.

EMPLOYEE STOCK OWNERSHIP PLAN

The Company retained Thrifty's Profit Sharing Plan and Trust as Pacific Enterprises Employee Stock Ownership Plan and Trust (TRUST) subsequent to the sale of the retailing operations in 1992 (See Notes 2 and 8). The TRUST covers substantially all employees and is used to fund the Company's retirement savings plan program. All contributions to the TRUST are made by the Company, and there are no contributions by the participants.

On January 1, 1994, the Company adopted the provisions of the American Institute of Certified Public Accountants Statement of Position No. 93-6 (SOP 93-6), "Employers' Accounting for Employee Stock Ownership Plans." SOP 93-6 does not treat unallocated shares held by the ESOP as outstanding for accounting purposes. As a result, the weighted average shares of common stock outstanding in 1994 has been reduced by 2.5 million shares, which favorably impacted earnings per share by $.06 for the year ended December 31, 1994. The adoption of SOP 93-6 had no impact on earnings. Since the unallocated shares held by the ESOP are treated as unissued, SOP 93-6 requires that when unallocated shares are released to employees' accounts they be accounted for at market value as newly issued shares. As the Company makes contributions to the ESOP, the ESOP debt service is paid and shares are released proportionately to the total expected debt service.

Compensation expense is charged and equity is credited for the market value of the shares released. However, tax deductions are allowed based on the cost of the shares. Dividends on unallocated shares are used to pay debt service and are charged against liabilities. The TRUST held 2.4 million and 2.6 million shares of common stock with a fair value of $51.4 million and $61.2 million at December 31, 1994 and 1993, respectively.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared by management. The integrity and objectivity of these financial statements and the other financial information in the Annual Report, including the estimates and judgments on which they are based, are the responsibility of management. The financial statements have been audited by Deloitte & Touche LLP, independent certified public accountants, appointed by the Board of Directors. Their report is shown on page 49. Management has made available to Deloitte & Touche LLP all of the Company's financial records and related data, as well as the minutes of shareholders' and directors' meetings.

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

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

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

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

/s/ WILLIS B. WOOD, JR.

Willis B. Wood, Jr.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

/s/ LLOYD A. LEVITIN

Lloyd A. Levitin
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

January 31, 1995

INDEPENDENT AUDITORS' REPORT

[DELOITTE & TOUCHE LLP LOGO]

Pacific Enterprises:

We have audited the consolidated financial statements of Pacific Enterprises and subsidiaries (pages 29 to 47) as of December 31, 1994 and 1993, and for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pacific Enterprises and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Los Angeles, California
January 31, 1995

