

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1998

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from
to

SOUTHERN CALIFORNIA GAS COMPANY

(Exact name of registrant as specified in its charter)

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

555 WEST FIFTH STREET, LOS ANGELES, CALIFORNIA 90013

(Address of principal executive offices) (Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Preferred Stock	Pacific
First Mortgage Bonds:	
Series Y, due 2021	
Series Z, due 2002	
Series BB, due 2023	New York
Series DD, due 2023	
Series EE, due 2025	
Series FF, due 2003	

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 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.

Exhibit Index on page 53. Glossary on page 56.

Aggregate market value of the voting preferred stock held by non-affiliates of the registrant as of March 26, 1999 was \$19.9 million.

Registrant's common stock outstanding as of March 26, 1999 was wholly owned by Pacific Enterprises.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Information Statement prepared for the May 1999 annual meeting of shareholders are incorporated by reference into Part III.

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This report includes forward-looking statements within the definition of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "estimates," "believes," "expects," "anticipates," "plans" and "intends," variations of such words, and similar expressions, are intended to identify forward-looking statements that involve risks and uncertainties which could cause actual results to differ materially from those anticipated.

These statements are necessarily based upon various assumptions involving judgments with respect to the future including, among others, local, regional, national and international economic, competitive, political and regulatory conditions and developments, technological developments, capital market conditions, inflation rates, interest rates, energy markets, weather conditions, business and regulatory or legal decisions, the pace of deregulation of retail natural gas and electricity industries, the timing and success of business development efforts, and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Company. Accordingly, while the Company believes that the assumptions are reasonable, there can be no assurance that they will approximate actual experience, or that the expectations will be realized. Readers are urged to carefully review and consider the risks, uncertainties and other factors which affect the Company's business described in this annual report and other reports filed by the Company from time to time with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Southern California Gas Company (SoCalGas or the Company) is the nation's largest natural gas distribution utility, serving 4.8 million meters throughout most of southern California and part of central California. SoCalGas is the principal subsidiary of Pacific Enterprises (PE). Effective June 26, 1998, PE and Enova Corporation (Enova) combined to form Sempra Energy, a California-based Fortune 500 energy-services company (PE/Enova Business Combination). San Diego Gas & Electric Company (SDG&E), an operating public utility providing electric and natural gas services to San Diego County and southern Orange County, is the principal subsidiary of Enova. Further discussion of SoCalGas and the PE/Enova Business Combination are included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 1 of the "Notes to Consolidated Financial Statements," herein.

GOVERNMENT REGULATION

Local Regulation

SoCalGas has gas franchises with the 236 legal jurisdictions in its service territory. These franchises allow SoCalGas to locate

facilities for the transmission and distribution of natural gas in the streets and other public places. Most of the franchises do not have fixed terms and continue indefinitely. The range of expiration dates for the franchises with definite terms is 2003 to 2041.

State Regulation

The California Public Utilities Commission (CPUC) regulates SoCalGas' rates and conditions of service, sales of securities, rate of return, rates of depreciation, uniform systems of accounts, examination of records, and long-term resource procurement. The CPUC also conducts various reviews of utility performance and conducts investigations into various matters, such as deregulation, competition and the environment, to determine its future policies.

Federal Regulation

The Federal Energy Regulatory Commission (FERC) regulates the interstate sale and transportation of natural gas, the uniform systems of accounts and rates of depreciation.

Licenses and Permits

SoCalGas obtains a number of permits, authorizations and licenses in connection with the transmission and distribution of natural gas. They require periodic renewal, which results in continuing regulation by the granting agency.

Other regulatory matters are described throughout this report.

SOURCES OF REVENUE

(In Millions of Dollars)	1998	1997	1996

Revenue by type of customer:			
Gas Sales, Transportation & Exchange-			
Residential	\$ 1,987	\$ 1,736	\$ 1,613
Commercial/Industrial	727	757	709
Utility Electric Generation	66	76	70
Wholesale	66	67	70
	-----	-----	-----
	2,846	2,636	2,462
Balancing and Other	(419)	5	(40)
	-----	-----	-----
Total Gas Revenues	\$ 2,427	\$ 2,641	\$ 2,422
	=====	=====	=====

Industry segment information is contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 12 of the "Notes to Consolidated Financial Statements" herein.

NATURAL GAS OPERATIONS

UTILITY SERVICES

SoCalGas distributes natural gas throughout a 23,000-square-mile service territory with a population of approximately 17.6 million people. Its service territory includes most of southern California and part of central California.

