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

FORM 10-Q

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

For the quarterly period ended June 30, 2007

Commission File Number	Name of Registrant, State or other jurisdiction of incorporation or organization, Address and Telephone Number	I.R.S. Employer Identification No.
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

No Change
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	[ ]	Accelerated filer	[ ]	Non-accelerated filer	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes	No	X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock outstanding:

Pacific Enterprises	Wholly owned by Sempra Energy
Southern California Gas Company	Wholly owned by Pacific Enterprises

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans," "intends," "may," "could," "would" and "should" or similar expressions, or discussions of strategy or of plans are intended to identify 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 these 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 and national economic, competitive, political, legislative and regulatory conditions and developments; actions by the California Public Utilities Commission, the California State Legislature, the Federal Energy Regulatory Commission and other environmental and regulatory bodies in the United States; 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; 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 companies. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the companies' business described in this report and other reports filed by the companies from time to time with the Securities and Exchange Commission.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PACIFIC ENTERPRISES AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Three months ended June 30,		Six months ended June 30,	
(Dollars in millions)	2007	2006	2007	2006
			(unaudited)	
Operating revenues	$ 981	$ 908	$ 2,349	$ 2,333
Operating expenses				
Cost of natural gas	529	476	1,441	1,462
Other operating expenses	249	233	492	466
Depreciation	70	67	139	133
Franchise fees and other taxes	29	27	65	66
Total operating expenses	877	803	2,137	2,127
Operating income	104	105	212	206
Other expense, net	(1)	(1)	(3)	(2)
Interest income	13	31	25	39
Interest expense	(19)	(18)	(38)	(37)
Income before income taxes	97	117	196	206
Income tax expense	41	50	82	88
Net income	56	67	114	118
Preferred dividend requirements	1	1	2	2
Earnings applicable to common shares	$ 55	$ 66	$ 112	$ 116

See Notes to Condensed Consolidated Financial Statements.

3

PACIFIC ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 474	$ 211
Accounts receivable - trade	405	640
Accounts receivable - other	15	33
Interest receivable	1	10
Due from unconsolidated affiliates	209	63
Income taxes receivable	22	54
Deferred income taxes	32	43
Inventories	50	106
Other regulatory assets	39	41
Other	37	17
Total current assets	1,284	1,218
Other assets:		
Due from unconsolidated affiliates	453	448
Regulatory assets arising from pension and other postretirement benefit obligations	155	136
Other regulatory assets	104	95
Sundry	34	41
Total other assets	746	720
Property, plant and equipment:		
Property, plant and equipment	8,295	8,151
Less accumulated depreciation	(3,304)	(3,248)
Property, plant and equipment, net	4,991	4,903
Total assets	$ 7,021	$ 6,841

See Notes to Condensed Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	June 30, 2007 (unaudited)	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	$ 386	$ 416
Accounts payable - other	77	114
Due to unconsolidated affiliates	113	102
Regulatory balancing accounts, net	250	167
Customer deposits	89	88
Other	341	305
Total current liabilities	1,256	1,192
Long-term debt	1,105	1,107
Deferred credits and other liabilities:		
Customer advances for construction	94	91
Pension and other postretirement benefit obligations,		
net of plan assets	184	172
Deferred income taxes	103	107
Deferred investment tax credits	34	36
Regulatory liabilities arising from removal obligations	1,048	1,019
Asset retirement obligations	675	655
Deferred taxes refundable in rates	228	221
Preferred stock of subsidiary	20	20
Deferred credits and other	285	291
Total deferred credits and other liabilities	2,671	2,612
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock	80	80
Common stock (600 million shares authorized;		
84 million shares outstanding; no par value)	1,462	1,464
Retained earnings	452	391
Accumulated other comprehensive income (loss)	(5)	(5)

Total shareholders' equity		1,989		1,930
Total liabilities and shareholders' equity	$	7,021	$	6,841

See Notes to Condensed Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES

CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

	Six months ended June 30,	
(Dollars in millions)	2007	2006
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 114	$ 118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	139	133
Deferred income taxes and investment tax credits	10	(12)
Gain on sale of assets	(2)	(1)
Accretion of interest	3	4
Net changes in working capital components	408	547
Changes in other assets	6	4
Changes in other liabilities	(13)	13
Net cash provided by operating activities	665	806
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(191)	(193)
Increase in loans to affiliates, net	(105)	(122)
Proceeds from sale of assets	2	2
Other	(6)	--
Net cash used in investing activities	(300)	(313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	(100)	(100)
Preferred dividends paid	(2)	(2)
Decrease in short-term debt	--	(88)
Net cash used in financing activities	(102)	(190)
Increase in cash and cash equivalents	263	303
Cash and cash equivalents, January 1	211	90
Cash and cash equivalents, June 30	$ 474	$ 393