SELECTED FINANCIAL DATA AND COMPARATIVE STATISTICS 1984-1994

(Dollars in millions, except per-share amounts)	1994	1993	1992	1991
CONSOLIDATED:				
Operating revenues from continuing operations	$ 2,664	$ 2,899	$ 2,900	$ 3,007
Income from continuing operations	$ 172	$ 181	$ 136	$ 167
Income (loss) from discontinued operations			(686)	(255)
Net income (loss)	172	181	(550)	(88)
Dividends on preferred stock	12	15	16	16
Net income (loss) applicable to common stock	$ 160	$ 166	$ (566)	$ (104)
Net income (loss) per share of common stock:				
Continuing operations	$ 1.95	$ 2.06	$ 1.60	$ 2.09
Discontinued operations			(9.17)	(3.54)
	$ 1.95	$ 2.06	$ (7.57)	$ (1.45)
Cash dividends per share of common stock	$ 1.26	$ .60	$ .44	$ 2.62
Book value per share	$ 14.74	$ 12.19	$ 9.44	$ 19.74
Capital expenditures of continuing operations	$ 249	$ 331	$ 329	$ 335
Total assets	$ 5,445	$ 5,596	$ 5,414	$ 5,462
Capitalization:				
Short-term debt	$ 278	$ 267	$ 215	$ 123
Long-term debt due within one year	128	58	217	25
Long-term debt	1,420	1,262	1,774	1,776
Long-term debt of ESOP	130	132	141	149
Obligations under capital leases				
Preferred stocks of a subsidiary:				
Redeemable				
Nonredeemable	195	195	195	195
Preferred stock	218	258	258	258
Common stock	1,092	1,048	859	1,458
Retained earnings	172	116		146
Less deferred compensation relating to ESOP	(54)	(138)	(148)	(163)
Total capitalization	$ 3,579	$ 3,198	$ 3,511	$ 3,967
Total capitalization, net of short-term investments	$ 3,314	$ 3,050	$ 3,089	$ 3,873
Number of employees	8,484	9,200	9,884	40,953
SOCALGAS:				
GAS REVENUES:				
Residential	$ 1,713	$ 1,653	$ 1,484	$ 1,674
Commercial/industrial	798	853	836	977
Utility electric generation	118	147	195	149
Wholesale	98	117	129	145
Exchange	1	4	6	7
Gas revenues in rates	2,728	2,774	2,650	2,952
Regulatory balancing accounts and other	(141)	37	190	(22)
Total operating revenue	$ 2,587	$ 2,811	$ 2,840	$ 2,930
Gas volumes delivered (billion cubic feet):				
Residential	256	248	244	249
Commercial/industrial	348	339	363	460
Utility electric generation	260	213	221	170
Wholesale	146	148	149	142
Exchange	10	17	24	26
Total	1,020	965	1,001	1,047
Core	341	339	335	351
Noncore	679	626	666	696
Total	1,020	965	1,001	1,047
Gas volumes sold	362	352	355	411
Gas volumes transported or exchanged	658	613	646	636
Total	1,020	965	1,001	1,047
Number of customers:				
Residential	4,483,324	4,459,250	4,445,500	4,429,896

Commercial	187,518	187,602	189,364	193,051
Industrial	23,505	23,924	24,419	25,642
Utility electric generation/wholesale	11	11	10	10
Total number of customers	4,694,358	4,670,787	4,659,293	4,648,599
Gas purchased (billion cubic feet):				
Market gas:				
30-day	98	85	21	140
Other	149	159	198	168
Total market gas purchased	247	244	219	308
Affiliates	101	97	99	99
Other long-term supplies	36	28	42	39
Total gas purchased	384	369	360	446
Average cost of gas purchased excluding fixed costs (per thousand cubic feet)	$ 1.68	$ 2.21	$ 2.24	$ 2.40
Weighted average rate base	$ 2,862	$ 2,769	$ 2,720	$ 2,663
Authorized rate of return on:				
Rate base	9.22%	9.99%	10.49%	10.79%
Common equity	11.00%	11.90%	12.65%	13.00%
Degree days	1,438	1,203	1,258	1,409

