

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report  
(Date of earliest event reported): February 22, 2007

<u>Commission File Number</u>	<u>Name of Registrant, State of Incorporation, Address and Telephone Number</u>	<u>IRS Employer Identification Number</u>
1-40	Pacific Enterprises (A California Corporation) 101 Ash Street San Diego, California 92101 (619) 696-2020	94-0743670
1-1402	Southern California Gas Company (A California Corporation) 555 West Fifth Street Los Angeles, California 90013 (213) 244-1200	95-1240705

---

(Former name or former address, if changed since last report.)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02 Results of Operations and Financial Condition**

*The information furnished in this Item 2.02 and in Exhibits 99.1 and 99.2 shall not be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, nor shall it be deemed to be incorporated by reference in any filing of Pacific Enterprises or Southern California Gas Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.*

On February 22, 2007, Sempra Energy, of which Pacific Enterprises and Southern California Gas Company are consolidated subsidiaries, issued a press release announcing consolidated net income of \$125 million, or \$0.47 per diluted share of common stock, for the fourth quarter of 2006 and \$1.4 billion, or \$5.38 per diluted share of common stock, for the fiscal year 2006. The press release has been posted on Sempra Energy's website ([www.sempra.com](http://www.sempra.com)) and a copy is attached as Exhibit 99.1.

Concurrently with the website posting of such press release and as noted therein, Sempra Energy also posted its Income Statement Data by Business Unit for the three month periods and the years ended December 31, 2006 and 2005. A copy of such information is attached as Exhibit 99.2.

The Sempra Energy financial information contained in the press release includes, on a consolidated basis, information regarding Pacific Enterprises' and Southern California Gas Company's results of operations and financial condition.

**Item 9.01 Financial Statements and Exhibits.**

Exhibits

- 99.1 February 22, 2007 Sempra Energy News Release (including tables)
- 99.2 Sempra Energy's Income Statement Data by Business Unit for the three month periods and the years ended December 31, 2006 and 2005.

SIGNATURE

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

PACIFIC ENTERPRISES  
(Registrant)

Date: February 22, 2007

By: /s/ Dennis V. Arriola

\_\_\_\_\_

Dennis V. Arriola

Sr. Vice President and Chief Financial Officer

SOUTHERN CALIFORNIA GAS COMPANY  
(Registrant)

Date: February 22, 2007

By: /s/ Dennis V. Arriola

\_\_\_\_\_

Dennis V. Arriola

Sr. Vice President and Chief Financial Officer

## NEWS RELEASE

Media Contact: Doug Kline  
Sempra Energy  
(877) 866-2066  
[www.sempra.com](http://www.sempra.com)

Financial Contact: Karen Sedgwick/Glen Donovan  
Sempra Energy  
(877) 736-7727

## SEMPRA ENERGY 2006 NET INCOME RISES 53 PERCENT

- **Commodities Unit Drives Record Earnings**
- **Company Raises 2007 Earnings-Per-Share Guidance to Range of \$3.75 to \$3.95**

SAN DIEGO, Feb. 22, 2007 – Sempra Energy (NYSE: SRE) today reported 2006 net income of \$1.4 billion, or \$5.38 per diluted share, an increase of 53 percent over \$920 million, or \$3.65 per diluted share, in 2005.

Included in 2006 results was \$315 million in after-tax income from discontinued operations related to asset sales. In 2005, Sempra Energy incurred \$311 million after-tax in litigation expense related to the Western U.S. energy crisis of 2000-01.

For the full-year 2006, income from continuing operations -- excluding a \$204 million gain on the sale of the jointly owned Texas power plants and a \$221 million write-down on the company's Argentine investments -- was \$1.1 billion, or \$4.24 per diluted share, up 21 percent from \$913 million, or \$3.62 per diluted share in 2005.

Sempra Energy's fourth-quarter net income was \$125 million, or \$0.47 per diluted share, in 2006, compared with \$355 million, or \$1.38 per diluted share, in 2005.

1

---

Fourth-quarter results included the charge related to the Argentine utilities. In the year-earlier quarter, the company recorded an after-tax charge of \$116 million for energy-crisis litigation costs.

"This was our eighth consecutive year of record earnings," said Donald E. Felsing, chairman and chief executive officer of Sempra Energy. "We are benefiting from a focused strategy. Building natural gas infrastructure in North America and expanding our California utilities remain our top priorities."

