FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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

For the fiscal year ended December 31, 1995
Commission file number 1-40

PACIFIC ENTERPRISES

(Exact name of Registrant as specified in its charter)

California	95-0743670
(State of incorporation)	(IRS Employer Identification No.)

555 West Fifth Street, Suite 2900, Los Angeles, California	90013-1011
(Address of principal executive offices)	(Zip Code)

(213) 895-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock and Associated Common Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange
Preferred Stock	
$4.75 dividend $4.50 dividend $4.40 dividend $4.36 dividend	American Stock Exchange Pacific Stock Exchange

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 X ------ 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. [X]

The aggregate market value of Registrant's voting stock (Common Stock and Voting Preferred Stock) held by non-affiliates at March 15, 1996, was approximately $2.3 billion. This amount excludes the market value of 97,891 shares of Common Stock held by Registrant's directors and executive officers.

Registrant's Common Stock outstanding at March 15, 1996, numbered 84,809,613 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in this Annual Report is incorporated by reference to information contained or to be contained in other documents filed or to be filed by Registrant with the Securities and Exchange Commission. The following table identifies the information so incorporated in each Part of this Annual Report on Form 10-K and the document in which it is or will be contained.

Annual Report On Form 10-K	Information Incorporated by Reference and Document in Which Information is or will be Contained
Part II	Information contained under the captions Financial Review -- Management's Discussion and Analysis", "Quarterly Financial Data", "Range of Market Prices of Capital Stock" and "Selected Financial Data and Comparative Statistics 1985-1995", in Registrant's 1995 Annual Report to Shareholders.
Part III	Information contained under the captions "Election of Directors", "Share Ownership of Directors and Executive Officers" and "Executive Compensation" in Registrant's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 9, 1996.

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ITEM 1. BUSINESS

PACIFIC ENTERPRISES

Pacific Enterprises is a Los Angeles-based utility holding company engaged in supplying natural gas throughout most of southern and part of central California. These operations are conducted through Southern California Gas Company, the nation's largest natural gas distribution utility. Through other subsidiaries, Pacific Enterprises is also engaged in interstate and offshore natural gas transmission to serve its utility operations, in alternate energy development and centralized heating and cooling for large building complexes.

In 1995, Pacific Enterprises completed a realignment into five business units which establishes a more flexible design to allow a more rapid response to competitive forces. Pacific Enterprises was incorporated in California in 1907 as the successor to a corporation organized in 1886. Its principal executive offices are located at 555 West Fifth Street, Los Angeles, California 90013-1011 and its telephone number is (213) 895-5000.

SOUTHERN CALIFORNIA GAS COMPANY

Pacific Enterprises' principal subsidiary is Southern California Gas Company ("SoCalGas"), a public utility owning and operating a natural gas distribution, transmission and storage system that supplies natural gas in 535 cities and communities throughout most of southern California and part of central California. SoCalGas is the nation's largest natural gas distribution utility, providing gas service to approximately 17 million residential, commercial, industrial, utility electric generation and wholesale customers through approximately 4.7 million meters in a 23,000-square mile service area.

SoCalGas is subject to regulation by the California Public Utilities Commission ("CPUC") which, among other things, establishes the rates SoCalGas may charge for gas service, including an authorized rate of return on investment. Under current ratemaking policies, SoCalGas' future earnings and cash flow will be determined primarily by the allowed rate of return on common equity, changes to authorized rate base, noncore market pricing and the variance in gas volumes delivered to these 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 (including the performance based regulation ("PBR") proposal (See "Rates and Regulation")), increased competitiveness in the industry (including the continuing threat of customers bypassing SoCalGas' system and obtaining service directly from interstate pipelines), and electric industry restructuring may also affect SoCalGas' future performance.

For 1996, the CPUC has authorized SoCalGas to earn a rate of return on rate base of 9.42 percent and 11.6 percent rate of return on common equity compared to 9.67 percent and 12 percent, respectively, in 1995. Rate base declined 3.4 percent in 1995. In 1996, rate base is expected to decline slightly from the 1995 level. SoCalGas has achieved or exceeded its authorized return on rate base for the last thirteen consecutive years.

OPERATING STATISTICS

The following table sets forth certain operating statistics of SoCalGas from 1991 through 1995.

	YEAR ENDED DECEMBER 31				
	1995	1994	1993	1992	1991
Gas Sales, Transportation & Exchange Revenues (thousands of dollars):					
Residential	$1,553,491	$1,712,899	$1,652,562	$1,483,654	$1,673,837
Commercial/Industrial	751,409	798,180	853,579	836,672	977,065
Utility Electric Generation	104,486	118,353	147,208	194,639	148,573
Wholesale	62,256	98,354	116,737	128,881	144,779
Exchange	777	690	3,745	5,863	7,482
Total in rates	2,472,419(1)	2,728,476(1)	2,773,831	2,649,709	2,951,736
Regulatory balancing accounts and other	(193,111)	(141,952)	37,243	190,216	(21,430)
Operating Revenue	$2,279,308	$2,586,524	$2,811,074	$2,839,925	$2,930,306
Volumes (millions of cubic feet):					
Residential	239,417	256,400	247,507	243,920	249,522
Commercial/Industrial	351,649	347,419	339,706	363,124	460,368
Utility Electric Generation	204,582	260,290	212,720	220,642	170,043
Wholesale	128,730	146,279	147,978	149,232	141,931
Exchange	12,735	10,002	16,969	23,888	25,604
Total	937,113	1,020,390	964,880	1,000,806	1,047,468
Core	324,758	341,469	338,795	334,630	351,432
Noncore	612,355	678,921	626,085	666,176	696,036
Total	937,113	1,020,390	964,880	1,000,806	1,047,468
Sales	337,952	362,624	352,052	355,177	411,414
Transportation	586,426	647,764	595,859	621,741	610,450
Exchange	12,735	10,002	16,969	23,888	25,604
Total	937,113	1,020,390	964,880	1,000,806	1,047,468
Revenues (per thousand cubic feet):					
Residential	$6.49	$6.68	$6.68	$6.08	$6.71
Commercial/Industrial	$2.14	$2.30	$2.51	$2.30	$2.12
Utility Electric Generation	$0.51	$0.45	$0.69	$0.88	$0.87
Wholesale	$0.48	$0.67	$0.79	$0.86	$1.02
Exchange	$0.06	$0.07	$0.22	$0.25	$0.29
Customers					
Active Meters (at end of period):					
Residential	4,526,150	4,483,324	4,459,250	4,445,500	4,429,896
Commercial	184,470	187,518	187,602	189,364	193,051
Industrial	22,976	23,505	23,924	24,419	25,642
Utility Electric Generation	8	8	8	8	8
Wholesale	3	3	3	2	2
Total	4,733,607	4,694,358	4,670,787	4,659,293	4,648,599
Residential Meter Usage (annual average):					
Revenues (dollars)	$345	$383	$371	$334	$380
Volumes (thousands of cubic feet)	53.2	57.4	55.6	55.0	56.6
System Usage (millions of cubic feet):					
Average Daily Sendout	2,579	2,795	2,611	2,717	2,881
Peak Day Sendout	4,120	4,350	4,578	4,547	4,356
Sendout Capability (at end of period)	8,059	7,570	7,351	7,419	7,073
Degree Days (2):					
Number	1,215 (3)	1,459	1,203	1,258	1,409
Average (20 Year)	1,380	1,418	1,430	1,458	1,474
Percent of Average	88.0%	102.9%	84.1%	86.3%	95.6%
Population of Service Area estimated at year end)	17,260,000	17,070,000	15,600,000	15,600,000	15,600,000

(1) Beginning January 1, 1994, rates included the ratepayer's portion of the Comprehensive Settlement (the amount included in rates for 1995 and 1994 was $84 million and $119 million, respectively.) (2) The number of degree days for any period of time indicates whether the temperature is relatively hot or cold. A degree day is recorded for each degree the average temperature for any day falls below 65 degrees Fahrenheit. (3) Estimated calendar degree days.

SERVICE AREA

SoCalGas distributes natural gas throughout a 23,000-square mile service territory with a population of approximately 17 million people. As indicated by the following map, its service territory includes most of southern California and part of central California.