SUPPLEMENTAL DISCLOSURE OF CASH FLOW

INFORMATION				
Interest payments, net of amounts capitalized	$	36	$	34
Income tax payments, net of refunds	$	26	$	8
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY				
Decrease in accounts payable from investments in property, plant and equipment	$	(12)	$	(4)

See Notes to Condensed Consolidated Financial Statements.

6

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

	Three months ended June 30,		Six months ended June 30,	
(Dollars in millions)	2007	2006	2007	2006
		(unaudited)		
Operating revenues	$ 981	$ 908	$ 2,349	$ 2,333
Operating expenses				
Cost of natural gas	529	476	1,441	1,462
Other operating expenses	248	232	491	465
Depreciation	70	67	139	133
Franchise fees and other taxes	29	27	65	66
Total operating expenses	876	802	2,136	2,126
Operating income	105	106	213	207
Other expense, net	(2)	(1)	(4)	(1)
Interest income	8	13	14	16
Interest expense	(17)	(16)	(35)	(34)
Income before income taxes	94	102	188	188
Income tax expense	39	43	78	80
Net income	55	59	110	108
Preferred dividend requirements	1	1	1	1
Earnings applicable to common shares	$ 54	$ 58	$ 109	$ 107

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 474	$ 211
Accounts receivable - trade	405	640
Accounts receivable - other	15	33
Interest receivable	1	10
Due from unconsolidated affiliates	204	108
Deferred income taxes	32	42
Inventories	50	106
Other regulatory assets	39	41
Other	36	18
Total current assets	1,256	1,209
Other assets:		
Regulatory assets arising from pension and other postretirement benefit obligations	155	136
Other regulatory assets	104	95
Sundry	13	19
Total other assets	272	250
Property, plant and equipment:		
Property, plant and equipment	8,292	8,148
Less accumulated depreciation	(3,304)	(3,248)
Property, plant and equipment, net	4,988	4,900
Total assets	$ 6,516	$ 6,359

See Notes to Condensed Consolidated Financial Statements.

8

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	June 30, 2007 (unaudited)	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	$ 386	$ 416
Accounts payable - other	77	114
Due to unconsolidated affiliates	33	74
Income taxes payable	40	13
Regulatory balancing accounts, net	250	167
Customer deposits	89	88
Other	340	304
Total current liabilities	1,215	1,176
Long-term debt	1,105	1,107
Deferred credits and other liabilities:		
Customer advances for construction	94	91
Pension and other postretirement benefit obligations, net of plan assets	184	172
Deferred income taxes	119	124
Deferred investment tax credits	34	36
Regulatory liabilities arising from removal obligations	1,048	1,019
Asset retirement obligations	675	655
Deferred taxes refundable in rates	228	221
Deferred credits and other	265	268
Total deferred credits and other liabilities	2,647	2,586
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock	22	22
Common stock (100 million shares authorized; 91 million shares outstanding; no par value)	866	866

Retained earnings		666		607
Accumulated other comprehensive income (loss)		(5)		(5)
Total shareholders' equity		1,549		1,490
Total liabilities and shareholders' equity	$	6,516	$	6,359

See Notes to Condensed Consolidated Financial Statements.

9

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES

CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Six months ended June 30, 2007	2006
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 110	$ 108
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	139	133
Deferred income taxes and investment tax credits	11	(8)
Gain on sale of assets	(2)	(1)
Accretion of interest	3	4
Net changes in working capital components	401	533
Changes in other assets	6	4
Changes in other liabilities	(10)	4
Net cash provided by operating activities	658	777
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(191)	(193)
Increase in loans to affiliates, net	(105)	(94)
Proceeds from sale of assets	2	2
Net cash used in investing activities	(294)	(285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	(100)	(100)
Preferred dividends paid	(1)	(1)
Decrease in short-term debt	--	(88)
Net cash used in financing activities	(101)	(189)
Increase in cash and cash equivalents	263	303
Cash and cash equivalents, January 1	211	90
Cash and cash equivalents, June 30	$ 474	$ 393

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest payments, net of amounts capitalized	$	33	$	31
Income tax payments, net of refunds	$	26	$	8