Sempra Energy's board of directors last week increased the dividend on common shares on an annualized basis to \$1.24 per share from \$1.20 per share.

Revenues for Sempra Energy in 2006 were \$11.8 billion, compared with \$11.5 billion in 2005. Fourth-quarter 2006 revenues were \$3.2 billion, compared with \$3.9 billion in the prior year's quarter, due primarily to reduced commodity prices.

### SUBSIDIARY OPERATING RESULTS

#### Sempra Utilities

Net income for San Diego Gas & Electric (SDG&E) was \$237 million in 2006, compared with \$262 million in 2005.

SDG&E's fourth-quarter 2006 net income was \$55 million, compared with net income of \$72 million in the fourth quarter 2005.

The change in net income for the quarter and full year was due primarily to the positive effect in 2005 of demand-side-

management incentives and favorable resolution of prior-years' tax and regulatory issues, offset by higher net income from electric generation in 2006, including the addition of the new Palomar generating facility.

Net income for Southern California Gas Co. (SoCalGas) was \$223 million in 2006, compared with \$211 million in the prior year. The improvement from the prior year was due primarily to energy-crisis litigation expense in 2005, offset by the favorable resolution of tax and regulatory issues. SoCalGas' fourth-quarter net income was \$55 million in 2006, up from \$48 million in the previous year.

2

---

### **Sempra Commodities**

Sempra Commodities' 2006 net income rose to \$504 million from \$460 million in 2005, due to improved results in the natural gas and base metals businesses. Fourth-quarter net income for Sempra Commodities was \$214 million in 2006, compared with \$244 million in the prior-year quarter, due to reduced margins in petroleum and power marketing.

"Energy markets remain volatile and we do not see this volatility moderating in the near future," said Felsing. "Sempra Commodities continues to excel in this environment, offering customers help in managing their commodity risks."

### **Sempra Generation**

Sempra Generation's net income in 2006 was \$375 million, compared with 2005 net income of \$149 million. The company's 2006 net income included \$204 million from the sale of its jointly owned Texas power plants. Fourth-quarter 2006 net income for Sempra Generation was \$53 million, compared with \$58 million in 2005.

In 2006, Sempra Generation completed the sale of several assets that were recorded as discontinued operations, including the Twin Oaks power plant, its oil and gas production unit, and its energy-services and facilities-management operations.

### **Sempra Pipelines & Storage**

Sempra Pipelines & Storage recorded a net loss of \$165 million in 2006, compared with net income of \$64 million in 2005. In the fourth quarter 2006, Sempra Pipelines & Storage recorded a net loss of \$223 million, compared with \$16 million in net income during the same quarter in 2005. Both the quarter and full-year results for Sempra Pipelines & Storage were impacted by the company's write-down on its Argentine investments.

3

---

### **Sempra LNG**

Sempra LNG recorded a net loss of \$42 million in 2006, compared with a net loss of \$25 million in the prior year, due to a \$13 million mark-to-market loss related to a natural gas marketing agreement with Sempra Commodities and higher development costs. For the fourth quarter, Sempra LNG's 2006 net loss was \$7 million, compared with a net loss of \$10 million in 2005.

### **2007 Earnings Outlook**

Sempra Energy today updated its 2007 earnings-per-share guidance to a range of \$3.75 to \$3.95 from previous guidance of \$3.50 to \$3.70.

## Internet Broadcast

Sempra Energy will broadcast a live discussion of its earnings results over the Internet today at 1 p.m. EST with senior management of the company. Access is available by logging onto the Web site at [www.sempra.com](http://www.sempra.com). For those unable to log onto the live webcast, the teleconference will be available on replay a few hours after its conclusion by dialing (888) 203-1112 and entering the passcode, 8288064.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2006 revenues of nearly \$12 billion. The Sempra Energy companies' 14,000 employees serve more than 29 million consumers in the United States, Europe, Canada, Mexico, South America and Asia.