	1990	1989	1988	1987	1986	1985	1984
CONSOLIDATED:							
Operating revenue from continuing operations	$ 3,376	$ 3,344	$ 3,301	$ 3,385	$ 3,691	$ 4,955	$ 4,682
Income from continuing operations	$142	$ 142	$ 142	$ 148	$ 138	$ 105	$ 96
Income (loss) from discontinued operations	(201)	64	75	101	(56)	82	69
Net income (loss)	(59)	206	217	249	82	187	165
Dividends on preferred stock	17	13	6	6	6	6	6
Net income (loss) applicable to common stock	$ (76)	$ 193	$ 211	$ 243	$ 76	$ 181	$ 159
Net income (loss) per share of common stock:							
Continuing operations	$ 1.78	$ 1.98	$ 2.20	$ 2.40	$ 2.27	$ 1.78	$ 1.69
Discontinued operations	(2.87)	.99	1.23	1.70	(.96)	1.47	1.30
	$ (1.09)	$ 2.97	$ 3.43	$ 4.10	$ 1.31	$ 3.25	$ 2.99
Cash dividends per share of common stock	$ 3.48	$ 3.48	$ 3.48	$ 3.48	$ 3.48	$ 3.36	$ 3.20
Book value per share	$ 23.07	$ 27.10	$ 28.26	$ 27.05	$ 26.21	$ 27.70	$ 27.38
Capital expenditures of continuing operations	$ 386	$ 340	$ 351	$ 328	$ 332	$ 372	$ 381
Total assets	$ 5,702	$ 5,874	$ 5,496	$ 4,374	$ 4,584	$ 4,134	$ 4,228
Capitalization:							
Short-term debt	$ 491	$ 637	$ 572	$ 128	$ 469	$ 81	$ 229
Long-term debt due within one year	30	30	65	72	16	48	87
Long-term debt	1,161	1,045	1,220	1,067	1,194	1,151	1,205
Long-term debt of ESOP	163	173	31	38	44	37	
Obligations under capital leases			25	26	27	27	
Preferred stocks of a subsidiary:							
Redeemable		60	60	60	60	60	60
Nonredeemable	145	70	20	20	20	20	21
Preferred Stock	258	258	110	110	110	110	110
Common Stock	1,385	1,331	1,066	875	855	759	697
Retained Earnings	419	738	770	771	734	838	801
Less deferred compensation relating to ESOP	(173)	(189)	(31)	(38)	(44)	(37)	
Total capitalization	$ 3,879	$ 4,153	$ 3,908	$ 3,129	$ 3,485	$ 3,094	$ 3,210
Total capitalization, net of short-term investments	$ 3,703	$ 3,866	$ 3,773	$ 3,086	$ 3,429	$ 3,081	$ 3,140
Number of employees	42,370	43,891	40,538	27,928	26,571	26,550	25,965
SOCALGAS:							
GAS REVENUES:							
Residential	$ 1,548	$ 1,484	$ 1,482	$ 1,496	$ 1,275	$ 1,596	$ 1,440
Commercial/industrial	1,057	1,016	1,008	1,059	1,068	1,392	1,356
Utility electric generation	235	483	554	662	610	1,380	1,258
Wholesale	165	192	252	302	362	534	524
Exchange	8	8	12	18	19	14	12
Gas revenues in rates	3,013	3,183	3,308	3,537	3,334	4,916	4,590
Regulatory balancing accounts and other	200	92	(86)	(225)	274	(120)	30
Total operating revenues	$ 3,213	$ 3,275	$ 3,222	$ 3,312	$ 3,608	$ 4,796	$ 4,620
Gas volumes delivered (billion cubic feet):							
Residential	262	255	253	259	234	267	237
Commercial/industrial	436	400	344	269	223	223	203
Utility electric generation	159	202	199	309	225	318	248
Wholesale	139	146	144	159	124	130	118
Exchange	30	30	39	55	55	44	28
Total	1,026	1,033	979	1,051	861	982	834
Core	372	364	n/a	n/a	n/a	n/a	n/a
Noncore	654	669	n/a	n/a	n/a	n/a	n/a
Total	1,026	1,033	979	1,051	861	982	834
Gas volumes sold	515	594	654	759	767	938	806
Gas volumes transported or exchanged	511	439	325	292	94	44	28
Total	1,026	1,033	979	1,051	861	982	834
Number of customers:							
Residential	4,381,563	4,295,838	4,196,010	4,086,365	3,969,671	3,878,861	3,796,332
Commercial	193,409	192,269	190,908	189,611	186,773	189,068	187,010
Industrial	26,530	26,957	27,133	27,227	27,942	29,047	29,267
Utility electric generation/wholesale	10	9	9	8	8	8	8
Total number of customers	4,601,512	4,515,073	4,414,060	4,303,211	4,184,394	4,096,984	4,012,617