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY

Decrease in accounts payable from investments in property, plant and equipment	$	(12)	$	(4)

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL

Principles of Consolidation

This Quarterly Report on Form 10-Q is that of Pacific Enterprises (PE) and of Southern California Gas Company (SoCalGas) (collectively referred to as the company or the companies). PE s common stock is wholly owned by Sempra Energy, a California-based Fortune 500 holding company, and PE owns all of the common stock of SoCalGas. The accompanying financial statements are, in one case, the Condensed Consolidated Financial Statements of PE and its subsidiary, SoCalGas, and, in the other case, the Condensed Consolidated Financial Statements of SoCalGas and its subsidiaries, which comprise less than one percent of SoCalGas' consolidated financial position and results of operations.

Sempra Energy also indirectly owns all of the common stock of San Diego Gas & Electric Company (SDG&E). SoCalGas and SDG&E are collectively referred to as the Sempra Utilities.

Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year. In the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal, recurring nature.

Information in this Quarterly Report should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2006 (the Annual Report) and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

The companies' significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report. The same accounting policies are followed for interim reporting purposes, except for the adoption of new accounting standards as discussed in Note 2.

Other operating expenses include operating and maintenance costs, and general and administrative costs, consisting primarily of personnel costs, purchased materials and services, and outside services.

SoCalGas accounts for the economic effects of regulation on utility operations in accordance with Statement of Financial Accounting Standards (SFAS) 71*, Accounting for the Effects of Certain Types of Regulation.*

NOTE 2. NEW ACCOUNTING STANDARDS

Pronouncements that have recently become effective that are relevant to the company and/or have had or may have a significant effect on the company's financial statements are described below.

SFAS 157, "Fair Value Measurements" (SFAS 157): SFAS 157 defines fair value, establishes criteria to be considered when measuring fair value and expands disclosures about fair value measurements. SFAS 157 does not expand the application of fair value accounting to any new circumstances. The company applies recurring fair value measurements to certain assets and liabilities, primarily commodity and other derivatives.

SFAS 157: (1) establishes that fair value is based on a hierarchy of inputs into the valuation process (as described in Note 5), (2) clarifies that an issuer's credit standing should be considered when measuring liabilities at fair value, (3) precludes the use of a liquidity or block discount when measuring instruments traded in an actively quoted market at fair value, and (4) requires costs relating to acquiring instruments carried at fair value to be recognized as expense when incurred. SFAS 157 requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model.

The provisions of SFAS 157 are to be applied prospectively, except for the initial impact on three specific items: (1) changes in fair value measurements of existing derivative financial instruments measured initially using the transaction price under Emerging Issues Task Force (EITF) Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*, (2) existing hybrid financial instruments measured initially at fair value using the transaction price, and (3) blockage factor discounts. Adjustments to these items required under SFAS 157 are to be recorded as a transition adjustment to beginning retained earnings in the year of adoption.

Although this statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, early adoption may be elected if the reporting entity has not yet issued financial statements for the fiscal year, including interim period financial statements. The company elected to early-adopt SFAS 157 in the first quarter of 2007. There was no transition adjustment as a result of the companies' adoption of SFAS 157. SFAS 157 also requires new disclosures regarding the level of pricing observability associated with financial instruments carried at fair value. This additional disclosure is provided in Note 5.

SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115" (SFAS 159): SFAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses for that item are reported in current earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the company elects for similar types of assets and liabilities. This statement is effective for fiscal years beginning after November 15, 2007. The company is in the process of evaluating the application of the fair value option and the effect on its financial position and results of operations.

Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48): FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, *Accounting for Income Taxes*. FIN 48 addresses how an entity should recognize, measure, classify and disclose in its financial statements uncertain tax positions that it has taken or expects to take in an income tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Additionally, the FASB issued FASB Staff Position (FSP) FIN 48-1, *Definition of Settlement in FASB Interpretation No. 48* which amends FIN 48 to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The company's implementation of FIN 48 as of January 1, 2007 was consistent with the guidance in this FSP.

The company adopted the provisions of FIN 48 on January 1, 2007. As a result, SoCalGas recognized a $1 million decrease in retained earnings. Including this adjustment, the company had unrecognized tax benefits of $33 million (of which $32 million applied to SoCalGas) as of January 1, 2007. Of this amount, $26 million (of which $25 million applied to SoCalGas) related to tax positions that, if recognized, would decrease the effective tax rate; however, $21 million (all of which applied to SoCalGas) related to tax positions that would increase the effective tax rate in subsequent years. There were no material changes to the company s unrecognized tax benefit amounts as of June 30, 2007.