*Income-statement information by business unit is available on Sempra Energy's Web site at <http://www.sempra.com/downloads/4Q2006.pdf>.*

###

*This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When the company uses words like "believes," "expects," "anticipates," "intends," "plans," "estimates," "may," "would," "should" or similar expressions, or when the company discusses its strategy or plans, the company is making forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the California Public Utilities Commission, the California State Legislature, the California Department of Water Resources, the Federal Energy Regulatory Commission and other environmental and regulatory bodies in the United States and other countries; capital markets conditions, inflation rates, interest rates and exchange rates; energy and trading markets, including the timing and extent of changes in commodity prices; the availability of natural gas and liquefied natural gas; weather conditions and conservation efforts; war and terrorist attacks;*

4

*business, regulatory, environmental, and legal decisions and requirements; the status of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. These risks and uncertainties are further discussed in the company's reports filed with the Securities and Exchange Commission that are available through the EDGAR system without charge at its Web site, [www.sec.gov](http://www.sec.gov) and on the company's Web site, [www.sempra.com](http://www.sempra.com).*

*Sempra LNG and Sempra Pipelines & Storage are not the same companies as the utilities, SDG&E or SoCalGas, and are not regulated by the California Public Utilities Commission. Sempra Energy Trading, doing business as Sempra Commodities, and Sempra Generation are not the same companies as the utilities, SDG&E or SoCalGas, and the California Public Utilities Commission does not regulate the terms of their products and services.*

5

## SEMPRA ENERGY

Table A

### STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions, except per share amounts)	Three months ended December 31,		Years ended December 31,	
	2006	2005	2006	2005
	(Unaudited)			
<b>Operating revenues</b>				
Sempra Utilities	\$1,709	\$2,259	\$6,899	\$7,042
Sempra Global and parent	1,536	1,673	4,862	4,470
Total operating revenues	<u>3,245</u>	<u>3,932</u>	<u>11,761</u>	<u>11,512</u>
<b>Operating expenses</b>				
Sempra Utilities:				

Cost of natural gas	679	1,172	2,756	3,232
Cost of electric fuel and purchased power	155	187	721	624
Other cost of sales	753	792	2,689	2,588
Litigation expense	13	210	56	551
Other operating expenses	838	839	2,814	2,583
Depreciation and amortization	166	160	657	626
Franchise fees and other taxes	67	65	275	246
Gains on sale of assets, net	(2)	(8)	(1)	(112)
Impairment losses	6	71	9	85
Total operating expenses	2,675	3,488	9,976	10,423
<b>Operating income</b>	570	444	1,785	1,089
Other income, net	6	27	381	51
Interest income	36	22	109	72
Interest expense	(78)	(90)	(351)	(310)
Preferred dividends of subsidiaries	(3)	(3)	(10)	(10)
<b>Income from continuing operations before income taxes and equity in earnings (losses) of certain unconsolidated subsidiaries</b>	531	400	1,914	892
Income tax expense	180	56	641	34
Equity in earnings (losses) of certain unconsolidated subsidiaries	(222)	13	(182)	55
<b>Income from continuing operations</b>	129	357	1,091	913
Discontinued operations, net of income tax	(4)	(2)	315	7
<b>Net income</b>	\$125	\$355	\$1,406	\$920
<b>Basic earnings per share:</b>				
Income from continuing operations	\$0.50	\$1.41	\$4.25	\$3.71
Discontinued operations, net of income tax	(0.02)	(0.01)	1.23	0.03
Net income	\$0.48	\$1.40	\$5.48	\$3.74
<b>Weighted-average number of shares outstanding (thousands)</b>	258,385	253,516	256,477	245,906
<b>Diluted earnings per share:</b>				
Income from continuing operations	\$0.49	\$1.39	\$4.17	\$3.62
Discontinued operations, net of income tax	(0.02)	(0.01)	1.21	0.03
Net income	\$0.47	\$1.38	\$5.38	\$3.65
<b>Weighted-average number of shares outstanding (thousands)</b>	263,429	257,845	261,368	252,088
<b>Dividends declared per share of common stock</b>	\$0.30	\$0.29	\$1.20	\$1.16

As a result of the decisions in 2006 to dispose of the Twin Oaks power plant, Sempra Energy Production Company, and the Energy Services and Facilities Management businesses, all within Sempra Generation, and Bangor Gas and Frontier Energy, both within Sempra Pipelines & Storage, these operations have been reflected above as discontinued operations in all periods presented.