[MAP OF SOUTHERN CALIFORNIA GAS COMPANY SERVICE TERRITORY]

Natural gas service is also provided on a wholesale basis to the distribution systems of the City of Long Beach, San Diego Gas & Electric Company and Southwest Gas Corporation.

UTILITY SERVICES

SoCalGas' customers are separated, for regulatory purposes, into core and noncore customers. Core customers are primarily residential and small commercial and industrial customers, without alternative fuel capability. Noncore customers primarily include utility electric generation ("UEG"), wholesale and large commercial and industrial customers. Noncore customers are especially sensitive to the price relationship between natural gas and alternate fuels, and many are capable of readily switching from one fuel to another, subject to air quality regulations.

SoCalGas offers two basic utility services, sale of gas and transportation of gas. There are two business units at SoCalGas, one focusing on core distribution customers and the other on large volume gas transportation customers. Residential customers and most other core customers purchase gas directly from SoCalGas. Noncore customers and large core customers have the option of purchasing gas either from SoCalGas or from other sources (such as brokers or producers) for delivery through SoCalGas' transmission and distribution system. Smaller customers are permitted to aggregate their gas requirements and also to purchase gas directly from brokers or producers, up to a limit of 10 percent of SoCalGas' core market. SoCalGas generally earns the same margin whether SoCalGas buys the gas and sells it to the customer or transports gas already owned by the customer. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - SoCalGas Operations - 1993-1995 Financial Results.")

SoCalGas continues to be obligated to purchase reliable supplies of natural gas to serve the requirements of its core customers. However, the only gas supplies that SoCalGas may offer for sale to noncore customers are the same supplies that it purchases to serve its core customers.

SoCalGas also provides a gas storage service for noncore customers on a bid basis. The storage service program provides opportunities for customers to store gas on an "as available" basis during the summer to reduce winter purchases when gas costs are generally higher, or to reduce their level of winter curtailment in the event temperatures are unusually cold. As of December 31, 1995, SoCalGas stored approximately 42 billion cubic feet of customer-owned gas.

DEMAND FOR GAS

Natural gas is a principal energy source in SoCalGas' service area for residential, commercial and industrial uses as well as UEG requirements. Gas competes with electricity for residential and commercial cooking, water heating, space heating and clothes drying uses, and with other fuels for large industrial, commercial and UEG uses. Demand for natural gas in southern California is expected to continue to increase but at a slower rate due primarily to a slowdown in housing starts, new energy efficient building construction and appliance standards and general recessionary business conditions.

During 1995, approximately 97 percent of residential energy customers in SoCalGas' service territory used natural gas for water heating and 94 percent for space heating. Approximately 78 percent of those customers used natural gas for cooking and 72 percent for clothes drying.

Demand for natural gas by noncore customers such as large volume commercial, industrial and UEG customers is very sensitive to the price of alternative competitive fuels. These customers number only approximately 1,600; however, during 1995, accounted for approximately 16 percent of total gas revenues, 65 percent of total gas volumes delivered and 11 percent of the authorized gas margin. Changes in the cost of gas or alternative fuels, primarily fuel oil, can result in significant shifts in this market, subject to air quality regulations. Demand for gas for UEG use is also affected by the price and availability of electric power generated in other areas and purchased by SoCalGas' UEG customers. (See "Competition" below.)

COMPETITION

Since interstate pipelines began operations in SoCalGas' service territories, SoCalGas' throughput to customers in the Kern County area who use natural gas to produce steam for enhanced oil recovery projects has decreased significantly because of the bypass of SoCalGas' system. The decrease in revenues from enhanced oil recovery customers is subject to full balancing account treatment, except for a five percent incentive to SoCalGas, and therefore, does not have a material impact on earnings. Bypass of other SoCalGas markets also may occur and SoCalGas is fully at risk for lost noncore volumes due to bypass. SoCalGas is continuing to reduce its costs to maintain low-cost competitiveness to retain transportation customers. Also, significant additional bypass would require construction of additional facilities by competing pipelines.

To respond to bypass, SoCalGas has received authorization from the CPUC for expedited review of long-term gas transportation contracts with some noncore customers at lower than tariff rates. The CPUC has also approved changes in the methodology for allocating SoCalGas' costs that eliminates subsidization of core customer rates by noncore customers. This allocation flexibility, together with negotiating authority, has enabled SoCalGas to better compete with new interstate pipelines for noncore customers. In addition, under a capacity brokering program, for a fee, SoCalGas provides to noncore customers, or others, a portion of its control of interstate pipeline capacity to allow more direct access to producers. Also, the Comprehensive Settlement (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Influencing Future Financial Performance") improves SoCalGas' competitiveness by reducing the cost of transportation service to noncore customers.

SoCalGas' 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 have favorably impacted the use of natural gas in SoCalGas' service territory, particularly by UEG customers and large industrial customers. However, increasingly complex administrative and reporting requirements of environmental agencies applicable to commercial and industrial customers utilizing gas are not generally applicable to those using electricity.

On December 20, 1995, the CPUC issued a final decision to restructure California electric utility regulation. Implementation of portions of the plan is expected to need state legislative or federal administrative approval. The CPUC's proposal has no immediate effect on SoCalGas' operations. However, SoCalGas is continuing to evaluate the decision because future volumes of natural gas it transports for electric utilities may be adversely affected by increased use of electricity generated by out-of-state producers. UEG customers currently account for 22 percent of SoCalGas' annual throughput. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Factors Influencing Future Financial Performance.") The restructuring may also result in a reduction of electric rates to core customers, but it is unlikely to overcome the entire cost advantage of natural gas for existing residential uses.

SUPPLIES OF GAS

In 1995, SoCalGas delivered approximately 937 billion cubic feet of natural gas through its system. Approximately 64 percent of these deliveries were customer-owned gas for which SoCalGas provided transportation services, compared to 65 percent in 1994. The balance of gas deliveries was gas purchased by SoCalGas and resold to customers.

Most of the natural gas delivered by SoCalGas is produced outside of California. These supplies are delivered to the SoCalGas' intrastate transmission system by interstate pipeline companies (primarily El Paso Natural Gas Company and Transwestern Natural Gas Company) that provide transportation services for supplies purchased from other sources by SoCalGas or its transportation customers.

SoCalGas currently has paramount rights to daily deliveries of up to 1.9 billion cubic feet of natural gas over the interstate pipeline systems of El Paso Natural Gas Company (up to 1,150 million cubic feet) and Transwestern Pipeline Company (up to 750 million cubic feet). The rates that interstate pipeline companies may charge for gas and transportation services and other terms of service are regulated by the Federal Energy Regulatory Commission ("FERC").

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 reservation charges annually, may be relinquished within the next few years. Some of this capacity may not be resubscribed. Current FERC regulation could permit costs of unsubscribed capacity to be allocated to remaining firm service customers, including SoCalGas. Under existing regulation in California, SoCalGas would have the opportunity to include its portion of any such reallocated costs in its rates.

The FERC has approved a settlement with Transwestern which calls for firm customers, including SoCalGas, to subsidize unsubscribed pipeline costs for a five-year period with Transwestern assuming full responsibility after that time. On March 15, 1996, El Paso filed a proposed settlement agreement with the FERC that is similar to the Transwestern settlement.

The following table sets forth the sources of gas deliveries by SoCalGas from 1991 through 1995.

SOURCES OF GAS

	Year Ended December 31				
	1995	1994	1993	1992	1991
Gas Purchases (Millions of Cubic Feet):					
Market Gas:					
30-Day	133,298	98,071	84,696	20,695	139,649
Other	72,792	148,371	159,197	198,049	168,486
Total Market Gas	206,090	246,442	243,893	218,744	308,135
Affiliates	98,460	101,276	96,559	99,226	98,566
California Producers & Federal Offshore	29,181	36,158	28,107	42,262	39,613
Total Gas Purchases	333,731	383,876	368,559	360,232	446,314
Customer-Owned Gas and Exchange Receipts	619,721	658,293	622,307	641,080	629,038
Storage Withdrawal (Injection) - Net	(12,278)	(9,299)	(9,498)	14,379	(8,451)
Company Use and Unaccounted For	(4,061)	(12,480)	(16,488)	(14,885)	(19,433)
Net Gas Deliveries	937,113	1,020,390	964,880	1,000,806	1,047,468
Gas Purchases: (Thousands of dollars)					
Commodity Costs	$477,595	$ 643,865	$ 815,145	$ 805,550	$1,071,445
Fixed Charges*	264,269	368,516	397,714	397,579	358,294
Total Gas Purchases	$741,864	$1,012,381	$1,212,859	$1,203,129	$1,429,739
Average Cost of Gas Purchased (Dollars per Thousand Cubic Feet)**	$1.42	$1.68	$2.21	$2.24	$2.40

* 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 gas purchased excludes fixed charges.