The Company offers two basic utility services, sale of natural gas and transportation of natural gas, through two business units. One business unit focuses on core distribution customers and the other on large volume gas transportation customers. Natural gas service is also provided on a wholesale basis to the distribution systems of the City of Long Beach, affiliated company SDG&E and Southwest Gas Corporation.

Supplies of Natural Gas

The Company buys natural gas under several short-term and long-term contracts. Short-term purchases are based on monthly-spot-market prices. The Company has pipeline capacity contracts with pipeline companies that expire at various dates through 2006.

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

pipeline capacity into California exceeds current demand by over 1 billion cubic feet (bcf) per day. The implications of this excess are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein.

The following table shows the sources of natural gas deliveries from 1994 through 1998.

	Year Ended December 31				
	1998	1997	1996	1995	1994
Gas Purchases (billions of cubic feet)					
Market	270	229	226	206	247
Affiliates	101	95	96	99	101
California Producers & Federal Offshore	3	5	12	29	36
Total Gas Purchases	374	329	334	334	384
Customer-Owned and Exchange Receipts					
Affiliates	116	100	96	89	93
Other	521	514	422	531	565
Storage Withdrawal (Injection) - Net					
	(28)	(3)	42	(13)	(9)
Company Use and Unaccounted For					
	(21)	(10)	(10)	(4)	(13)
Net Deliveries	962	930	884	937	1,020
Cost of Gas Purchased (millions of dollars)					
Commodity Costs	\$ 774	\$ 849	\$ 627	\$ 478	\$ 644
Fixed Charges*	174	250	276	264	368
Total Gas Purchases	\$ 948	\$1,099	\$ 903	\$ 742	\$1,012
Average Cost of Gas Purchased (dollars per thousand cubic feet)**					
	\$2.07	\$ 2.58	\$1.88	\$1.42	\$ 1.68

* 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 natural gas purchased excludes fixed charges.

Market sensitive natural gas supplies (supplies purchased on the spot market as well as under longer-term contracts ranging from one month to ten years based on spot prices) accounted for 72 percent of total natural gas volumes purchased by the Company during 1998, as compared with 70 percent and 68 percent during 1997 and 1996, respectively. These supplies were generally purchased at prices significantly below those of long-term sources of supply.

During 1998, the Company delivered 962 bcf of natural gas through its system. Approximately 66 percent of these deliveries were customer-owned natural gas for which the Company provided transportation services. The balance of natural gas deliveries was gas purchased by the Company and resold to customers. The Company estimates that sufficient natural gas supplies will be available to meet the requirements of its customers for the next several years.

Customers

For regulatory purposes, customers are separated into core and noncore customers. Core customers are primarily residential and small commercial and industrial customers, without alternative fuel capability. There are approximately 4.8 million core customers (4.6 million residential and 200,000 small commercial and industrial). Noncore customers consist primarily of utility electric generation (UEG), wholesale, and large commercial and industrial customers, and total approximately 1,600.

Most core customers purchase natural gas directly from the Company. Core aggregate transportation customers are permitted to aggregate their natural gas requirement and, up to a CPUC-imposed limit of 10 percent of the Company's core market, to purchase natural gas

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

Noncore customers have the option of purchasing natural gas either from the Company or from other sources, such as brokers or producers, for delivery through the Company's transmission and distribution system. Most noncore customers procure their own natural gas supply.

For 1998, approximately 87 percent of the CPUC-authorized natural gas margin was allocated to the core customers, with 13 percent allocated to the noncore customers.

Although revenue from transportation throughput is less than for natural gas sales, the Company generally earns the same margin whether the Company buys the gas and sells it to the customer or transports natural gas already owned by the customer.

The Company also provides natural gas storage services for noncore and off-system customers on a bid and negotiated contract basis. The storage service program provides opportunities for customers to store natural gas on an "as available" basis, usually during the summer to reduce winter purchases when natural gas costs are generally higher. As of December 31, 1998, the Company stored approximately 26 bcf of customer-owned gas.

Demand for Natural Gas

Natural gas is a principal energy source for residential, commercial, industrial and UEG customers. Natural gas competes with electricity for residential and commercial cooking, water heating, space heating and clothes drying, and with other fuels for large industrial, commercial and UEG uses. Growth in the natural gas markets is largely dependent upon the health and expansion of the southern California economy. The Company added approximately 46,000 new meters in 1998. This represents a growth rate of approximately 0.9 percent. The Company expects its growth for 1999 will continue at about the 1998 level.

During 1998, 97 percent of residential energy customers in the Company's service area used natural gas for water heating, 94 percent for space heating, 78 percent for cooking and 72 percent for clothes drying.