## SEMPRA ENERGY

Table B

### CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	December 31, 2006	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$920	\$769
Restricted cash	4	12
Accounts receivable	1,035	1,145
Deferred income taxes	270	134
Interest receivable	40	29
Trading-related receivables and deposits, net	3,047	3,370
Derivative trading instruments	4,068	4,502
Commodities owned	1,845	2,498
Inventories	215	205
Regulatory assets	193	255
Other	317	297
Current assets of continuing operations	11,954	13,216
Current assets of discontinued operations	62	611
Total current assets	12,016	13,827
Investments and other assets:		



Due from unconsolidated affiliates	-	21
Regulatory assets arising from fixed-price contracts and other derivatives	353	398
Regulatory assets arising from pension and other postretirement benefit obligations	356	213
Other regulatory assets	472	500
Nuclear decommissioning trusts	702	638
Investments	1,086	1,091
Sundry	789	802
Total investments and other assets	3,758	3,663
Property, plant and equipment, net	13,175	11,756
Total assets	\$28,949	\$29,246
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Short-term debt	\$252	\$1,043
Accounts payable	1,587	1,394
Income taxes payable	9	86
Trading-related payables	3,211	4,127
Derivative trading instruments	2,304	3,246
Commodities sold with agreement to repurchase	537	634
Dividends and interest payable	145	140
Regulatory balancing accounts, net	332	192
Fixed-price contracts and other derivatives	87	130
Current portion of long-term debt	681	98
Other	1,197	1,012
Current liabilities of continuing operations	10,342	12,102
Current liabilities of discontinued operations	7	151
Total current liabilities	10,349	12,253
Long-term debt	4,525	4,815
Deferred credits and other liabilities:		
Due to unconsolidated affiliate	162	162
Customer advances for construction	126	110
Pension and other postretirement benefit obligations, net of plan assets	609	391
Deferred income taxes	412	214
Deferred investment tax credits	67	73
Regulatory liabilities arising from removal obligations	2,330	2,313
Asset retirement obligations	1,128	958
Other regulatory liabilities	221	200
Fixed-price contracts and other derivatives	358	400
Deferred credits and other	972	1,018
Total deferred credits and other liabilities	6,385	5,839
Preferred stock of subsidiaries	179	179
Shareholders' equity	7,511	6,160
Total liabilities and shareholders' equity	\$28,949	\$29,246

As a result of the decisions in 2006 to dispose of the Twin Oaks power plant, Sempra Energy Production Company, and the Energy Services and Facilities Management businesses, all within Sempra Generation, and Bangor Gas and Frontier Energy, both within Sempra Pipelines & Storage, these operations have been reflected above as discontinued operations in all periods presented.

## SEMPRA ENERGY

Table C

### CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Years ended December 31,	
	2006	2005
<b>Cash Flows from Operating Activities:</b>		
Income from continuing operations	\$1,091	\$913
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	657	626
Gains on sale of assets, net	(1)	(112)

Impairment losses	9	85
Deferred income taxes and investment tax credits	77	(298)
Non-cash rate reduction bond expense	60	68
Equity in income of unconsolidated subsidiaries	(156)	(66)
Other	38	(6)
Quasi-reorganization resolution	12	-
Net changes in other working capital components	(183)	(1,196)
Changes in other assets	20	21
Changes in other liabilities	42	458
Net cash provided by continuing operations	1,666	493
Net cash provided by (used in) discontinued operations	(37)	31
Net cash provided by operating activities	1,629	524
<b>Cash Flows from Investing Activities:</b>		
Expenditures for property, plant and equipment	(1,907)	(1,377)
Proceeds from sale of assets from continuing operations	40	277
Expenditures for investments and acquisition of subsidiaries, net of cash acquired	(257)	(86)
Distribution from investment	104	-
Purchases of nuclear decommissioning and other trust assets	(546)	(299)
Proceeds from sales by nuclear decommissioning and other trusts	503	262
Dividends received from unconsolidated affiliates	431	73
Other	(27)	(12)
Net cash used in continuing operations	(1,659)	(1,162)
Net cash provided by (used in) discontinued operations	793	(25)
Net cash used in investing activities	(866)	(1,187)
<b>Cash Flows from Financing Activities:</b>		
Common dividends paid	(283)	(268)
Issuances of common stock	97	694
Repurchases of common stock	(37)	(95)
Issuances of long-term debt	552	762
Payments on long-term debt	(263)	(529)
Redemption of mandatorily redeemable preferred securities	-	(200)
Increase (decrease) in short-term debt, net	(791)	659
Financing transaction related to Sempra Financial	83	-
Other	28	(6)
Net cash provided by (used in) continuing operations	(614)	1,017
Net cash provided by discontinued operations	2	-
Net cash provided by (used in) financing activities	(612)	1,017
Increase in cash and cash equivalents	151	354
Cash and cash equivalents, January 1	769	415
Cash and cash equivalents, December 31	\$920	\$769