Market sensitive gas supplies (supplies purchased on the spot market as well as under longer-term contracts and ranging from one month to ten years based on spot prices) accounted for approximately 62 percent of total gas volumes purchased by SoCalGas during 1995, as compared with 64 percent and 66 percent, respectively, during 1994 and 1993. These supplies were generally purchased at prices significantly below those for other long-term sources of supply.

SoCalGas estimates that sufficient natural gas supplies will be available to meet the requirements of its customers into the next century.

In 1994, the CPUC approved a "Gas Cost Incentive Mechanism" ("GCIM") for evaluating SoCalGas' gas purchases. The new GCIM three-year pilot program that began in April 1994 substantially replaces the prior process of CPUC reasonableness reviews of gas purchases. The GCIM compares SoCalGas' cost of gas with the average market price of 30-day firm spot supplies delivered to the SoCalGas service area and permits full recovery of all costs within a tolerance band above that average. Cost of gas purchased above the tolerance band or savings from gas purchased below the average market price are shared equally between customers and shareholders. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - SoCalGas Operations - Ratemaking Procedures.")

RATES AND REGULATION

SoCalGas is regulated by the CPUC. The CPUC consists of five commissioners appointed by the Governor of California for staggered six-year terms. It is the responsibility of the CPUC to determine that utilities operate within the best interests of the ratepayer, with the opportunity to earn a reasonable return on investment. The regulatory structure is complex and has a very substantial impact on the profitability of SoCalGas.

Under current ratemaking procedures, the return that SoCalGas is authorized to earn is the product of the authorized rate of return on rate base and the amount of rate base. Rate base consists primarily of net investment in utility plant. Thus, SoCalGas' earnings are affected by changes in the authorized rate of return on rate base and changes in rate base and by SoCalGas' ability to control expenses and investment in rate base within the amounts authorized by the CPUC in setting rates. In addition, SoCalGas' ability to achieve its authorized rate of return is affected by other regulatory and operating factors. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - SoCalGas Operations - Ratemaking Procedures.")

SoCalGas' operating and fixed costs, including return on rate base, are allocated between core and noncore customers under a methodology that is based upon the costs incurred in serving these customer classes. For 1996, approximately 89 percent of the CPUC-authorized gas margin has been allocated to core customers and 11 percent to noncore customers, including wholesale customers. Under the current regulatory framework, costs may be reallocated between the core and the noncore markets once every other year in a biennial cost allocation proceeding ("BCAP").

SoCalGas has filed a PBR application with the CPUC to replace the general rate case and certain other traditional regulatory proceedings. PBR, if approved, would allow SoCalGas to be more responsive to consumer interests and compete more effectively in contestable markets. Key elements of this proposal include a permanent reduction in base rates of $42 million, an indexing measure that would limit future base rate increases to the inflation rate less a productivity factor and rate refunds to customers if service quality were to deteriorate. This new approach would maintain cost based rates, but would link financial performance with changes in productivity. Although PBR could result in increased earnings volatility, SoCalGas would have the opportunity to improve financial performance to the extent it was able to reduce expenses, increase energy deliveries and generate profits from new products and services.

Under the PBR proposal, SoCalGas would be at risk for certain changes in interest rates and cost of capital, changes in core volumes not caused by weather, and achievement of productivity improvements. The CPUC's process for approval of PBR has been delayed pending determination of additional information various parties desire to establish the starting base cost of service. An agreement with several interested parties has been reached under which SoCalGas will provide a substantial portion of the supporting documentation that would be required for a general rate case proceeding. This additional step will delay implementation beyond the proposed January 1, 1997 starting date.

PROPERTIES

At December 31, 1995, SoCalGas owned approximately 2,965 miles of transmission and storage pipeline, 43,163 miles of distribution pipeline and 42,699 miles of service piping. It also owned 13 transmission compressor stations and 6 underground storage reservoirs (with a combined working storage capacity of approximately 115.3 billion cubic feet) and general office buildings, shops, service facilities, and certain other equipment necessary in the conduct of its business.

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, and currently occupies, about half of the building. (See also "Item 2. Properties.")

ENERGY MANAGEMENT SERVICES

The Energy Management Services business unit of Pacific Enterprises consists primarily of Pacific Interstate Company and Pacific Energy.

Through its subsidiaries, Pacific Interstate Company purchases natural gas from producers in Canada and from federal waters offshore California and transports it for resale to SoCalGas. Two subsidiaries own and operate pipelines and related facilities for deliveries to SoCalGas of gas produced from offshore fields near Santa Barbara, California. Another subsidiary has an interest in pipeline facilities for deliveries to SoCalGas of gas from western Canada. During 1995, deliveries from these subsidiaries accounted for approximately 29% of the total volume of gas purchased by SoCalGas and approximately 10% of SoCalGas' total throughput. The gas is purchased under long-term contracts. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Energy Management Services.")

Pacific Energy develops and operates alternate energy facilities and operates centralized heating and cooling plants.

PACIFIC ENTERPRISES INTERNATIONAL

Pacific Enterprises International ("PEI") was established in late 1994 to participate in the international gas infrastructure market.

On March 19, 1996, PEI entered into an agreement to acquire a 12.5 percent interest in each of two natural gas utilities in Argentina. The acquisition price is $48.5 million. These utilities serve about one million customers in central and southern Argentina with 625 million cubic feet of gas per day. PEI expects to have a role in managing the utility operations.

PEI has also entered into a memorandum of understanding with San Diego Gas & Electric Co. and Proxima, S.A. de C.V. to build and operate natural gas distribution networks in Mexico. The partnership's first project, if awarded the franchise by the Mexican government, would be to distribute gas to the City of Mexicali in Baja, California. This proposed distribution network would have the capacity to deliver 80 million cubic feet of gas per day. If approved by the government, licensing would take approximately six months and actual construction of the pipeline and facilities would require another six months.

ENVIRONMENTAL MATTERS

SoCalGas has identified and reported to California environmental authorities 42 former gas manufacturing sites for which it (together with other utilities as to 21 of the sites) may have remedial obligations under environmental laws. As of December 31, 1995, nine of the 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 39 of the sites, including those sites at which the remediations described above have been completed. In addition, the Company and its subsidiaries are one of a large number of major corporations that have been identified as a potentially responsible party for environmental remediation of four industrial waste disposal sites and two landfill sites. These 47 sites are in various stages of investigation or remediation. It is anticipated that the investigation, and if necessary, remediation of these sites will be completed over a period of from ten years to thirty years.

A settlement between SoCalGas and other California utilities and the Division of Ratepayer Advocates 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 portion of any insurance recovery to offset the 10 percent of costs not recovered in rates.

At December 31, 1995, SoCalGas' estimated remaining liability for investigation and remediation was approximately $76 million, of which 90 percent is authorized to be recovered through the rate recovery mechanism described above. The estimated liability is subject to future adjustment pending further investigation. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation -- Factors Influencing Future Financial Performance - Environmental Matters.") Because of current and expected rate recovery, Pacific Enterprises believes that compliance with environmental laws and regulations will not have a material adverse effect on its financial statements.

EMPLOYEES

Pacific Enterprises and its subsidiaries employ approximately 7,900 persons. Of these, approximately 7,200 are employed by SoCalGas.

Most field, clerical and technical employees of SoCalGas are represented by the Utility Workers' Union of America or the International Chemical Workers' Union. Agreements covering these approximately 5,200 employees related to benefits expired in 1995 and an agreement covering wages, hours and working conditions will expire on March 31, 1996. Negotiations related to new contracts are ongoing.

