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 June 30, 1995

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 July 28, 1995 was 91,300,000.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended June 30		Six Months Ended June 30	
	1995	1994	1995	1994
	(Unaudited)			
Operating Revenues	$579,559	$630,298	$1,184,249	$1,319,452
Operating Expenses:				
Cost of gas distributed	182,155	251,027	413,845	605,114
Operation and maintenance	204,797	192,270	374,338	338,332
Depreciation	59,348	58,077	118,326	115,717
Income taxes	39,029	32,987	79,964	65,785
Other taxes and franchise payments	20,350	27,843	50,624	58,812
Total	505,679	562,204	1,037,097	1,183,760
Net Operating Revenue	73,880	68,094	147,152	135,692
Other Income and (Deductions):				
Interest income	3,223	702	4,820	980
Regulatory interest	(55)	985	1,582	2,049
Allowance for equity funds used during construction	504	771	1,139	1,484
Income taxes on non-operating income	(477)	(1,211)	(293)	(964)
Other - net	(1,309)	(1,126)	(3,043)	(2,587)
Total	1,886	121	4,205	962
Interest Charges and (Credits):				
Interest on long-term debt	22,195	22,254	44,451	44,511
Other interest	837	609	3,490	3,248
Allowance for borrowed funds used during construction	(291)	(436)	(658)	(842)
Total	22,741	22,427	47,283	46,917
Net Income	53,025	45,788	104,074	89,737
Dividends on Preferred Stock	2,918	2,565	5,846	5,005

See Notes to Condensed Consolidated Financial Statements.

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

	June 30 1995	December 31 1994
	(Unaudited)	
Utility Plant	$5,682,007	$5,613,013
Less accumulated depreciation	2,489,075	2,400,601
Utility plant - net	3,192,932	3,212,412
Current Assets:		
Cash and cash equivalents	152,995	57,531
Accounts and notes receivable - net	346,882	523,975
Regulatory accounts receivable	101,205	360,479
Gas in storage	20,849	63,470
Materials and supplies	20,533	25,792
Prepaid expenses	6,065	34,129
Deferred income taxes	6,569	
Total current assets	655,098	1,065,376
Deferred Charges	468,919	497,975
Total	$4,316,949	$4,775,763

See Notes to Condensed Consolidated Financial Statements.

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

	June 30 1995 (Unaudited)	December 31 1994
Capitalization:		
Common equity:		
Common stock	$ 834,889	$ 834,889
Retained earnings	572,363	643,040
Total common equity	1,407,252	1,477,929
Preferred stock	196,551	196,551
Long-term debt	1,291,920	1,396,931
Total capitalization	2,895,723	3,071,411
Current Liabilities:		
Short-term debt	83,817	278,201
Accounts payable	359,593	409,462
Accounts payable-affiliates	16,631	35,013
Accrued taxes		65,284
Franchise payments	18,791	52,292
Deferred income taxes		40,792
Long-term debt due within one year	130,282	86,000
Accrued interest	35,410	40,057
Other accrued liabilities	178,559	109,150
Total current liabilities	823,083	1,116,251
Deferred Credits:		
Customer advances for construction	43,728	44,269
Deferred income taxes	344,732	341,149
Deferred investment tax credits	68,476	69,969
Other deferred credits	141,207	132,714
Total deferred credits	598,143	588,101

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30	
	1995	1994
	(Unaudited)	
Cash Flows From Operating Activities:		
Net income	$104,074	$ 89,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	118,326	115,717
Deferred income taxes	14,632	10,393
Other	6,984	(2,136)
Net change in other working capital components	284,705	83,830
Net cash provided by operating activities	528,721	297,541
Cash Flows from Investing Activities:		
Expenditures for utility plant	(97,878)	(98,708)
(Increase)decrease in other assets	21,445	(30,072)
Net cash used in investing activities	(76,433)	(128,780)
Cash Flows from Financing Activities:		
Dividends paid	(101,711)	(61,707)
Payments of long-term debt	(60,729)	
Decrease in short-term debt	(194,384)	(87,222)
Net cash used in financing activities	(356,824)	(148,929)
Increase in Cash and Cash Equivalents	95,464	19,832
Cash and Cash Equivalents, January 1	57,531	14,533
Cash and Cash Equivalents, June 30	$152,995	$ 34,365
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest (net of amount capitalized)	$ 51,078	$ 53,507
Income Taxes	$184,702	$ 30,819

See Notes to Condensed Consolidated Financial Statements.

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

1. 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 Form 10-K for the year ended December 31, 1994 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, the Southern California Gas Company (Company) 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 1995 financial statement presentation.

2. ENVIRONMENTAL OBLIGATIONS

The Company has identified and reported to California environmental authorities 42 former manufactured gas plant sites for which it (together with other utilities as to 21 of these sites) may have environmental obligations under environmental laws. As of June 30, 1995, eight of these sites have been remediated, of which five have received certification from the California Environmental Protection Agency. Preliminary investigations, at a minimum, have been completed on 38 of the gas plant sites, including those sites at which the remediations described above have been completed. In addition, the Company has been named as a potentially responsible party of one landfill site and three industrial waste disposal sites.