As a result of the decisions in 2006 to dispose of the Twin Oaks power plant, Sempra Energy Production Company, and the Energy Services and Facilities Management businesses, all within Sempra Generation, and Bangor Gas and Frontier Energy, both within Sempra Pipelines & Storage, these operations have been reflected above as discontinued operations in all periods presented.

## SEMPRA ENERGY

Table D

### BUSINESS UNIT EARNINGS AND CAPITAL EXPENDITURES & INVESTMENTS

(Dollars in millions)	Three months ended December 31,		Years ended December 31,	
	2006	2005	2006	2005
<b>Net Income</b>	(unaudited)			
Sempra Utilities:				
San Diego Gas & Electric	\$55	\$72	\$237	\$262
Southern California Gas	55	48	223	211
Total Sempra Utilities	110	120	460	473
Sempra Global:				
Sempra Commodities	214	244	504	460
Sempra Generation*	53	58	375	149

Sempra Pipelines & Storage*	(223)	16	(165)	64
Sempra LNG	(7)	(10)	(42)	(25)
Total Sempra Global	37	308	672	648
Parent & Other	(18)	(71)	(41)	(208)
Continuing Operations	129	357	1,091	913
Discontinued Operations, Net of Income Tax	(4)	(2)	315	7
Consolidated Net Income	<u>\$125</u>	<u>\$355</u>	<u>\$1,406</u>	<u>\$920</u>

\* Excludes amounts now classified as discontinued operations.

(Dollars in millions)	Three months ended December 31,		Years ended December 31,	
	2006	2005	2006	2005
<b>Capital Expenditures and Investments</b>	(unaudited)			
Sempra Utilities:				
San Diego Gas & Electric	\$190	\$122	\$1,070	\$464
Southern California Gas	129	116	413	361
Total Sempra Utilities	<u>319</u>	<u>238</u>	<u>1,483</u>	<u>825</u>
Sempra Global:				
Sempra Commodities	10	11	53	72
Sempra Generation	3	36	40	229
Sempra Pipelines & Storage	202	8	414	18
Sempra LNG	153	137	619	293
Total Sempra Global	<u>368</u>	<u>192</u>	<u>1,126</u>	<u>612</u>
Parent & Other (includes transfer of Palomar)	10	13	(445)	26
Consolidated Capital Expenditures and Investments	<u>\$697</u>	<u>\$443</u>	<u>\$2,164</u>	<u>\$1,463</u>

As a result of the decisions in 2006 to dispose of the Twin Oaks power plant, Sempra Energy Production Company, and the Energy Services and Facilities Management businesses, all within Sempra Generation, and Bangor Gas and Frontier Energy, both within Sempra Pipelines & Storage, these operations have been reflected above as discontinued operations in all periods presented.

## SEMPRA ENERGY

Table E

### OTHER OPERATING STATISTICS (Unaudited)

	Three months ended December 31,		Years ended December 31,	
	2006	2005	2006	2005
<b>SEMPRA UTILITIES</b>				
Revenues (Dollars in millions)				
SDG&E (excludes intercompany sales)	\$692	\$746	\$2,770	\$2,493
SoCalGas (excludes intercompany sales)	\$1,017	\$1,513	\$4,129	\$4,549
Gas Sales (bcf)	110	105	402	395
Transportation and Exchange (bcf)	127	113	546	494
Total Deliveries (bcf)	<u>237</u>	<u>218</u>	<u>948</u>	<u>889</u>
Total Gas Customers (Thousands)			6,468	6,383
Electric Sales (Millions of kWhs)	3,939	4,002	16,836	15,990
Direct Access (Millions of kWhs)	821	720	3,390	3,213
Total Deliveries (Millions of kWhs)	<u>4,760</u>	<u>4,722</u>	<u>20,226</u>	<u>19,203</u>
Total Electric Customers (Thousands)			1,355	1,338
<b>SEMPRA GENERATION</b>				
Power Sold (Millions of kWhs)	5,706	4,932 (1)	19,760	17,063 (1)

(1) Revised to exclude the Twin Oaks, Coletto Creek and Topaz power plants.