Gas purchased (billion cubic feet):							
Market gas:							
30-day	149	202	219	271	242	118	
Other	226	161	87	48			
Total market gas purchased	375	363	306	319	242	118	
Affiliates	103	104	118	113	113	116	60
Other long-term supplies	53	149	247	343	421	705	766
Total gas purchased	531	616	671	775	776	939	826
Average cost of gas purchased excluding fixed costs (per thousand cubic feet)	$ 2.59	$ 2.46	$ 2.39	$ 2.20	$ 2.52	$ 3.31	$ 3.70
Weighted average rate base	$ 2,549	$ 2,386	$ 2,268	$ 2,167	$ 2,092	$ 1,968	$ 1,910
Authorized rate of return on:							
Rate base	10.75%	10.96%	10.93%	11.51%	12.74%	13.04%	12.92%
Common equity	13.00%	13.00%	12.75%	13.90%	14.60%	15.75%	15.75%
Degree Days	1,432	1,344	1,354	1,498	1,058	1,663	1,245

QUARTERLY FINANCIAL DATA (UNAUDITED)

	Three Months Ended 1994				
(Dollars are in millions, except per-share amounts)	Mar 31	Jun 30	Sep 30	Dec 31	Total
Operating revenues	$ 705	$ 651	$ 591	$ 717	$ 2,664
Net income	$ 38	$ 42	$ 42	$ 50	$ 172
Net income per share of common stock	$ .43	$ .47	$ .47	$ .58	$ 1.95
Dividends declared per share of common stock	$ .30	$ .64	$	$ .32	$ 1.26
Dividends paid per share of common stock	$ .30	$ .32	$ .32	$ .32	$ 1.26
Weighted average number of shares of common stock outstanding (in thousands)	81,717	81,937	81,978	82,096	81,939

	Three Months Ended 1993				
(Dollars are in millions, except per-share amounts)	Mar 31	Jun 30	Sep 30	Dec 31	Total
Operating revenues	$ 773	$ 652	$ 649	$ 825	$ 2,899
Net income	$ 38	$ 42	$ 54	$ 47	$ 181
Net income per share of common stock	$ .45	$ .49	$ .59	$ .52	$ 2.06
Dividends declared per share of common stock	$	$ .30	$ .30	$	$ .60
Dividends paid per share of common stock	$	$	$ .30	$ .30	$ .60
Weighted average number of shares of common stock outstanding (in thousands)	75,367	78,673	83,702	84,014	80,472

RANGE OF MARKET PRICES OF CAPITAL STOCK

	1994			
Three Months Ended	Mar 31	Jun 30	Sep 30	Dec 31
Common Stock	$24 1/2 - 20	$23 1/4 - 19 3/4	$22 - 19 1/4	$21 5/8 - 20
Preferred Stock:				
$7.64	$101 5/8 - 92	$97 - 88 1/4	$94 3/8 - 87 1/8	$86 7/8 - 79 1/8
$4.75	$66 3/4 - 59 1/4	$60 - 52	$57 7/8 - 53 3/8	$54 - 50
$4.50	$64 3/8 - 55 1/4	$56 - 51 1/4	$55 - 51 1/4	$52 3/8 - 48 1/4
$4.40	$61 1/2 - 56 1/8	$58 7/8 - 52	$54 - 50 1/8	$51 1/2 - 47 7/8
$4.36	$62 5/8 - 53 1/2	$55 - 51 1/8	$53 5/8 - 49 1/2	$50 1/8 - 46 1/4
Remarketed(1)				

(1)SEE NOTE 11 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

	1993			
Three Months Ended	Mar 31	Jun 30	Sep 30	Dec 31
Common Stock	$25 - 18 1/2	$25 - 21 3/8	$27 3/8 - 23 7/8	$27 3/8 - 23 5/8
Preferred Stock:				
$7.64	$96 7/8 - 86 1/2	$100 1/2 - 93 1/2	$101 3/4- 97 1/2	$102 7/8 - 97
$4.75	$62 5/8 - 52 1/2	$65 3/8 - 60 1/2	$70 3/4 - 63 1/2	$69 1/4 - 65 1/4
$4.50	$62 - 50 1/2	$63 5/8 - 57 3/8	$68 - 60 1/4	$66 1/8 - 61 3/8
$4.40	$62 - 51 1/2	$60 1/2 - 57 7/8	$64 3/4 - 60 1/8	$65 7/8 - 61
$4.36	$61 - 47 3/8	$60 - 55	$63 1/8 - 59 3/4	$64 1/8 - 58 3/4
Remarketed(1)				