MANAGEMENT

The executive officers of Pacific Enterprises are as follows:

Name	Age	Position
Willis B. Wood, Jr.	61	Chairman of the Board and Chief Executive Officer
Richard D. Farman	60	President and Chief Operating Officer
Larry J. Dagley	47	Senior Vice President and Chief Financial Officer
Warren I. Mitchell	58	President, Southern California Gas Company
Frederick E. John	50	Senior Vice President
Debra L. Reed	39	Senior Vice President, Southern California Gas Company
Lee M. Stewart	50	Senior Vice President, Southern California Gas Company
Leslie E. LoBaugh, Jr.	50	Vice President and General Counsel
Ralph Todaro	45	Vice President and Controller

Executive officers are elected annually and serve at the pleasure of the Board of Directors.

All of Pacific Enterprises' executive officers have been employed by Pacific Enterprises or its subsidiaries in management positions for more than five years, except for Mr. Dagley. From 1985, until joining Pacific Enterprises in August, 1995, Mr. Dagley was Senior Vice President and Controller (1985-1993) and Senior Vice President and Chief Financial Officer (1993-1995) of Transco Energy Company.

There are no family relationships between any of Pacific Enterprises' executive officers.

ITEM 2. PROPERTIES

Pacific Library Tower, a wholly-owned subsidiary of Pacific Enterprises, sold its 25% ownership interest in a 72-story office building in downtown Los Angeles as of January 1, 1996. Pacific Enterprises and its subsidiaries lease twelve floors of the building.

Information with respect to the properties of other Pacific Enterprises' subsidiaries is set forth in Item 1 of this Annual Report.

ITEM 3. LEGAL PROCEEDINGS

Except for the matters referred to in the financial statements filed with or incorporated by reference in Item 8 or referred to elsewhere in this Annual Report, neither Pacific Enterprises nor any of its subsidiaries is a party to, nor is their 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

No matters were submitted during the fourth quarter of 1995 to a vote of Pacific Enterprises' security holders.

PART II

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

Pacific Enterprises' Common Stock is traded on the New York and Pacific Stock Exchanges. Information as to the high and low sales prices for such stock as reported on the composite tape for stocks listed on the New York Stock Exchange and dividends paid for each quarterly period during the two years ended December 31, 1995 is set forth under the captions "Financial Review--Range of Market Prices of Capital Stock" and "Quarterly Financial Data" in Pacific Enterprises' 1995 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

At December 31, 1995, there were 39,217 holders of record of Pacific Enterprises' Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is set forth under the caption "Financial Review - Selected Financial Data and Comparative Statistics 1985-1995" in Pacific Enterprises' 1995 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is set forth under the caption "Financial Review - Management's Discussion and Analysis" in Pacific Enterprises' 1995 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pacific Enterprises' consolidated financial statements and schedules required by this Item are listed in Item 14(a)1 in Part IV of this Annual Report. The consolidated financial statements listed in Item 14(a)1 are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item with respect to the Company's directors is set forth under the caption "Election of Directors" in the Company's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 9, 1996. Such information is incorporated herein by reference.

Information required by this Item with respect to the Company's executive officers is set forth in Item 1 of this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is set forth under the caption "Election of Directors" and "Executive Compensation" in the Company's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 9, 1996. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this Item is set forth under the caption "Election of Directors" in the Company's Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 9, 1996. Such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV
ITEM 14. EXHIBITS, FINANCIAL STATEMENT
SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT

1. CONSOLIDATED FINANCIAL STATEMENTS.

1.01 Report of Deloitte & Touche LLP, Independent Certified Public Accountants (Contained in Exhibit 13.01).

1.02 Statement of Consolidated Income for the years ended December 31, 1995, 1994 and 1993 (Contained in Exhibit 13.01).

1.03 Consolidated Balance Sheet at December 31, 1995 and 1994 (Contained in Exhibit 13.01).

1.04 Statement of Consolidated Cash Flows for the years ended December 31, 1995, 1994 and 1993 (Contained in Exhibit 13.01).

1.05 Statement of Consolidated Shareholders' Equity for the years ended December 31, 1995, 1994 and 1993 (Contained in Exhibit 13.01).

1.06 Notes to Consolidated Financial Statements (Contained in Exhibit 13.01).

3. ARTICLES OF INCORPORATION AND BY-LAWS:

3.01 Articles of Incorporation of Pacific Enterprises (Note 22; Exhibit 4.1).

3.02 Bylaws of Pacific Enterprises.

4. INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS:

(Note: As permitted by Item 601(b)(4)(iii) of Regulation S-K, certain instruments defining the rights of holders of long-term debt for which the total amount of securities authorized thereunder does not exceed ten percent of the total assets of Southern California Gas Company and its subsidiaries on a consolidated basis are not filed as exhibits to this Annual Report. The Company agrees to furnish a copy of each such instrument to the Commission upon request.)

4.01 Specimen Common Stock Certificate of Pacific Enterprises (Note 16; Exhibit 4.01).

4.02	Specimen Preferred Stock Certificates of Pacific Enterprises (Note 8; Exhibit 4.02).
4.03	Specimen Remarketed Preferred Stock Certificate (Note 17; Exhibit 4.03).
4.04	First Mortgage Indenture of Southern California Gas Company to American Trust Company dated October 1, 1940 (Note 1; Exhibit B-4).
4.05	Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of July 1, 1947 (Note 2; Exhibit B-5).
4.06	Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of August 1, 1955 (Note 3; Exhibit 4.07).
4.07	Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of June 1, 1956 (Note 4; Exhibit 2.08).
4.08	Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of August 1, 1972 (Note 6; Exhibit 2.19).
4.09	Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of May 1, 1976 (Note 5; Exhibit 2.20).
4.10	Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of September 15, 1981 (Note 9; Exhibit 4.25).
4.11	Supplemental Indenture of Southern California Gas Company to Manufacturers Hanover Trust Company of California, successor to Wells Fargo Bank, National Association, and Crocker National Bank as Successor Trustee dated as of May 18, 1984 (Note 11; Exhibit 4.29).
4.12	Supplemental Indenture of Southern California Gas Company to Bankers Trust Company of California, N.A., successor to Wells Fargo Bank, National Association dated as of January 15, 1988 (Note 13; Exhibit 4.11).

4.13 Supplemental Indenture of Southern California Gas Company to First Trust of California, National Association, successor to Bankers Trust Company of California, N.A. (Note 18; Exhibit 4.37).

4.14 Rights Agreement dated as of March 7, 1990 between Pacific Enterprises and Security Pacific National Bank, as Rights Agent (Note 19; Exhibit 4).

10. MATERIAL CONTRACTS

10.01 Form of Indemnification Agreement between Pacific Enterprises and each of its directors and officers (Note 21; Exhibit 10.07).

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

10.2 Restatement and Amendment of Pacific Enterprises 1979 Stock Option Plan (Note 7; Exhibit 1.1).

10.3 Pacific Enterprises Supplemental Medical Reimbursement Plan for Senior Officers (Note 8; Exhibit 10.24).

10.4 Pacific Enterprises Financial Services Program for Senior Officers (Note 8; Exhibit 10.25).

10.5 Pacific Enterprises Supplemental Retirement and Survivor Plan (Note 11; Exhibit 10.36).

10.6 Pacific Enterprises Stock Payment Plan (Note 11; Exhibit 10.37).

10.7 Pacific Enterprises Pension Restoration Plan (Note 8; Exhibit 10.28).

10.8 Southern California Gas Company Pension Restoration Plan For Certain Management Employees (Note 8; Exhibit 10.29).

10.9 Pacific Enterprises Executive Incentive Plan (Note 13; Exhibit 10.13).

10.10 Pacific Enterprises Deferred Compensation Plan for Key Management Employees (Note 12; Exhibit 10.41).

10.11 Pacific Enterprises Employee Stock Ownership Plan and Trust Agreement as amended in toto effective October 1, 1992. (Note 21; Exhibit 10.18).