### SEMPRA PIPELINES & STORAGE

(Represents 100% of these subsidiaries, although only the Mexican subsidiaries are 100% owned by Sempra Energy.)

Natural Gas Sales (bcf)				
Argentina	70	62	278	272
Mexico	10	9	44	42

Chile	-	1	2	3
Natural Gas Customers (Thousands)				
Argentina			1,542	1,495
Mexico			101	98
Chile			39	38
Electric Sales (Millions of kWhs)				
Peru	1,620	1,113	5,108	4,298
Chile	762	537	2,324	2,289
Electric Customers (Thousands)				
Peru			788	767
Chile			534	521

10

## SEMPRA ENERGY

### Table E (Continued)

#### SEMPRA COMMODITIES

<i>Margin* (Dollars in millions)</i>	Three months ended December 31,		Years ended December 31,	
	2006	2005	2006	2005
<b>Geographical:</b>				
North America	\$474	\$543	\$1,313	\$1,091
Europe/Asia	173	142	325	255
Total	<u>\$647</u>	<u>\$685</u>	<u>\$1,638</u>	<u>\$1,346</u>
<b>Product Line:</b>				
Gas	\$362	\$317	\$792	\$439
Power	104	209	431	443
Oil - Crude & Products	85	132	198	292
Metals	60	12	138	54
Other	36	15	79	118
Total	<u>\$647</u>	<u>\$685</u>	<u>\$1,638</u>	<u>\$1,346</u>

\* Margin consists of net revenues less related costs (primarily brokerage, transportation and storage) plus or minus net interest expense/income, and is used by management in evaluating its geographical and product line performance.

<i>Effect of EITF 02-03 (Dollars in millions)</i>	Three months ended December 31,		Years ended December 31,	
	2006	2005	2006	2005
Mark-to-Market Earnings **	\$158	\$209	\$487	\$491
Effect of EITF 02-03 ***	56	35	17	(31)
GAAP Net Income	<u>\$214</u>	<u>\$244</u>	<u>\$504</u>	<u>\$460</u>

\*\* Represents earnings from the fair market value of all commodities transactions. This metric is a useful measurement of profitability because it simultaneously recognizes changes in the various components of transactions and reflects how the business is managed.

\*\*\* Consists of the income statement effect of not recognizing changes in the fair market value of certain physical inventories, capacity contracts for transportation and storage and derivative hedging activities related to Section 29 tax credits.

<i>Net Unrealized Revenue (Dollars in millions)</i>	Fair Market Value December 31,				
	2006	Scheduled Maturity (in months)			
		0 - 12	13 - 24	25 - 36	> 36
<b>Sources of Over-the-Counter (OTC) Fair Value:</b>					
Prices actively quoted	\$1,746	\$959	\$575	\$47	\$165
Prices provided by other external sources	28	(6)	-	2	32
Prices based on models and other valuation methods	(16)	-	-	-	(16)
Total OTC Fair Value (1)	<u>1,758</u>	<u>953</u>	<u>575</u>	<u>49</u>	<u>181</u>
Maturity of OTC Fair Value - Cumulative Percentages		<u>54.2%</u>	<u>86.9%</u>	<u>89.7%</u>	<u>100.0%</u>
Exchange Contracts (2)	155	412	(188)	55	(124)
Total Net Unrealized Revenue at December 31, 2006	<u>\$1,913</u>	<u>\$1,365</u>	<u>\$387</u>	<u>\$104</u>	<u>\$57</u>
Net Unrealized Revenue - Cumulative Percentages		<u>71.4%</u>	<u>91.6%</u>	<u>97.0%</u>	<u>100.0%</u>

(1) The present value of unrealized revenue to be received or (paid) from outstanding OTC contracts

(2) Cash received or (paid) associated with open Exchange Contracts

December 31,

<i>Credit Quality of Unrealized Trading Assets (net of margin)</i>	2006	2005
Commodity Exchanges	13%	2%
Investment Grade	57%	75%
Below Investment Grade	30%	23%