Demand for natural gas by noncore customers is very sensitive to the price of alternative competitive fuels. Although the number of noncore customers in 1998 was only 1,600, it accounted for 13 percent of the authorized natural gas revenues and 62 percent of total natural gas volumes. External factors such as weather, electric deregulation, the increased use of hydro-electric power, competing pipeline bypass and general economic conditions can result in significant shifts in this market. Natural gas demand for big UEG customers is also greatly affected by the price and availability of electric power generated in other areas and purchased by the Company's UEG customers. Natural gas demand in 1998 for UEG customer use decreased as a result of decreased demand for electricity. UEG customer demand increased in 1997 as a result of higher demand for electricity and less availability of hydro-electricity.

As a result of electric industry restructuring, natural gas demand for electric generation within southern California competes with electric power generated throughout the western United States. Effective March 31, 1998, California consumers were given the option of selecting their electric energy provider from a variety of local and out-of-state producers. Although the electric industry restructuring has no direct impact on the Company's natural gas operations, future volumes of natural gas transported for UEG customers may be adversely affected to the extent that regulatory changes divert electricity from the Company's service area.

Other

Additional information concerning customer demand and other aspects of natural gas operations is provided under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Notes 10 and 11 of the "Notes to Consolidated Financial Statements" herein.

RATES AND REGULATION

SoCalGas is regulated by the CPUC, which consists of five commissioners appointed by the Governor of California for staggered six-year terms. Two of the five commissioner positions are currently vacant. It is the responsibility of the CPUC to determine that utilities operate within the best interests of their customers. The regulatory structure is complex and has a substantial impact on SoCalGas' profitability. The natural gas industry is currently undergoing transitions to competition (see below).

Natural Gas Industry Restructuring

The natural gas industry experienced an initial phase of restructuring during the 1980s by deregulating natural gas sales to noncore customers. In January 1998, the CPUC released a staff report initiating a project to assess the current market and regulatory framework for California's natural gas industry. The general goals of the plan are to consider reforms to the current regulatory framework emphasizing market-oriented policies benefiting California natural gas customers. Additional information on natural gas industry restructuring is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 11 of the "Notes to Consolidated Financial Statements" herein.

Balancing Accounts

In general, earnings fluctuations from changes in the costs of natural gas and consumption levels for the majority of natural gas are eliminated by balancing accounts authorized by the CPUC. Additional information on balancing accounts is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 2 of the "Notes to Consolidated Financial Statements" herein.

Performance-Based Regulation (PBR)

To promote efficient operations and improved productivity and to move away from reasonableness reviews and disallowances, the CPUC has been directing utilities to use PBR. PBR has replaced the general rate case and certain other regulatory proceedings for SoCalGas. Under PBR, regulators require future income potential to be tied to achieving or exceeding specific performance and productivity measures, as well as cost reductions, rather than relying solely on expanding utility rate base in a market where a utility already has a highly developed infrastructure. Additional information on PBR is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 11 of the "Notes to Consolidated Financial Statements" herein.

Biennial Cost Allocation Proceeding (BCAP)

Rates to recover the changes in natural gas fuel costs and changes in the cost of natural gas transportation services are determined in the BCAP. The BCAP adjusts rates to reflect variances in core customer demand from estimates previously used in establishing core customer rates. The mechanism substantially eliminates the effect on core income of variances in core market demand and natural gas costs subject to the limitations of the Gas Cost Incentive Mechanism (GCIM) discussed below. The BCAP will continue under PBR. Additional information on the BCAP is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 11 of the "Notes to Consolidated Financial Statements" herein.

Gas Cost Incentive Mechanism (GCIM)

The GCIM is a process SoCalGas uses to evaluate its natural gas purchases, substantially replacing the previous process of reasonableness reviews. Additional information on the GCIM is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 11 of the "Notes to Consolidated Financial Statements" herein.

Affiliate Transactions

In December 1997, the CPUC adopted rules establishing uniform standards of conduct governing the manner in which California investor-owned utilities conduct business with their affiliates. The objective of these rules is to ensure that the utilities' energy affiliates do not gain an unfair advantage over other competitors in the marketplace and that utility customers do not subsidize affiliate activities. Additional information on affiliate transactions is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 11 of

the "Notes to Consolidated Financial Statements" herein.

Cost of Capital

Under PBR, annual Cost of Capital proceedings have been replaced by an automatic adjustment mechanism if changes in certain indices exceed established tolerances. For 1999, SoCalGas is authorized to earn a rate of return on rate base of 9.49 percent and a rate of return on common equity of 11.6 percent, the same as in 1998, unless interest-rate changes are large enough to trigger an automatic adjustment. Additional information on the utilities' cost of capital is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 11 of the "Notes to Consolidated Financial Statements" herein.