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

At June 30, 1995, the Company's estimated remaining investigation and remediation liability was approximately $65 million which it is authorized to recover through the mechanism discussed above. The estimated liability is subject to future adjustment pending further investigation. The Company believes that any costs not ultimately recovered through rates, insurance or

other means, upon giving effect to previously established liabilities, will not have a material adverse effect on the Company's financial statements.

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

Southern California Gas Company (Company) is a subsidiary of Pacific Enterprises (Parent). The Company, a public utility, provides natural gas distribution, transmission and storage in a 23,000-square-mile service area in southern California and parts of central California. Company markets are separated into core customers and noncore customers. Core customers consist of approximately 4.7 million customers (4.5 million residential and 200,000 smaller commercial and industrial customers). The noncore market consists of approximately 1,200 customers which primarily include utility electric generation, wholesale and large commercial and industrial customers. Many noncore customers are sensitive to the price relationship between natural gas and alternate fuels, and are capable of readily switching from one fuel to another, subject to air quality regulations. The Company is regulated by the California Public Utilities Commission (CPUC). It is the responsibility of the CPUC to determine that utilities operate in the best interest of the ratepayers with the opportunity to earn a reasonable return on investment. Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and the Company's Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Net income for the three and six months ended June 30, 1995 increased by $7 and $14 million compared to the same periods in 1994. The increase in net income was due primarily to the increase in the authorized rate of return on common equity from 11.0 percent in 1994 to 12.0 percent in 1995 and lower operating expenses and capital expenditures in 1995 from the amounts authorized in the most recent general rate case decision as adjusted for the 1995 attrition allowances.

Operating revenues for the three and six months ended June 30, 1995 decreased $51 million and $135 million, respectively, when compared to the same periods in 1994. Cost of gas distributed for the three and six months ended June 30, 1995 decreased $69 million and $191 million, respectively, when compared to the same periods in 1994. The decreases in operating revenues and cost of gas primarily reflect a decrease in the average unit cost of gas. The average unit cost of gas declined as a result of lower market prices. Under the current regulatory framework, changes in revenue resulting from changes in volumes delivered to the core market and cost of gas do not affect net income.

RECENT CPUC REGULATORY ACTIVITY

On June 1, 1995, the Company filed a "Performance Based Ratemaking" (PBR) application with the CPUC which would replace the general rate case. This new method would link financial performance with productivity improvements and generally would allow for rates to increase by the rate of inflation, less an agreed-upon percentage for productivity improvements. However, under PBR, the Company would be at risk for changes in interest rates and cost of capital, changes in core volumes not related to weather, and achieving the productivity improvements. If approved by the CPUC, PBR would be implemented in 1997 at the earliest.

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

All savings from gas purchased below the benchmark are shared equally between ratepayers and shareholders. The Company can recover all costs in excess of the benchmark that are within a tolerance band. If the Company's cost of gas exceeds the tolerance band, then the excess costs are shared equally between ratepayers and shareholders. For the first year of the program, the GCIM provided a 4.5 percent tolerance band above the benchmark. For the second and third years of the program, the tolerance band is 4 percent. Since the inception of the program through June 30, 1995, the Company's gas costs, including gains and losses from gas futures contracts discussed below, were within the tolerance band.

The Company enters into gas futures contracts in the open market on a limited basis to help reduce gas costs within the GCIM tolerance band. The Company's policy is to use gas futures contracts to mitigate risk and better manage gas costs. The CPUC has approved the use of gas futures for managing risk associated with the GCIM.

On July 5, 1995, an administrative law judge (ALJ) issued a proposed decision authorizing the Company $33 million in ratepayer funding, compared to a request of $70 million, over six years, to fund natural gas vehicle (NGV) activities. The proposed funding would cover the costs of maintaining existing fueling stations, increasing the overall number of natural gas vehicles, continued research and development and conducting educational activities. The decision is subject to CPUC approval and may be approved as is, rejected or modified.

The proposal would also require that all refueling stations on customer sites be sold or removed from ratebase within six years of issuance of the ALJ's proposed decision. Any depreciation previously recovered in rates would be refunded to ratepayers along with 50% of any gains resulting from the sale of

the stations. If this proposed decision is accepted by the CPUC, the Company may be required to reduce the carrying value of its $20 million investment in these stations. The Company does not believe this recommendation will be accepted and believes that the CPUC will adopt a policy permitting full recovery of the cost of this investment.

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

The impact of any future regulatory restructuring, such as Performance Based Ratemaking, increased competitiveness in the industry, including the continuing threat of customers bypassing the Company's system and obtaining service directly from interstate pipelines, and electric industry restructuring could also affect the Company's future performance. The Company's ability to report as earnings the results from revenues in excess of its authorized return from noncore customers due to volume increases has been substantially eliminated for the five years beginning August 1, 1994 as a consequence of the restructuring of high-cost gas contracts that was approved by the CPUC last July (the Comprehensive Settlement). This is because certain forecasted levels of gas deliveries in excess of the 1991 throughput levels used to establish noncore rates were contemplated in estimating the costs of the Comprehensive

Settlement in prior years.