<i>Risk Adjusted Performance Indicators (Mark-to-Market Basis)</i>	Three months ended December 31,		Years ended December 31,	
	2006	2005	2006	2005
VaR at 95% (Dollars in millions) (1)	\$17.3	\$14.2	\$16.2	\$11.3
VaR at 99% (Dollars in millions) (2)	\$24.3	\$20.0	\$22.8	\$15.9
Risk Adjusted Return on Capital (RAROC) (3)	37%	61%	34%	44%

- (1) Average Daily Value-at-Risk for the period using a 95% confidence level  
(2) Average Daily Value-at-Risk for the period using a 99% confidence level  
(3) Average Daily Trading Margin/Average Daily VaR at 95% confidence level

*Physical Statistics*

Natural Gas (bcf/Day)	12.2	12.1	12.0	11.7
Electric (Billions of kWhs)	125.5	112.4	475.5	413.2
Oil & Liquid Products (Millions Bbls/Day)	0.7	1.4	0.7	1.0

**SEMPRA ENERGY**  
Table F (Unaudited)

**Income Statement Data by Business Unit**

**Three Months Ended December 31, 2006**

(Dollars in millions)	SDG&E	SoCalGas	Commodities	Generation	Pipelines & Storage	LNG	Consolidating Adjustments, Parent & Other	Total
Operating Revenues	\$696	\$1,036	\$1,078	\$422	\$68	\$(1)	\$(54)	\$3,245
Cost of Sales and Other Operating Expenses	519	869	701	334	62	8	(1)	2,492
Litigation Expense	-	1	2	8	1	1	-	13
Depreciation & Amortization	72	67	6	12	3	-	6	166
Gains on Sale of Assets	-	(1)	-	-	-	-	(1)	(2)
Impairment Losses	-	-	-	-	-	-	6	6
Operating Income (Loss)	105	100	369	68	2	(10)	(64)	570
Other Income (Expense), Net	(7)	-	-	1	(1)	-	13	6
Income (Loss) before Interest & Taxes <sup>(1)</sup>	98	100	369	69	1	(10)	(51)	576
Net Interest Expense (Income) <sup>(2)</sup>	17	11	14	(11)	(2)	(3)	19	45
Income Tax Expense (Benefit)	26	34	125	27	20	-	(52)	180
Equity in Losses of Certain Unconsolidated Subsidiaries	-	-	(16)	-	(206)	-	-	(222)
Discontinued Operations	-	-	-	-	-	-	(4)	(4)
Net Income (Loss)	\$55	\$55	\$214	\$53	\$(223)	\$(7)	\$(22)	\$125

**Three Months Ended December 31, 2005**

(Dollars in millions)	SDG&E	SoCalGas	Commodities	Generation	Pipelines & Storage	LNG	Consolidating Adjustments, Parent & Other	Total
Operating Revenues	\$751	\$1,526	\$1,029	\$610	\$90	\$-	\$(74)	\$3,932
Cost of Sales and Other Operating Expenses	543	1,348	678	414	88	12	(28)	3,055
Litigation Expense	8	11	(7)	25	1	1	171	210
Depreciation & Amortization	67	66	7	11	3	-	6	160
Gains on Sale of Assets	-	-	(8)	-	-	-	-	(8)
Impairment Losses	2	-	-	66	-	-	3	71

Operating Income (Loss)	131	101	359	94	(2)	(13)	(226)	444
Other Income (Expense), Net	10	(1)	1	12	4	1	-	27
Income (Loss) before Interest & Taxes <sup>(1)</sup>	141	100	360	106	2	(12)	(226)	471
Net Interest Expense <sup>(2)</sup>	19	10	15	7	-	1	19	71
Income Tax Expense (Benefit)	50	42	101	41	(1)	(3)	(174)	56
Equity in Income of Certain Unconsolidated Subsidiaries	-	-	-	-	13	-	-	13
Discontinued Operations	-	-	-	-	-	-	(2)	(2)
Net Income (Loss)	<u>\$72</u>	<u>\$48</u>	<u>\$244</u>	<u>\$58</u>	<u>\$16</u>	<u>\$(10)</u>	<u>\$(73)</u>	<u>\$355</u>

<sup>(1)</sup> Management believes "Income (Loss) before Interest & Taxes" (Operating Income plus Other Income, Net) is a useful measurement of our business units' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest and income taxes, neither of which is directly relevant to the efficiency of those operations.