It is reasonably possible that the company s unrecognized tax benefits could decrease by up to $3 million within the next 12 months due to the expiration of statutes of limitations on tax assessments.

Effective January 1, 2007, the company s policy is to recognize accrued interest and penalties on accrued tax balances as components of tax expense. Prior to the adoption of FIN 48, the company accrued interest expense and penalties as components of tax expense and interest income as a component of interest income.

As of January 1, 2007, the company had accrued a total of $2 million (all of which applied to SoCalGas) of interest expense. There was no material change to the company s accrued interest expense as of June 30, 2007. The company had no accrued penalties as of either January 1, 2007 or June 30, 2007. Amounts accrued for interest expense associated with income taxes are included in income tax expense on the Statements of Consolidated Income and in various income tax balances on the Consolidated Balance Sheets.

The companies are subject to U.S. federal income tax as well as income tax of state jurisdictions. The companies are no longer subject to examination by U.S. federal and major state tax jurisdictions for years before 2002. Federal and major state income tax returns from 2002 through the present are currently open to examination.

In addition, the companies have filed federal and state refund claims for tax years back to 1998. The pre-2002 tax years are closed to new issues; therefore, no additional tax may be assessed by the taxing authorities for these years.

NOTE 3. OTHER FINANCIAL DATA

Asset Retirement Obligations

The company s asset retirement obligations, as defined in SFAS 143, *Accounting for Asset Retirement Obligations* and FIN 47*, Accounting for Conditional Asset Retirement Obligations, an interpretation of SFAS 143*, are discussed in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report. Following are the changes in asset retirement obligations for the six months ended June 30, 2007 and 2006:

(Dollars in millions)	2007	2006
Balance as of January 1*	$ 669	$ 505
Accretion expense	21	16
Payments	(1)	--
Liabilities incurred	1	--
Balance as of June 30*	$ 690	$ 521

* The current portion of the obligation is included in Other Current Liabilities on the Consolidated Balance Sheets.

13

Pension and Other Postretirement Benefits

The following tables provide the components of benefit costs for the three months and six months ended June 30:

	Pension Benefits Three months ended June 30,		Other Postretirement Benefits Three months ended June 30,	
(Dollars in millions)	2007	2006	2007	2006
Service cost	$ 9	$ 11	$ 6	$ 5
Interest cost	24	24	12	10
Expected return on assets	(25)	(25)	(10)	(10)
Amortization of:				
Prior service cost	--	1	(1)	(2)
Actuarial loss	1	2	1	2
Regulatory adjustment	(8)	(13)	--	2
Total net periodic benefit cost	$ 1	$ --	$ 8	$ 7

	Pension Benefits Six months ended June 30,		Other Postretirement Benefits Six months ended June 30,	
(Dollars in millions)	2007	2006	2007	2006
Service cost	$ 20	$ 21	$ 11	$ 9
Interest cost	48	48	23	20
Expected return on assets	(51)	(49)	(20)	(19)
Amortization of:				
Prior service cost	1	3	(3)	(3)
Actuarial loss	1	3	3	3
Regulatory adjustment	(18)	(25)	2	3
Total net periodic benefit cost	$ 1	$ 1	$ 16	$ 13

The company expects to contribute $3 million to its pension plan and $31 million to its other postretirement benefit plans in 2007. For the six months ended June 30, 2007, the company made contributions of $1 million and $15 million to the pension plan and other postretirement benefit plans, respectively, including $1 million and $7 million, respectively, for the three months ended June 30, 2007.

Capitalized Interest

The company recorded a negligible amount and $1 million of capitalized interest for the three months and six months ended June 30, 2007, respectively, including the debt-related portion of allowance for funds used during construction. The company recorded $1 million of capitalized interest for the six months ended June 30, 2006, all during the three months ended March 31, 2006, including the debt-related portion of allowance for funds used during construction.

Other Expense, Net

Other Expense, Net consists of the following:

	Three months ended June 30,		Six months ended June 30,	
(Dollars in millions)	2007	2006	2007	2006
Regulatory interest, net	$ (3)	$ (2)	$ (5)	$ (3)
Allowance for equity funds used during construction	1	1	2	3
Sundry, net	--	--	(1)	(1)
Total at SoCalGas	(2)	(1)	(4)	(1)
Additional at Pacific Enterprises:				
Preferred dividends of subsidiary	(1)	(1)	(1)	(1)
Sundry, net	2	1	2	--
Total	$ (1)	$ (1)	$ (3)	$ (2)

Comprehensive Income

For the three and six months ended June 30, 2007 and 2006, comprehensive income was equal to net income.

