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

FORM 10-Q

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

For the quarterly period ended September 30, 1997

Commission file number 1-1402

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

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

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

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

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

Yes X No

The number of shares of common stock outstanding on November 13, 1997 was 91,300,000.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	1997	1996	1997	1996
Operating Revenues	$607	$575	$1,920	$1,692
Operating Expenses:				
Cost of gas distributed	235	200	752	594
Operation and maintenance	172	175	524	522
Depreciation	63	64	188	187
Income taxes	43	41	140	112
Other taxes and franchise payments	22	22	71	71
Total	535	502	1,675	1,486
Net Operating Revenue	72	73	245	206
Other Income and (Deductions)	6	1	6	1
Interest Charges and (Credits):				
Interest on long-term debt	20	20	61	59
Other interest	3	3	4	8
Allowance for borrowed funds used during construction	0	(1)	(1)	(2)
Total	23	22	64	65
Net Income	55	52	187	142
Dividends on Preferred Stock	1	1	5	6
Net Income Applicable to Common Stock	$ 54	$ 51	$ 182	$ 136

See Notes to Condensed Consolidated Financial Statements.

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

	September 30 1997	December 31 1996
Utility Plant	$5,998	$5,963
Less accumulated depreciation	2,907	2,796
Utility plant - net	3,091	3,167
Current Assets:		
Cash and cash equivalents	27	14
Accounts and notes receivable (less allowance for doubtful receivables of $17 in 1997 and $16 in 1996)	272	413
Regulatory accounts receivable	434	296
Deferred income taxes	19	22
Gas in storage	54	28
Materials and supplies	11	13
Prepaid expenses	14	14
Income Taxes Receivable	0	11
Total current assets	831	811
Regulatory Assets	276	376
Total	$ 4,198	$ 4,354

See Notes to Condensed Consolidated Financial Statements.

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

	September 30 1997	December 31 1996
Capitalization:		
Common equity:		
Common stock	$ 835	$ 835
Retained earnings	559	555
Total common equity	1,394	1,390
Preferred stock	97	97
Long-term debt	866	1,090
Total capitalization	2,357	2,577
Current Liabilities:		
Short-term debt	281	262
Accounts payable	416	474
Accounts payable-affiliates	29	44
Accrued taxes and franchise payments	29	28
Accrued Income taxes payable	4	0
Long-term debt due within one year	271	147
Accrued interest	32	41
Other accrued liabilities	60	63
Total current liabilities	1,122	1,059
Deferred Credits:		
Customer advances for construction	37	42
Deferred income taxes	422	405
Deferred investment tax credits	62	64
Other deferred credits	198	207
Total deferred credits	719	718
Total	$ 4,198	$ 4,354

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30	
	1997	1996
Cash Flows From Operating Activities:		
Net income	$ 187	$ 142
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	188	187
Deferred income taxes	17	9
Other	(18)	(28)
Net change in other working capital components	(7)	283
Net cash provided by operating activities	367	593
Cash Flows from Investing Activities:		
Expenditures for utility plant	(110)	(124)
Decrease (increase) in other assets	21	(9)
Net cash used in investing activities	(89)	(133)
Cash Flows from Financing Activities:		
Redemption of preferred stock		(100)
Decrease in long-term debt	(100)	(133)
Increase(decrease) in short-term debt	18	(41)
Dividends paid	(183)	(195)
Net cash used in financing activities	(265)	(469)
Increase (Decrease) in Cash and Cash Equivalents	13	(9)
Cash and Cash Equivalents, January 1	14	13
Cash and Cash Equivalents, September 30	$ 27	$ 4
Supplemental Disclosure of Cash Flow Information:		
Cash paid (received) during the period:		
Interest (net of amount capitalized)	$ 60	$ 62
Income Taxes	$ 113	$ 127

See Notes to Condensed Consolidated Financial Statements.

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

1. MERGER AGREEMENT WITH ENOVA CORPORATION

On October 14, 1996, Pacific Enterprises (PE), the parent company of Southern California Gas Company (SoCalGas or the Company), and Enova Corporation (Enova), the parent company of San Diego Gas & Electric (SDG&E), announced an agreement, which both Boards of Directors unanimously approved, for the combination of the two companies, tax-free, in a strategic merger of equals to be accounted for as a pooling of interests. The combination was approved by the shareholders of both companies on March 11, 1997. Shareholder votes in favor of the combination totaled 79% of the outstanding shares of PE and 76% for Enova (99% and 96% of total votes cast for PE and Enova, respectively). Completion of the combination remains subject to approval by regulatory and governmental agencies.

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

The merger is subject to approval by certain governmental and regulatory agencies including the California Public Utility Commission (CPUC), the Federal Energy Regulatory Commission (FERC) (See FERC update below), the Securities and Exchange Commission, the Nuclear Regulatory Commission (NRC) (See NRC update below), and the Department of Justice. All remaining regulatory approvals and the commencement of combined operations are expected by the summer of 1998.