<sup>(2)</sup> Net Interest Expense includes Interest Income, Interest Expense and Preferred Dividends of Subsidiaries.

## SEMPRA ENERGY

### Table F (Unaudited) (Continued)

#### *Income Statement Data by Business Unit*

Year Ended December 31, 2006

(Dollars in millions)	SDG&E	SoCalGas	Commodities	Generation	Pipelines & Storage	LNG	Consolidating Adjustments, Parent & Other	Total
Operating Revenues	\$2,785	\$4,181	\$3,256	\$1,454	\$295	\$(22)	\$(188)	\$11,761
Cost of Sales and Other Operating Expenses	2,015	3,482	2,338	1,120	272	37	(9)	9,255
Litigation Expense	3	(2)	10	38	4	1	2	56
Depreciation & Amortization	291	267	25	46	12	-	16	657
Losses (Gains) on Sale of Assets, Net	(1)	(5)	7	-	-	-	(2)	(1)
Impairment Losses	-	-	-	-	-	-	9	9
Operating Income (Loss)	477	439	876	250	7	(60)	(204)	1,785
Other Income (Expense), Net	8	(1)	-	355	2	-	17	381
Income (Loss) before Interest & Taxes <sup>(1)</sup>	485	438	876	605	9	(60)	(187)	2,166
Net Interest Expense (Income) <sup>(2)</sup>	96	42	62	(13)	(4)	-	69	252

Income Tax Expense (Benefit)	152	173	294	243	12	(18)	(215)	641
Equity in Losses of Certain Unconsolidated Subsidiaries	-	-	(16)	-	(166)	-	-	(182)
Discontinued Operations	-	-	-	-	-	-	315	315
Net Income (Loss)	<u>\$237</u>	<u>\$223</u>	<u>\$504</u>	<u>\$375</u>	<u>\$(165)</u>	<u>\$(42)</u>	<u>\$274</u>	<u>\$1,406</u>

**Year Ended December 31, 2005**

(Dollars in millions)	SDG&E	SoCalGas	Commodities	Generation	Pipelines & Storage	LNG	Consolidating Adjustments, Parent & Other	Total
Operating Revenues	\$2,512	\$4,617	\$2,724	\$1,708	\$317	\$-	\$(366)	\$11,512
Cost of Sales and Other Operating Expenses	1,802	3,905	2,077	1,312	297	35	(155)	9,273
Litigation Expense	52	99	38	43	2	1	316	551
Depreciation & Amortization	264	264	28	39	12	-	19	626
Gains on Sale of Assets	(1)	-	(106)	-	(4)	-	(1)	(112)
Impairment Losses	<u>2</u>	<u>2</u>	<u>-</u>	<u>66</u>	<u>6</u>	<u>-</u>	<u>9</u>	<u>85</u>
Operating Income (Loss)	393	347	687	248	4	(36)	(554)	1,089
Other Income (Expense), Net	<u>14</u>	<u>(2)</u>	<u>-</u>	<u>27</u>	<u>7</u>	<u>1</u>	<u>4</u>	<u>51</u>
Income (Loss) before Interest & Taxes <sup>(1)</sup>	407	345	687	275	11	(35)	(550)	1,140
Net Interest Expense (Income) <sup>(2)</sup>	56	37	35	23	(1)	2	96	248
Income Tax Expense (Benefit)	89	97	192	103	3	(12)	(438)	34
Equity in Income of Certain Unconsolidated Subsidiaries	-	-	-	-	55	-	-	55
Discontinued Operations	-	-	-	-	-	-	7	7
Net Income (Loss)	<u>\$262</u>	<u>\$211</u>	<u>\$460</u>	<u>\$149</u>	<u>\$64</u>	<u>\$(25)</u>	<u>\$(201)</u>	<u>\$920</u>

<sup>(1)</sup> Management believes "Income (Loss) before Interest & Taxes" (Operating Income plus Other Income, Net) is a useful measurement of our business units' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest and income taxes, neither of which is directly relevant to the efficiency of those operations.

<sup>(2)</sup> Net Interest Expense (Income) includes Interest Income, Interest Expense and Preferred Dividends of Subsidiaries.