10.12 Pacific Enterprises Stock Incentive Plan (Note 15; Exhibit 4.01).

10.13 Pacific Enterprises Retirement Plan for Directors (Note 21; Exhibit 10.20).

10.14 Pacific Enterprises Director' Deferred Compensation Plan (Note 21; Exhibit 10.21).

10.15 Pacific Enterprises Employee Stock Option Plan (Note 23; Exhibit 4.01).

11. STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

11.01 Pacific Enterprises Computation of Earnings per Share (see Statement of Consolidated Income contained in Exhibit 13.01).

13. ANNUAL REPORT TO SECURITY HOLDERS

13.01 Pacific Enterprises 1995 Annual Report to Shareholders. (Such report, except for the portions thereof which are expressly incorporated by reference in this Annual Report, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Annual Report).

21. SUBSIDIARIES OF THE REGISTRANT

21.01 List of subsidiaries of Pacific Enterprises.

23. CONSENTS OF EXPERTS AND COUNSEL

23.01 Consent of Deloitte & Touche LLP, Independent Certified Public Accountants.

24. POWER OF ATTORNEY

24.01 Power of Attorney of Certain Officers and Directors of Pacific Enterprises (contained on signature pages).

27. FINANCIAL DATA SCHEDULE

27.01 Financial Data Schedule.

(b) REPORTS ON FORM 8-K:

No reports on Form 8-K were filed during the last quarter of 1995.

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NOTE: Exhibits referenced to the following notes were filed with the documents cited below under the exhibit or annex number following such reference. Such exhibits are incorporated herein by reference.

Note Reference	Document
1	Registration Statement No. 2-4504 filed by Southern California Gas Company on September 16, 1940.
2	Registration Statement No. 2-7072 filed by Southern California Gas Company on March 15, 1947.
3	Registration Statement No. 2-11997 filed by Pacific Lighting Corporation on October 26, 1955.
4	Registration Statement No. 2-12456 filed by Southern California Gas Company on April 23, 1956.
5	Registration Statement No. 2-56034 filed by Southern California Gas Company on April 14, 1976.
6	Registration Statement No. 2-59832 filed by Southern California Gas Company on September 6, 1977.
7	Registration Statement No. 2-66833 filed by Pacific Lighting Corporation on March 5, 1980.
8	Annual Report on Form 10-K for the year ended December 31, 1980, filed by Pacific Lighting Corporation.
9	Annual Report on Form 10-K for the year ended December 31, 1981, filed by Pacific Lighting Corporation.
10	Annual Report on Form 10-K for the year ended December 31, 1983, filed by Pacific Lighting Corporation.
11	Annual Report on Form 10-K for the year ended December 31, 1984, filed by Pacific Lighting Corporation.
12	Annual Report on Form 10-K for the year ended December 31, 1985, filed by Pacific Lighting Corporation.
13	Annual Report on Form 10-K for the year ended December 31, 1987, filed by Pacific Enterprises.
14	Current Report on Form 8-K dated March 7, 1990, filed by Pacific Enterprises.
15	Registration Statement No. 33-21908 filed by Pacific Enterprises on May 17, 1988.
16	Annual Report on Form 10-K for the year ended December 31, 1988, filed by Pacific Enterprises.
17	Annual Report on form 10-K for the year ended December 31, 1989, filed by Pacific Enterprises.

18 Registration Statement No. 33-50826 filed by Southern California Gas Company on August 13, 1992.

19 Current Report on Form 8-K dated September 25, 1992, filed by Pacific Enterprises.

20 [Intentionally Left Blank.]

21 Annual Report on Form 10-K for the year ended December 31, 1992, filed by Pacific Enterprises.

22 Registration Statement No. 33-61278 filed by Pacific Enterprises on April 20, 1993.

23 Registration Statement No. 33-54055 filed by Pacific Enterprises on June 9, 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PACIFIC ENTERPRISES

By: WILLIS B. WOOD, JR./s/

Name: Willis B. Wood, Jr.

Title: Chairman of the Board and
Chief Executive Officer

Dated: March 20, 1996

Each person whose signature appears below hereby authorizes Willis B. Wood, Jr., Richard D. Farman, and Larry J. Dagley, and each of them, severally, as attorney-in-fact, to sign on his or her behalf, individually and in each capacity stated below, and file all amendments to this Annual Report.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
WILLIS B. WOOD, JR. /s/ (Willis B. Wood, Jr.)	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 20, 1996
LARRY J. DAGLEY /s/ (Larry J. Dagley)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 1996
RALPH TODARO /s/ (Ralph Todaro)	Vice President and Controller (Principal Accounting Officer)	March 20, 1996
HYLA H. BERTEA /s/ (Hyla H. Bertea)	Director	March 20, 1996
HERBERT L. CARTER /s/ (Herbert L. Carter)	Director	March 20, 1996
RICHARD D. FARMAN /s/ (Richard D. Farman)	Director	March 20, 1996
WILFORD D. GODBOLD, JR. /s/ (Wilford D. Godbold, Jr.)	Director	March 20, 1996
IGNACIO E. LOZANO, JR. /s/ (Ignacio E. Lozano, Jr.)	Director	March 20, 1996
HAROLD M. MESSMER, JR. /s/ (Harold M. Messmer, Jr.)	Director	March 20, 1996
PAUL A. MILLER /s/ (Paul A. Miller)	Director	March 20, 1996
RICHARD J. STEGEMEIER /s/ (Richard J. Stegemeier)	Director	March 20, 1996
DIANA L. WALKER /s/ (Diana L. Walker)	Director	March 20, 1996

BY LAWS

OF

PACIFIC ENTERPRISES

JUNE 6, 1995

BYLAWS

OF

PACIFIC ENTERPRISES

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 elect an Executive Committee from the Directors, which shall consist of five members including the Chairman of the Board and the President. The Board may designate one of the members of the Executive Committee as the Chairman of the Executive Committee and may also designate one or more Directors as alternate members of the Executive Committee, who may replace any absent member at any meeting of the Executive Committee. Subject to change by resolution adopted by the Board of Directors or the Executive Committee, meetings of the Executive Committee shall be called and held at times and places fixed by the Chairman of the Board, the Chairman of the Executive Committee, or any two members of the Executive Committee; notice of meetings shall be given in the manner described in the Bylaws for giving notice of special meetings of the Board of Directors; the Chairman of the Executive Committee shall preside and, in his absence, the Chairman of the Board shall be the presiding officer. The Executive Committee shall have all the authority of the Board of Directors except with respect to (a) the approval of any action for which California General Corporation Law also requires shareholders' approval or approval of the outstanding shares; (b) the filling of vacancies on the Board or in any committee; (c) the fixing of compensation of the Directors for serving on the Board or on any committee; (d) the amendment or repeal of Bylaws or the adoption of new bylaws; (e) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (f) a distribution, except at a rate, in a periodic amount or within a price range set forth in the Articles of Incorporation or determined by the Board; (g) the appointment of other committees of the Board or the members thereof; and (h) the fixing of compensation of officers of the Company or its subsidiaries. A majority of the authorized number of members of the Executive Committee shall constitute a quorum for the transaction of business.

SECTION 3. The Board of Directors shall consist of not less than nine nor more than seventeen members. The exact 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 than May 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 Chairman of the Board or, if he is absent or unable or refuses to act, by the President, any Vice President who is a Director, or by any seven 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 Corporation shall be a Chairman of the Board, a President, Vice President, one or more of whom, in the discretion of the Board of Directors, may be appointed Executive 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 Chairman of the Board, one or more Assistant Secretaries and Assistant Treasurers. One person may hold two or more offices.

ARTICLE VI

THE CHAIRMAN OF THE BOARD AND THE PRESIDENT

SECTION 1. The Chairman of the Board of Directors shall be a member of the Board and the Chief Executive Officer of the Company and shall preside at all Meetings of Shareholders and the Board. The Chairman of the Board shall have general charge and supervision of the Company's business and all of its Officers, employees and agents and he shall have all of the powers and perform all of the duties inherent in that office. The Chairman of the Board shall have additional powers and perform further duties as may be prescribed by the Board of Directors.

SECTION 2. The President shall be a member of the Board and the Chief Operating Officer of the Company. The President shall have all of the powers and perform all of the duties inherent in that office. The President shall have additional powers and perform further duties as may be prescribed by the Board of Directors.