(1)SEE NOTE 11 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MARKET PRICES FOR THE COMMON STOCK ARE AS REPORTED ON THE COMPOSITE TAPE FOR STOCKS LISTED ON THE NEW YORK STOCK EXCHANGE. MARKET PRICES FOR THE PREFERRED STOCK WERE OBTAINED FROM THE AMERICAN STOCK EXCHANGE. THE NUMBER OF SHAREHOLDERS OF COMMON STOCK AT DECEMBER 31, 1994 IS 43,139.

EXHIBIT 21.01

LIST OF SUBSIDIARIES
OF PACIFIC ENTERPRISES

Burney Mountain Power
Central Plants, Inc.
Coalition Undertaking Remedial Efforts, Inc.
EcoTrans Aftermarket Corporation
EcoTrans OEM Corporation
FTM Sports Corporation
Landfill Control Technologies
Mammoth Geothermal Company
Mammoth Power Company
Mt. Lassen Power
Pacific Bio-Energy Company
Pacific Energy
Pacific Energy Resources Incorporated
Pacific Enterprises
Pacific Enterprises ABC Corporation
Pacific Enterprises Commercial Loans, Inc.
Pacific Enterprises International
Pacific Enterprises Leasing Company
Pacific Enterprises LNG Company
Pacific Enterprises Oil Company
Pacific Enterprises Oil Company (Canada)
Pacific Enterprises Oil Company (USA)
Pacific Enterprises Oil Company (Western)
Pacific Enterprises Minerals Company
Pacific Gas Gathering Company
Pacific Geothermal Company
Pacific Hydropower Company
Pacific Interstate Company
Pacific Interstate Mojave Company
Pacific Interstate Offshore Company
Pacific Interstate Transmission Company
Pacific Interstate Transmission Company (Arctic)
Pacific Library Tower
Pacific Lighting Corporation
Pacific Lighting Gas Development Company
Pacific Lighting Land Company
Pacific Lighting Real Estate Group
Pacific Offshore Pipeline Company
Pacific Oroville Power, Inc.
Pacific Penobscot Power Company
Pacific Recovery Corporation
Pacific Synthetic Fuel Company
Pacific Western Resources Company
Pacific Wood Fuels Company
Pacific Wood Power
Pay'n Save Drug Stores, Incorporated

Penstock Power Company
Presley ASW Finance Co., Inc.
Presley Financial Corporation
Presley-Home Mac Finance Co., Inc.
Presley RAC Finance Co., Inc.
Southern California Gas Company
Southern California Gas Tower
Southern California Conservation Financing Company
8309 Tujunga Avenue Corp.

Exhibit 23.01

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-96782, 33-26357, 2-66833, 2-96781, and 33-21908 of Pacific Enterprises on Forms S-8 and Registration Statement Nos. 33-24830 and 33-44338 of Pacific Enterprises on Forms S-3 of our reports dated January 31, 1994, appearing in and incorporated by reference in this Annual Report on Form 10-K of Pacific Enterprises for the year ended December 31, 1994.

DELOITTE & TOUCHE LLP
Los Angeles, California
March 17, 1995

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

0000075527
PACIFIC ENTERPRISES
1,000,000

YEAR
DEC-31-1994
JAN-01-1994
DEC-31-1994
PER-BOOK
3,280
51
1,323
707
84
5,445
1,092
0
172
1,210
0
218
1,420
278
0
0
128
0
0
0
2,191
5,445
2,702
139
0
977
0
0
0
128
172
12
160
0
0
255
1.95
0