ENVIRONMENTAL MATTERS

Discussions about environmental issues affecting SoCalGas, including hazardous substances, are included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein. The following should be read in conjunction with those discussions.

Hazardous Substances

The utility lawfully disposed of wastes at facilities owned and operated by other entities. Operations at these facilities may result in actual or threatened risks to the environment or public health. Under California law, redevelopment agencies are authorized to require landowners to cleanup property within their jurisdiction or, where the landowner or operator of such a facility fails to complete any corrective action required, applicable environmental laws may impose an obligation to undertake corrective actions on the utilities and others who disposed of hazardous wastes at the facility.

SoCalGas has been named as a potential responsible party (PRP) for two landfill sites and two industrial waste disposal sites, as described below.

The Casmalia former waste disposal site operated as a Class I waste disposal site which was composed of 6 landfills, 58 surface impoundments, 11 disposal wells, 7 disposal trenches, 2 treatment systems and one former pre-Resource Conservation and Recovery Act drum burial area. The utility has estimated the costs of remediation at Casmalia to be \$0.7 million. In 1998, SoCalGas completed work efforts of \$82,000. Remedial actions and negotiations with other PRPs and the United States Environmental Protection Agency (EPA) have been continuing since March 1993. SoCalGas is currently negotiating a final remedy with the EPA for Operating Industries, Inc. (OII), a former landfill for both household and industrial wastes. The total costs for remediation of OII are estimated at \$3 million, of which \$0.6 million was completed during 1998. Remedial actions and negotiations have been in progress since June 1986.

In the early 1990s, SoCalGas was notified of hazards at two former industrial waste treatment facilities, Industrial Waste Processing (Industrial) and Cal Compact (Compact), where SoCalGas had disposed of wastes. A feasibility study and remedial investigation have been submitted and accepted by the EPA for Industrial. The total cost estimate for remediation of Industrial is \$300,000, of which \$4,000 of remedial action was completed in 1998. The nature and extent for remediation of the Compact site indicates an estimated cost of \$120,000. During 1998, the utility completed remedial efforts of this site at a cost of \$50,000 and is involved in ongoing negotiations with the California Department of Toxic Substances Control.

At December 31, 1998, the utility's estimated remaining investigation and remediation liability related to hazardous waste sites not detailed above was \$68 million, of which 90 percent is authorized to be recovered through the Hazardous Waste Collaborative mechanism. SoCalGas 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 consolidated results of operations or financial position.

Estimated liabilities for environmental remediation are recorded when amounts are probable and estimable. Amounts authorized to be recovered in rates under the Hazardous Waste Collaborative mechanism are recorded as a regulatory asset. Possible recoveries of environmental remediation liabilities from third parties are not

deducted from the liability.

OTHER

Year 2000

A discussion of the Company's plans to prepare its computer systems and applications for the year 2000 and beyond is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein.

Research, Development and Demonstration (RD&D)

The SoCalGas RD&D portfolio is focused in five major areas: Operations, Utilization Systems, Power Generation, Public Interest and Transportation. Each of these activities provides benefits to customers and society by providing more cost-effective, efficient natural gas equipment with lower emissions, increased safety and reduced environmental mitigation and other utility operating costs. The CPUC has authorized SoCalGas to recover its operating cost associated with RD&D. An annual average of \$7.7 million has been spent for the last three years.

Employees of Registrant

As of December 31, 1998 SoCalGas had 6,148 employees, compared to 6,615 at December 31, 1997. This decrease is related to synergies resulting from the PE/Enova Business Combination and the shifting of certain functions to Semptra Energy.

Field, technical and most clerical employees of SoCalGas are represented by the Utility Workers' Union of America or the International Chemical Workers' Council. The collective bargaining agreement on wages, hours and working conditions remains in effect through March 31, 2000.

ITEM 2. PROPERTIES

Natural Gas Properties

At December 31, 1998, SoCalGas owned 2,857 miles of transmission and storage pipeline, 44,097 miles of distribution pipeline and 43,825 miles of service piping. It also owned 10 transmission compressor stations and 6 underground storage reservoirs (with a combined working storage capacity of approximately 116 Bcf).

Other Properties

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 leases approximately half of the building through the year 2011. The lease has six separate five-year renewal options.

The Company owns or leases other offices, operating and maintenance centers, shops, service facilities, and certain equipment necessary in the conduct of business.