ARTICLE VII

VICE PRESIDENTS

SECTION 1. In the Chairman's and the President's absence, disability or refusal to act, the Vice Presidents in order of their rank shall perform all of the duties of the Chairman and the President and when so acting shall have all of the powers and be subject to all of the restrictions of the Chairman and 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 Chief Executive Officer.

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 Chief Executive Officer.

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 perform such other duties which may be assigned by the Board of Directors or the Chief Executive Officer.

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 absence or disability of the Treasurer, 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. The record date for determining Shareholders, entitled to give consent to corporate action in writing without a Meeting, when no prior action by the Board has been taken, shall be the sixtieth calendar day following the day on which the first consent is delivered to the Secretary.

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 causes 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.

ARTICLE XII

SEAL

SECTION 1. The Company shall have a common seal upon which shall be inscribed:

"Pacific Enterprises
Incorporated May 21, 1907
California"

555 West 5th Street
Suite 2900
Los Angeles, California 90013-1011
213 895 5000

PACIFIC ENTERPRISES 1995 ANNUAL REPORT

[PHOTO]

IN RESPONSE TO the changing energy marketplace, Pacific Enterprises continued its evolution from a utility holding company to an energy services company. We improved our competitive position with a strategic realignment and took additional steps toward more market-based regulation for our utility operations.

ABOUT THE COVER: The illustrations on the cover and elsewhere in this report, are representative of the key strategies that are guiding Pacific Enterprises through its transition to an energy services company. They depict our response to the forces of change that are fundamentally altering the way energy utilities operate and our role in a competitive market economy.

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THE PACIFIC ENTERPRISES COMPANIES VISION

PAGE 1

WE ARE A DYNAMIC, world-class energy services company that places customers first.
Committed, competent people working together, we are driven by a fierce resolve to succeed in a constantly changing competitive environment.

(Dollars are in millions, except share and per-share amounts)	Year Ended December 31 1995	1994	1993
CONSOLIDATED FINANCIAL DATA			
Operating Revenues	$ 2,343	$ 2,664	$ 2,899
Net Income	$ 185	$ 172	$ 181
Net Income Per Share of Common Stock	$ 2.12	$ 1.95	$ 2.06
Weighted Average Number of Common Shares Outstanding (thousands)	82,265	81,939	80,472
Total Assets	$ 5,259	$ 5,445	$ 5,596
Common Dividends Paid Per Share	$ 1.34	$ 1.26	$ .60
Dividend Payout Ratio	63%	65%	29%
Debt to Total Capitalization	50%	55%	54%
Book Value Per Share	$ 15.71	$ 14.74	$ 12.19
Year-End Share Price	$ 28 1/4	$ 21 1/4	$ 23 3/4
SOUTHERN CALIFORNIA GAS COMPANY STATISTICS			
Annual Throughput (billions of cubic feet):			
Core	325	341	339
Noncore	612	679	626
Total	937	1,020	965
Average Cost of Gas Purchased	$ 1.42	$ 1.68	$ 2.21
Number of Customers (millions)	4.7	4.7	4.7
Weighted Average Rate Base	$ 2,766	$ 2,862	$ 2,769
Book Value Per Share of PE Common Stock	$ 17.57	$ 18.00	$ 17.13
Achieved Return on Common Equity	13.89%	12.33%	12.96%
Authorized Return on Common Equity	12.00%	11.00%	11.90%

THE HIGHLIGHTS SHOULD BE READ IN CONJUNCTION WITH MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS IN ORDER FOR THE READER TO UNDERSTAND FULLY THE SIGNIFICANCE OF THESE SUMMARY FIGURES.

CORPORATE DESCRIPTION   Pacific Enterprises is a Los Angeles-based utility holding company whose principal subsidiary is Southern California Gas Company, the nation's largest natural gas distribution utility. Pacific Enterprises also has interests in interstate and offshore natural gas pipelines, electricity generation through alternate energy sources and centralized heating and cooling operations for large building complexes.

TO OUR SHAREHOLDERS:

By any measure, 1995 was a year of continued successful progress and change for Pacific Enterprises. Consider these achievements:

- - In response to the changing energy marketplace, we continued our evolution from a utility holding company to an energy services company. As part of that change, we reorganized the Pacific Enterprises Companies into five business units to position us to be an even more effective competitor.

- - Southern California Gas Company, our largest subsidiary, filed a performance based regulation proposal with the California Public Utilities Commission to begin the transition from traditional cost-of-service utility regulation, and to seek wider latitude to offer competitively priced new products and services.

- - And we had an outstanding year financially, earning $2.12 per share of common stock, up 9 percent over 1994. We achieved a 41 percent total return to shareholders, a performance that exceeded the average total return of 31 percent for our top 10 utility peers across the nation and beat the Standard & Poor's index of 500 stocks by 3 percentage points.

Overall we currently enjoy our strongest financial position in recent years. As evidence of these accomplishments, our credit ratings today are at their highest levels since the early 1980s for Pacific Enterprises, and since 1974 for our utility operations.

STRATEGIC REALIGNMENT

During 1995 we realigned the PE Companies into five business units. We did this to bring our collective resources closer to our customers and sharpen our customer focus. In doing so, we created two business units at SoCalGas and three new business units to pursue opportunities for new products and services and to compete in new markets both at home and overseas.

We also improved our operating efficiencies, giving us greater flexibility to respond to competitors. The realignment results in estimated annual pre-tax cost savings of $59 million, as we continue to focus on becoming the low-cost provider of services to our customers.

CONSOLIDATED FINANCIAL RESULTS

Net income for Pacific Enterprises for 1995 was $185 million, or $2.12 per share, compared with net income of $172 million, or $1.95 per share, a year ago. Our strong earnings and cash flow allowed us to increase the dividend on common stock in 1995 by 6 percent to an annualized level of $1.36 per share.

Our excellent financial performance in 1995 was driven by the solid results of Southern California Gas Company, the nation's largest natural gas distribution utility.

UTILITY FINANCIAL RESULTS

SoCalGas posted earnings of $203 million in 1995, a 13 percent increase over 1994 earnings. The utility's earnings rose primarily because of two factors. First, California regulators increased the utility's authorized return on equity to 12 percent for the year, compared with 11 percent in 1994. Second, SoCalGas continued to lower its operating costs, the result of improved operating efficiencies attained while continuing to provide safe and reliable utility service.

As a result of these efforts, SoCalGas extended its enviable record to 13 straight years of meeting or exceeding the rate of return authorized by the California Public Utilities Commission (CPUC).

UTILITY OPERATIONS

On the operating side, the utility's total rate base declined slightly. This was due to reduced capital spending that reflected slow growth in the local economy and to continued economizing at the utility in anticipation of a future regulatory structure in which earnings growth is based on performance incentives rather than increasing assets. Despite the capital spending decline, SoCalGas added 41,000 new meters to its 4.7 million-meter base. The lower rate base did not hurt 1995 earnings because rates for the year reflected previously established growth estimates.

Total natural gas throughput declined by 8 percent to 937 billion cubic feet for 1995, as electric utilities in southern California bypassed local gas-fired electric generation to buy less expensive hydro-electric supplies. Despite this decline, however, throughput remained above the forecast established in rates.

OTHER OPERATIONS

Parent company and other operations reported a $4 million after-tax loss for 1995, compared with $4 million net income in 1994. These results reflected a $4 million (5 cents per share) after-tax reserve established in the second quarter related to resolving certain power sales contract issues at our alternate energy subsidiary. They also reflected start-up costs associated with two new business units established under the strategic realignment.

Other operations include our alternate energy and interstate pipeline facilities. In 1995 our alternate energy plants produced 866,000 megawatt-hours of electricity, enough power to serve a city of about 140,000 households. Our interstate pipelines delivered 99 billion cubic feet of gas from Canada and offshore California to SoCalGas during the year, 29 percent of SoCal's gas purchases for the year.

PE COMPANIES OUTLOOK

For 1996 our earnings will be driven by these key factors:

- - AUTHORIZED ROE The CPUC reduced the authorized return on equity for SoCalGas in 1996 by 40 basis points to 11.6 percent. A change of 100 basis points in ROE results in a change of net income by $13 million (16 cents per common share). At the same time, the commission allowed a 40-basis-point increase in the common equity component of the utility's capital structure to 47.4 percent. On a rate base of $2.8 billion, this increase could help earnings by $1 million to $2 million.