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

In October, the NRC approved the merger subject to two conditions relating to monitoring and oversight. The NRC oversees SDG&E's license to own the San Onofre Nuclear Generating Station of which SDG&E owns 20%.

2. SUMMARY OF ACCOUNTING POLICIES

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

Results of operations for interim periods are not necessarily indicative of results for the entire year. In order to match revenues and costs for interim reporting purposes, SoCalGas defers revenue related to costs which are expected to be incurred later in the year. In the opinion of management, the accompanying statements reflect all adjustments which are necessary for a fair presentation. These adjustments are of a normal recurring nature. Certain changes in account classification have been made in the prior years' consolidated financial statements to conform to the 1997 financial statement presentation.

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

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

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

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

INFORMATION REGARDING FORWARD-LOOKING COMMENTS

The following discussion includes forward-looking statements with respect to matters inherently involving various risks and uncertainties. These statements are identified by the words "estimates", "expects", "anticipates", "plans", "believes" and similar expressions.

The analyses employed to develop these statements are necessarily based upon various assumptions involving judgments with respect to the future including, among others, national, regional and local economic, competitive conditions, regulatory and business trends and decisions, technological developments, inflation rates, weather conditions, and other uncertainties, all of which are difficult to predict and many of which are beyond the control of SoCalGas. Accordingly, while the Company believes that the assumptions upon which the forward-looking statements are based, are reasonable for purposes of making these statements, there can be no assurance that these assumptions will approximate actual experience or that the expectations set forth in the forward-looking statements derived from these assumptions will be realized.

RESULTS OF OPERATIONS

Net income for the third quarter of 1997 was $54 million compared to $51 million for the same period in 1996. Net income for the nine months ended September 30, 1997 was $182 million compared to $136 million for the same period in 1996. The increase in the third quarter of 1997 from the third quarter of 1996 is primarily due to increased throughput and revenue from Utility Electric Generation (UEG) customers as a result of increased demand for electricity, and an increase in the common equity component of SoCalGas' capital structure to 48% from 47.4%. The increase in net income for the quarter was partially offset by the two-month impact of the net reduction in annual base margin of $160 million effective August 1, 1997, resulting from SoCalGas' Performance Based Regulation (PBR) decision (See discussion below under Regulatory Activity Influencing Future Performance).

The increase in net income for the nine months ended September 30, 1997 as compared to the same period of 1996, is primarily due to a reduction to earnings during the second quarter of 1996 due to a one-time non-cash $26.6 million charge, after-tax related to the Comprehensive Settlement of excess gas costs and other regulatory matters which did not affect consolidated Pacific Enterprises results. The reduction in net income for the period was partially offset by favorable litigation settlements totaling $13.6 million, after-tax. Also contributing to the increase in net income was increased throughput to UEG customers as a result of increased demand for electricity. The remaining increase in net income for the nine months ended September 30, 1997 is due to savings resulting from lower operating and maintenance expenses than amounts authorized in rates until the PBR decision went into effect on August 1, 1997, and an increase in the common equity component of SoCalGas' capital structure to 48% from 47.4%.

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

($ in Millions, vol. in billion cubic feet)	Gas Sales Throughput	Gas Sales Revenue	Trans. & Exchg. Throughput	Trans. & Exchg. Revenue	Total Throughput	Total Revenue
1997:						
Residential	36	$294	1	$ 3	37	$297
Comm'l/Ind'l.	16	89	78	67	94	156
Utility Elec.			72	33	72	33
Wholesale			34	17	34	17
Exchange			2	0	2	0
Total in Rates	52	$383	187	$120	239	503
Balancing Accts. & Other						104
Total Operating Rev.						$607*
1996:						
Residential	35	$266	1	$ 3	36	$269
Comm'l/Ind'l.	17	93	73	62	90	155
Utility Elec.			64	30	64	30
Wholesale			32	16	32	16
Exchange			2		2	
Total in Rates	52	$359	172	$111	224	$470
Balancing Accts. & Other						105
Total Operating Rev.						$575*

* Includes affiliate transactions.

SoCalGas' operating revenue for the three and nine months ended September 30, 1997, increased $32 million and $228 million, respectively when compared to the same periods in 1996. The increase in operating revenue is due to increased throughput to UEG customers due to increased demand for electricity and higher gas costs to core customers. SoCalGas also recorded a non-cash charge recorded in the second quarter of 1996 of $47.7 million, $26.6 million after-tax, related to a previous accounting estimate for a Comprehensive Settlement between the Gas Company and the CPUC in 1993. The increase is partially offset by $14.3 million ($8.0 million after-tax), of favorable litigation settlements relating to environmental insurance claims received in

1996. Operating revenues also increased due to an increase in the authorized common equity component of SoCalGas' capital structure on which SoCalGas earns a return.