The Company's earnings for 1995 will be affected by the increase in the authorized rate of return on common equity, reflecting the overall increase in cost of capital. For 1995, the Company is authorized to earn a rate of return on rate base of 9.67 percent and a rate of return on common equity of 12.00 percent compared to 9.22 percent and 11.00 percent, respectively, in 1994. Rate base is expected to remain at the same level as 1994.

On May 9, 1995, the Company filed a request with the CPUC for the 1996 cost of capital. The Company requested an authorized return on common equity of 12.50 percent and a 9.90 percent return on rate base. A decision is expected in late 1995.

The Company's earnings for the third and fourth quarters of 1995 and all of 1996 will be favorably impacted by the completion of a realignment of the Company into two business units effective July 1995. A significant amount of the savings will not be realized until 1996, the first full year following the realignment. Improvements to earnings will be partially offset by the 2 percent and 3 percent productivity adjustments for 1995 and 1996, respectively, authorized by the CPUC, under the terms of the 1994 Comprehensive Settlement.

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

The Company, as a part of a coalition of customers who hold 90 percent of the firm transportation capacity rights on the El Paso and Transwestern systems, has offered a proposal for negotiated rates with balanced incentives to El Paso and Transwestern to resolve the issue of unsubscribed capacity. In March 1995, a Principles of Agreement consistent with the coalition's proposal was finalized with Transwestern. A definitive settlement was submitted to the FERC on May 2, 1995 and approval was granted on July 26. A similar proposal was offered to and rejected by El Paso. El Paso has subsequently filed for a $74 million annual rate increase with the FERC. The rate increase proposes to reallocate to its remaining firm customers the costs related to pipeline capacity soon to be relinquished by certain of its customers. On July 12, the Company and a coalition of El Paso's customers filed a protest with the FERC in opposition to El Paso's request. El Paso and its customers including the Company are scheduled to meet in mid-August.

The Company's operations and those of its customers are affected by a growing number of environmental laws and regulations. These laws and regulations affect current operations as well as future expansion. Historically, environmental laws favorably impacted the use of natural gas in the Company's service territory, particularly by utility electric generation and large industrial customers. However, increasingly complex administrative requirements may discourage natural gas use by commercial and industrial customers. Environmental laws also require clean up of facilities no longer in use. Because of current and expected rate recovery, the Company believes that compliance with these laws will not have a significant impact on its financial statements. For further discussion of regulatory and environmental matters, see Note 2 of Notes to Condensed Consolidated Financial Statements.

CAPITAL EXPENDITURES. For the six months ended June 30, 1995, capital expenditures were $98 million. Capital expenditures for utility plant are expected to be $240 million in 1995 and will be financed primarily by internally-generated funds.

LIQUIDITY

Regulatory accounts receivable decreased $259 million reflecting the recovery through rates of amounts undercollected in prior years. As a result, the cash flows generated were available for additional cash requirements, primarily the payment of debt and the payment of dividends.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) There were no reports of Form 8-K filed during the quarter ended June 30, 1995.

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)

Ralph Todaro
Ralph Todaro
Vice President and Controller
Interim Chief Financial Officer
(Interim Chief Financial Officer
and duly authorized signatory)

Date: August 10, 1995

ARTICLE 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.
CIK: 0000092108
NAME: SOUTHERN CALIFORNIA GAS COMPANY
MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD END	JUN 30 1995
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	3,192,932
OTHER PROPERTY AND INVEST	0
TOTAL CURRENT ASSETS	686,647
TOTAL DEFERRED CHARGES	468,919
OTHER ASSETS	0
TOTAL ASSETS	4,348,498
COMMON	834,889
CAPITAL SURPLUS PAID IN	0
RETAINED EARNINGS	572,363
TOTAL COMMON STOCKHOLDERS EQ	1,407,252
PREFERRED MANDATORY	0
PREFERRED	196,551
LONG TERM DEBT NET	1,291,920
SHORT TERM NOTES	83,817
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	0
LONG TERM DEBT CURRENT PORT	130,282
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	1,238,676
TOT CAPITALIZATION AND LIAB	4,348,498
GROSS OPERATING REVENUE	1,184,249
INCOME TAX EXPENSE	79,964
OTHER OPERATING EXPENSES	957,133
TOTAL OPERATING EXPENSES	1,037,097
OPERATING INCOME LOSS	147,152
OTHER INCOME NET	4,205
INCOME BEFORE INTEREST EXPEN	151,357
TOTAL INTEREST EXPENSE	47,283
NET INCOME	104,074
PREFERRED STOCK DIVIDENDS	5,846
EARNINGS AVAILABLEFOR COMM	98,228
COMMON STOCK DIVIDENDS	0
TOTAL INTEREST ON BONDS	0
CASH FLOW OPERATIONS	528,721
EPS PRIMARY	0
EPS DILUTED	0

End of Filing