- - COST SAVINGS VS. PRODUCTIVITY TARGETS Under terms of a Comprehensive Settlement approved by the CPUC in 1994, SoCalGas must realize greater "productivity" savings in its 1996 operations -- a 3 percent reduction in operating and maintenance costs, compared with 2 percent in 1995. Shareholders will benefit from cost savings at the utility only to the extent that they exceed the productivity target. SoCalGas expects to manage its operations in 1996 so that it will at least meet the productivity target.

- - NONCORE THROUGHPUT A third factor involves the total gas volumes SoCalGas delivers to its noncore customers. The utility is at risk for revenue shortfalls that would occur if deliveries to these customers fall below the estimates adopted by the CPUC in establishing rates.

Other factors include negotiations on a new wages and working conditions contract for union employees and the economic health of our primary market area-southern California. New housing permits in southern California are expected to grow at 40,000 to 45,000 annually over the next five years, and this should approximate our utility's new customer growth.

DIVIDEND POLICY

The dividend policy established by our Board of Directors remains unchanged. Our goal is to increase our payout as a percentage of earnings over time to be in line with the historical payout levels of our gas distribution peers. Our 1995 payout stood at 63 percent, while the historic payout level for our peers was in the range of 70 to 80 percent. The dividend is a key element of the total return shareholders realize on their investment in Pacific Enterprises, and we focus on total return as a benchmark of our performance.

While we believe our stock price increase during the year recognized our successes in

[PHOTO]

PACIFIC ENTERPRISES EXECUTIVE COUNCIL: SEATED (LEFT) Willis B. Wood Jr., Richard D. Farman. STANDING (FROM LEFT) Debra L. Reed, Larry J. Dagley, Claude Harvey, Warren I. Mitchell,
G. Joyce Rowland, Christopher R. Sherman, Lee M. Stewart, Frederick E. John, Anne M. Miller.

1995, we also realize that part of this appreciation can be attributed to the year's 24 percent decline in long-term interest rates and the general strength of the market itself.

Finally, any outlook for the PE Companies must address the question of what we intend to do with our cash in short-term investments, which totalled $335 million at year-end. We have considered a variety of options and have concluded to redeem up to $210 million of preferred stock -- $110 million of Pacific Enterprises remarketed preferred and $100 million of SoCalGas auction preferred.

Redeeming these shares takes a variable cost component out of our capital structure and reduces the preferred component of that structure to a level more comparable to our peers. Redemption also results in an annual savings of approximately $2.4 million, or 3 cents per share, to the benefit of our common shareholders.

After these redemptions we will continue to have sufficient cash to fund new products and services, new business opportunities and for general corporate needs. Any remaining cash in excess of these needs will be returned to shareholders in some way.

INDUSTRY OUTLOOK

We are convinced that the competitive, regulatory and technological forces that have converged on the energy industry will continue, if not accelerate, in 1996. Electric industry restructuring, which is moving ahead in California and other states, will be a major driver of change. As a result, strategic alliances, mergers and acquisitions will continue to re-shape our industry as companies attempt to position themselves for a more competitive environment.

Our vision to be a world class energy services company remains unchanged. We expect 1996 to be a challenging year as we continue to adjust to the uncertainties of a more competitive market. We are confident, however, that we have the right organizational structure and the right people in place to meet these challenges, and we are very excited about the opportunities that await the Pacific Enterprises Companies in the new competitive environment.

PERSONNEL CHANGES

In May retired Unocal Corporation Chairman and Chief Executive Officer Richard J. Stegemeier was elected to our Board of Directors. We are pleased to have Mr. Stegemeier's counsel and the benefit of his more than 40 years of experience, both foreign and domestic, in the energy industry.

Larry J. Dagley joined the PE Companies in August as Senior Vice President and Chief Financial Officer. Mr. Dagley held the same position at the Houston-based Transco Energy Company, which, during his tenure, moved from operating in a closely regulated environment to one that was more market oriented.

Christopher R. Sherman was named President of Pacific Enterprises International in September. Mr. Sherman had overseen PEI'S operations on an interim basis since the company's inception while serving as Senior Vice President of Pacific Enterprises and head of the new Energy Management Services business unit. His replacement has not yet been named.

/s/Willis B. Wood Jr.
Willis B. Wood Jr.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

/s/Richard D. Farman
Richard D. Farman
PRESIDENT AND CHIEF OPERATING OFFICER

February 12, 1996

[PHOTO]

Willis B. Wood Jr.
CHAIRMAN AND CHIEF
EXECUTIVE OFFICER

Richard D. Farman
PRESIDENT AND CHIEF
OPERATING OFFICER

[PHOTO]

MAINTAINING
UTILITY PROFITABILITY

PE's southern California operations are today's primary driver for growth in both regulated and unregulated businesses. To maintain the profitability of these operations, the utility is saving costs to hone its competitive edge and offering new services to new customers, like reconditioning gas meters for one utility and reading water meters for another.

[PHOTO]

INTRODUCTION

Pacific Enterprises entered 1995 focused on three fundamental strategies for realizing its vision of becoming a dynamic, world-class energy services company. These strategies were to:

- - Maintain profitability of the utility.

- - Leverage core competencies to achieve growth.

- - Realign the organization to achieve success.

With a workforce committed to the long-term growth and success of the Pacific Enterprises Companies as a whole, PE has taken significant steps to achieve its vision. The following report details this progress.

BACKGROUND

The PE Companies have a significant stake in southern California. PE's largest subsidiary, Southern California Gas Company, is the nation's largest natural gas distribution utility, providing service to more than 17 million people through 4.7 million meters.

Most of these meters serve core customers -- residential and small commercial users. About 1,600 meters serve noncore customers -- large-volume users, such as industrial facilities and electricity-generating utilities.

Within its residential market SoCalGas provides the fuel for 94 percent of space heaters, 97 percent of water heaters, 78 percent of cooking appliances and 72 percent of clothes dryers.

This is a huge presence in one of the best natural gas markets in the nation. At the same time, however, it also is one of the nation's most contested markets.

COMPETITIVE CHALLENGES

Competitors, including interstate pipelines, gas brokers and even municipalities, continue to pressure SoCalGas by seeking to serve its customers directly or offer traditional utility services, such as gas procurement and storage. Air quality regulators continue to look for ways to reduce emissions from natural gas equipment, which could discourage future use of gas-burning equipment by commercial and industrial customers.

Additional uncertainty comes from both California and federal plans to restructure the electric industry. While these changes are not expected to go into effect until 1998 at the earliest, they will affect SoCalGas because electric utilities are its largest customers and among its staunchest competitors.

Responding to these conditions, the PE Companies took steps to maintain the profitability of their basic business, while identifying ways to move into new energy related products and services within the utility service area and beyond.

NEW ORGANIZATIONAL STRUCTURE

In the most dramatic step, the PE Companies were realigned into an organization that concentrates its resources on its customers, allowing for a quicker response to competitive threats and new business opportunities. The new organization consists of three policy groups to oversee corporatewide functions and five business units. This organizational structure groups activities, functions and processes in order to serve customers better by delivering an associated group of products and services. The business units are profit centers and are held accountable for decisions affecting controllable costs, customer revenues, level of service and quality and management of assets.

The business unit structure as it has been implemented also promotes "enterprise thinking" among employees. It encourages them to see Pacific Enterprises as a large organization with strengths and resources available beyond their own business units, and to identify with the well-being of the PE Companies as a whole.

The new organization also creates incentives for more entrepreneurial behavior by tying management compensation more closely to performance goals.

FIVE NEW BUSINESS UNITS

The PE Companies are organized into five business units as follows:

- - ENERGY DISTRIBUTION SERVICES (EDS) serves the residential and small commercial and industrial customers of SoCalGas. Its goal is to profitably deliver gas and related services valued by these customers at the lowest cost, while maintaining high levels of customer satisfaction and loyalty. In this way, EDS seeks to maximize long-term cash flows and shareholder return on its assets.