ITEM 3. LEGAL PROCEEDINGS

Except for the matters referred to in the financial statements in Item 8 or referred to elsewhere in this Annual Report, neither the Company nor any of its affiliates is a party to, nor is its 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

None.

ITEM 4. EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age*	Positions
Warren I. Mitchell	61	Chairman and President
Lee M. Stewart	53	Senior Vice President and Corporate Secretary; President-Energy Transportation Services
Debra L. Reed	42	Senior Vice President and Chief Financial Officer; President-Energy Distribution Services
Richard M. Morrow	49	Vice President

Roy M. Rawlings	54	Vice President
Anne S. Smith	45	Vice President
George E. Strang	59	Vice President

* As of December 31, 1998

Each Executive Officer has been an officer of SoCalGas for more than five years.

PART II

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

All of the issued and outstanding common stock of SoCalGas is owned by PE, a wholly owned subsidiary of Sempra Energy. The information required by Item 5 concerning dividends declared is included in the "Statements of Consolidated Changes in Shareholders' Equity" set forth in Item 8 of this Annual Report herein.

Dividend Restrictions

The CPUC regulates SoCalGas' capital structure, limiting the dividends it may pay. At December 31, 1998, \$233 million of SoCalGas' retained earnings was available for future dividends.

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in millions)

	At December 31, or for the years then ended				
	1998	1997	1996	1995	1994
Income Statement Data:					
Operating Revenues	\$2,427	\$2,641	\$2,422	\$2,279	\$2,587
Operating Income	\$ 238	\$ 318	\$ 286	\$ 300	\$ 279
Dividends on Preferred Stock	\$ 1	\$ 7	\$ 8	\$ 12	\$ 10
Earnings Applicable to Common Shares	\$ 158	\$ 231	\$ 193	\$ 203	\$ 180
Balance Sheet Data:					
Total Assets	\$3,834	\$4,205	\$4,354	\$4,462	\$4,776
Long-Term Debt	\$ 967	\$ 968	\$1,090	\$1,220	\$1,397
Short-Term Debt (a)	\$ 75	\$ 498	\$ 409	\$ 329	\$ 364
Shareholders' Equity	\$1,382	\$1,467	\$1,487	\$1,645	\$1,674

(a) Includes bank and other notes payable, commercial paper borrowings and long-term debt due within one year.

Since SoCalGas is a wholly owned subsidiary of Pacific Enterprises, per share data has been omitted.

This data should be read in conjunction with the Consolidated Financial Statements and notes to Consolidated Financial Statements contained herein.

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

ARTICLE IV

Meeting of Directors

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

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

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

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

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

ARTICLE V

Officers

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

ARTICLE VI

The President

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

ARTICLE VII

Vice Presidents

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

ARTICLE VIII

Secretary

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

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

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

ARTICLE IX

Treasurer

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

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

ARTICLE X

Record Date

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

Meeting, to give consent to corporate action, to receive a dividend, distribution, or allotment of rights, or to exercise any rights in respect of any other lawful action, notwithstanding any transfer of shares on the books of the Company after the record date.

ARTICLE XI

Indemnification of Agents of the Company;

Purchase of Liability Insurance

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

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

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

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

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

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

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

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

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

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

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

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

d. The court in which such proceeding is or was pending upon application made by the Company or the agent or the attorney or

other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the Company.

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

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

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

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

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

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

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

BYLAWS

OF

SOUTHERN CALIFORNIA GAS COMPANY

September 1, 1998

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 THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
 EXTRACTED FROM THE CONDENSED STATEMENT OF CONSOLIDATED INCOME,
 BALANCE SHEET AND CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY
 REFERENCE TO SUCH FINANCIAL STATEMENTS.
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 SOUTHERN CALIFORNIA GAS COMPANY
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YEAR	DEC-31-1998	DEC-31-1998	PER-BOOK
	2,952	0	698
	0	184	0
			3,834
			835
	0	525	
1,360		0	
			22
		967	
		0	
	0		
	75		
	0		
	0		0
1,410			
3,834			
	2,427		
		126	
	2,063		
	2,189		
		238	
			1
239			
	80		
			159
	1		
158			
	165		
	0		
		782	
			0
			0

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-45537, 33-51322, 33-53258, 33-59404, and 33-52663 of Southern California Gas Company on Forms S-3 of our report dated January 27, 1999, except for Note 13 as to which the date is February 22, 1999, appearing in this Annual Report on Form 10-K of Southern California Gas Company for the year ended December 31, 1998.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
March 31, 1999