NOTE 4. DEBT AND CREDIT FACILITIES

Committed Lines of Credit

SoCalGas and its affiliate, SDG&E, have a combined $600 million five-year syndicated revolving credit facility expiring in 2010, under which each utility individually may borrow up to $500 million, subject to a combined borrowing limit for both utilities of $600 million. At June 30, 2007, the company had no outstanding borrowings under this facility.

Additional information concerning this credit facility is provided in the Annual Report.

Interest-Rate Swaps

The company periodically enters into interest-rate swap agreements to moderate its exposure to interest-rate changes and to lower its overall cost of borrowing.

Fair value hedge

During 2003, SoCalGas entered into an interest-rate swap that effectively exchanged the fixed rate on $150 million of its $250 million 4.375 percent first mortgage bonds maturing in 2011 for a floating rate. The swap expires in 2011. At both June 30, 2007 and 2006, market value adjustments since inception of the hedge of $5 million were recorded as an increase in fixed-price contracts and other derivatives (in Deferred Credits and Other) and as an offsetting decrease in Long-term Debt, without affecting net income or other comprehensive income. There has been no hedge ineffectiveness on these swaps.

NOTE 5. FINANCIAL INSTRUMENTS

Interest-Rate Swaps

The company periodically enters into interest-rate swap agreements to moderate its exposure to interest-rate changes and to lower its overall cost of borrowing. The company's fair value interest-rate swaps are discussed in Note 4.

Natural Gas Contracts

The use of derivative instruments is subject to certain limitations imposed by company policy and regulatory requirements. These instruments allow the company to estimate with greater certainty the effective prices to be received by the company and the prices to be charged to its customers. The company records transactions for natural gas contracts in Cost of Natural Gas on the Statements of Consolidated Income. On the Consolidated Balance Sheets, the company records corresponding regulatory assets and liabilities relating to unrealized gains and losses from these derivative instruments to the extent derivative gains and losses associated with these derivative instruments will be payable or recoverable in future rates.

Adoption of SFAS 157

Effective January 1, 2007, the company early-adopted SFAS 157 as discussed in Note 2, which, among other things, requires enhanced disclosures about assets and liabilities carried at fair value.

As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). However, as permitted under SFAS 157, the company utilizes a mid-market pricing convention (the mid-point price between bid and ask prices) as a practical expedient for valuing the majority of its assets and liabilities measured and reported at fair value. The company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The company primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The company is able to classify fair value balances based on the observability of those inputs. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy defined by SFAS 157 are as follows:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives and listed equities.

Level 2 Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward

16

prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as over-the-counter forwards and options.

Level 3 Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management s best estimate of fair value. At each balance sheet date, the company performs an analysis of all instruments subject to SFAS 157 and includes in level 3 all of those whose fair value is based on significant unobservable inputs. During the first six months of 2007, the company had no significant level 3 instruments.

The following table sets forth by level within the fair value hierarchy the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2007. As required by SFAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	At fair value as of June 30, 2007			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Commodity derivatives	$ 16	$ 3	$ --	$ 19
Liabilities:				
Other derivatives	$ --	$ 5	$ --	$ 5

Commodity derivatives include commodity derivative positions entered into to manage customer price exposures, and other derivatives include interest-rate management instruments.

NOTE 6. REGULATORY MATTERS

General Rate Case

In April 2007, the company filed an amendment to its original 2008 General Rate Case application (2008 GRC) as filed in December 2006 with the California Public Utilities Commission (CPUC). The 2008 GRC application, as amended, establishes the authorized margin requirements and the ratemaking mechanisms by which those margin requirements would change annually effective in 2008 through 2013 (2008 GRC rate period). The amended 2008 GRC request represents an increase in the company s annual authorized margin of $133 million, as compared to 2007 authorized margin.

As part of the General Rate Case process, applications are subject to review and testimony by various groups representing the interests of ratepayers and other constituents. In early July 2007, the CPUC s Division of Ratepayer Advocates (DRA) submitted testimony to the CPUC proposing, among other things, reductions to SoCalGas requested margin requirements by $201 million. In addition, the DRA proposed a 5-year term as the applicable 2008 GRC rate period as compared to the 6-year term proposed by the company. Testimony submitted to the CPUC by certain other advocacy groups proposes, among