Cost of gas distributed was $235 million and $200 million for the three months ended September 30, 1997 and 1996 respectively. The increase is primarily due to an increase in the average cost of gas purchased to $2.52 per thousand cubic feet (MCF) for the third quarter of 1997 compared to $1.78 per MCF for the third quarter of 1996. For the nine months ended September 30, 1997 and 1996, the cost of gas distributed was $752 million and $594 million respectively. The increase is primarily due to an increase in the average cost of gas purchased to $2.46 per thousand cubic feet (MCF) for the nine months ended September 30, 1997 compared to $1.56 per MCF for the same period in 1996. Under the current regulatory framework and under PBR which takes effect on January 1, 1998, changes in revenue resulting from changes in volumes in the core market and cost of gas do not affect net income.

Operating and maintenance expenses for the three months and nine months ended September 30, 1997, decreased $3 million and increased $2 million, respectively, compared to the same periods in 1996. The decrease for the three month period ended September 30, 1997, is primarily due to SoCalGas' continued efforts to reduce costs. The increase for the nine months ended September 30, 1997 is primarily due to benefits received in 1996 of $9.5 million, pre-tax, representing a non-recurring litigation settlement which reduced operating and maintenance expenses and higher expenses related to increased storage activities in 1997. These items contributing to the increase from 1996 to 1997 were partially offset by SoCalGas' continued efforts to reduce costs in 1997.

RECENT CPUC REGULATORY ACTIVITY

The PE merger with Enova Corporation is subject to approval by certain governmental and regulatory agencies. All remaining regulatory approvals and the commencement of combined operations are expected by the summer of 1998. Earnings of the combined company could be negatively impacted in 1998, and to a lesser extent in subsequent years by delays in achieving cost savings from the combination caused by the later-than-expected effective combination date, the possibility that the CPUC might reduce the period or percentage for shareholder participation in the related cost savings, and slower-than-anticipated growth in revenues from Energy Pacific.

On October 31, 1997, the CPUC issued the Administrative Law Judge's draft decision on guidelines for transactions between utilities and their non-utility affiliates. If the final decision of the CPUC were to be substantially the same as the draft decision, it would limit the ability of SoCalGas and other California energy utilities to operate as integrated units with their non-utility affiliates by, among other things, restricting the sharing of information and facilities, which would reduce opportunities for synergies and impact marketing opportunities for the affiliates. In addition, an alternate draft decision sponsored by two of the CPUC's five commissioners would prohibit affiliates of San Diego Gas & Electric and those of other electric utilities from providing direct access electricity services within their affiliated electric utility's service territory for two years, and contains additional restrictions.

REGULATORY ACTIVITY INFLUENCING FUTURE PERFORMANCE

Future regulatory and gas industry restructuring, increased competitiveness in the industry and the electric industry restructuring will affect SoCalGas' future performance. On July 16, 1997, the CPUC issued its final decision on SoCalGas' Performance Based Regulation (PBR) application. Key elements of the PBR decision include a $160 million net reduction in annual base rates, an indexing mechanism that limits future rate increases to the inflation rate less a productivity factor, a sharing mechanism with customers if earnings exceed the authorized rate of return on ratebase, and rate refunds to customers if service quality deteriorates. These elements become effective on January 1, 1998. The net reduction in SoCalGas' base margin of $160 million became effective August 1, 1997. For a detailed discussion of the CPUC's decision, please refer to the Company's Report on Form 8-K filed on July 16, 1997, and second quarter 1997 Form 10-Q.

It is the intent of management to control operating expenses and investment within the amounts authorized to be collected in rates in this PBR decision. SoCalGas intends to make the efficiency improvements, changes in operations and cost reductions necessary to achieve this objective and earn its authorized rate of return. However, in view of the earnings sharing mechanism and other elements of PBR authorized by the CPUC, it will be more difficult for SoCalGas to achieve the level of returns in excess of authorized returns it has recently experienced. Management believes that under the new PBR regulatory framework, the Company continues to meet the criteria of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation."

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

LIQUIDITY

The decrease in cash provided from operating activities to $367 million in the nine months ended September 30, 1997 from $593 million in the same period 1996 is primarily due to lower collections of regulatory accounts receivable in 1997 compared to 1996.

Capital expenditures were $110 million for the nine months ended September 30, 1997. This represents a decrease of $14 million compared to the same period 1996. The decrease is primarily due to the completion of a New Customer Information System in 1996.

In the nine months ended September 30, 1997, $265 million was used for financing activities. This was primarily the result of repayment of debt and payment of dividends.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) None

SIGNATURE

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

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

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

UT
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.
0000092108
SOUTHERN CALIFORNIA GAS COMPANY
1,000,000

9-MOS
DEC-31-1997
SEP-30-1997
PER-BOOK
3,091
0
831
276
0
4,198
835
0
559
1,394
0
97
866
281
0
0
271
0
0
0
1,289
4,198
1,920
140
1,535
1,675
245
6
251
64
187
5
182
0
0
367
0
0