- - ENERGY TRANSPORTATION SERVICES (ETS) serves the large industrial, electric generation and wholesale customers of SoCalGas. Its goal is to manage the utility's transmission and storage assets profitably in a safe and reliable manner, to maximize customer value and the return on invested capital, and to be recognized as the low-cost provider of choice for natural gas transmission, storage and related services.

Together EDS and ETS comprise Southern California Gas Company. With separate business units serving different market segments, the utility is able to meet competitive challenges in a more focused manner and respond to the different needs of these customer groups.

- - ENERGY MANAGEMENT SERVICES (EMS) generates electricity from alternate energy sources and conducts interstate pipeline operations. Its alternate energy operations, under the Pacific Energy subsidiary, run power generating plants that use alternate and renewable energy sources to generate electricity. Pacific Energy's Central Plants Inc. subsidiary provides gas-powered central heating and air conditioning to commercial complexes.

EMS' interstate pipeline operations, under Pacific Interstate Company, deliver natural gas to SoCalGas from Canada and offshore California, supplying 29 percent of gas purchased by the utility in 1995.

EMS' goals are to profitably launch an array of related energy services, not regulated by the CPUC, in California as well as in other domestic markets, and to manage its portfolio of alternate energy projects, central plants and pipeline assets to maximize earnings and cash flows.

- - NEW PRODUCT DEVELOPMENT (NPD) works with the other business units to lead the development of new products and services. Through such collaborations its goal is to provide professional quality product development skills across the organization in order to enhance customer value and increase profits for the PE Companies.

- - PACIFIC ENTERPRISES INTERNATIONAL (PEI) pursues equity investments in foreign energy operations that present attractive prospects for earnings and growth. In all such investments PEI will seek partners with proven local or international experience.

PEI focuses on opportunities that fit with PE's proven skills and expertise, such as acquisitions of existing distribution systems through privatization efforts, development of new gas distribution systems, and participation in transmission and in power generation projects. Areas of interest include Latin America, Asia, the Pacific and Eastern Europe.

THREE NEW POLICY GROUPS

In addition to the five business units, three policy groups coordinate and provide assistance in the areas of finance and planning, human resources and public policy and law.

- - FINANCE AND PLANNING works with the business units to develop strategic and financial plans, secures efficient financing for the PE Companies, assures accurate financial records and timely reporting, maintains effective internal controls and works with the Board of Directors to structure and maintain an appropriate dividend policy.

- - HUMAN RESOURCES provides leadership to the PE Companies in developing and implementing people strategies that support organizational and individual success.

[PHOTO]

LEVERAGING CORE COMPETENCIES

The PE Companies are using core competencies to pursue new business opportunities in both regulated and unregulated arenas. These endeavors may well encompass insourcing services for other utilities, buying and selling natural gas and electricity, or providing a variety of energy services, all for clients anywhere in the United States.

[PHOTO]

- - PUBLIC POLICY and Law develops and assures consistency through the PE Companies of long-term regulatory, political, legal and external communication strategies in support of the PE Companies mission. In addition, it supports each of the business units in these areas and monitors their compliance with governmental, regulatory, legal and ethical requirements.

The realignment of the PE Companies will result in total annualized pre-tax savings of $59 million, including a 21 percent reduction in headquarters costs. Not all of these savings will benefit earnings, however, since about a third of the dollars are related to lower capital expenditures, reduced research and development and refundable ratepayer conservation programs at the utility.

CORE COMPETENCIES

The PE Companies are using core competencies, subject to regulatory restraints, to pursue new business opportunities in regulated and unregulated arenas as appropriate. Core competencies are those capabilities that the company possesses at a level of expertise that translates into a competitive advantage.

In some cases business opportunities that offer significant growth potential may lie beyond a core competence but involve activities in which the PE Companies have a degree of expertise. In these cases PE will consider acquisitions and/or partnerships or strategic alliances with other companies that possess the required core competence.

To leverage its core competencies in 1995 Pacific Enterprises 1) began identifying and evaluating international energy distribution and transmission projects through its new international business unit; and 2) began identifying and developing new energy-related products and services for either PE's regulated or unregulated operations.

INTERNATIONAL OPPORTUNITIES

At the close of 1995 Pacific Enterprises International (PEI) had entered into a memorandum of understanding for discussions and due diligence that could lead to buying an interest in two utility holding companies located in Argentina. PEI also had formed a partnership to pursue natural gas distribution opportunities in Mexico. In both cases, the company has joined with partners that are experienced at either the local or international level.

In Argentina the potential acquisition involves a 12.5 percent interest in two utility holding companies that control natural gas utilities in central and southern Argentina that collectively serve about 1 million customers with 625 million cubic feet of gas per day. PEI would take an active interest in their management. The price was anticipated to be in the range of $50 million. A decision whether to go ahead with the sale and a final determination of the purchase price were expected as this report went to press.

In Mexico PEI announced in September that it had joined in partnership with San Diego Gas & Electric Company and Proxima S.A. de C.V. to develop gas distribution companies in the state of Baja California. The partnership notified the Mexican Federal Government of its interest in building and operating a gas distribution system for Mexicali. If the project went ahead PEI'S initial investment would be less than $10 million. Others are competing for this business, but the partnership is well positioned to provide the lowest cost service to this market.

NEW PRODUCTS

The New Product Development (NPD) business unit teamed with SoCalGas' EDS business unit to launch the pilot program for its first new product -- an earthquake shutoff valve. Research indicated the seismic safety valve is a product utility customers want, thus it is being made available through SoCalGas.

By the end of 1995 the shutoff valve was being test-marketed to determine the most effective approach for a system-wide launch.

Also by year-end NPD had received and evaluated 180 ideas, mostly from PE Companies employees. Of these ideas, 27 merited further consideration, 20 were referred directly to a business unit and four moved ahead with teams developing detailed business plans for test marketing and eventual launch.

UTILITY PROFITABILITY

Within the two utility business units that were created, core competencies will be focused more efficiently on customers, helping SoCalGas to be the low-cost provider of products and services that customers value.

To help reduce costs, SoCalGas implemented "core process re-engineering," which reviews key operating processes to rethink and redesign these operations so as to improve customer satisfaction and operating efficiencies. Similarly, the competitive benchmarking program, which ensures that many utility functions are competitive with outside providers, also has helped SoCalGas reduce operating and maintenance expenses.

Since 1990 SoCalGas has reduced its workforce by 20 percent, mostly through early retirements and attrition. Through the continued high dedication on the part of employees, the utility has continued to provide safe and efficient customer services and maintain high levels of customer satisfaction.

The utility also aggressively pursued lower gas purchase costs as part of the pilot Gas Cost Incentive Mechanism that went into effect in mid-1994. Under the three-year program, SoCalGas has an incentive to buy natural gas from suppliers at less than a market-indexed price. If the utility achieves this, the savings are shared by ratepayers and shareholders. If the price is higher than a set "tolerance" band, shareholders must absorb half the extra cost. The program's purchase costs were within the tolerance band for the first year.

SoCalGas continued its efforts to reduce the threat of customers bypassing its system. The utility signed 23 transportation contracts with large commercial, industrial, wholesale and electric generation customers, representing 14 percent of its gas deliveries and providing the utility with an important continuing revenue stream.

GROWTH OPPORTUNITIES

Reducing costs is one side of the equation. To realize growth potential, the PE Companies also must offer energy services that customers value. One such effort is TEEM (Total Energy Efficiency Management), a shareholder-funded program launched in March 1995 to help commercial and industrial customers evaluate their energy use and consider ways to increase energy efficiency and lower costs.

In a small but growing market, a decision by the CPUC assured sufficient ratepayer funds to meet the existing obligations of PE's natural gas vehicle (NGV) program for the next six years. The program focuses on high-volume, centrally fueled fleets where natural gas provides a competitive alternative to gasoline. Currently there are 3,900 NGVS in SoCalGas' territory, adding an estimated 450 million cubic feet of gas to the utility's annual natural gas throughput.

To improve operating efficiencies, the utility will launch its Customer Information System (CIS) in 1996. This state-of-the-art integrated computer system will allow the utility to more efficiently manage all of its customer transactions, from meter reading to billing to handling the roughly 10 million customer calls it receives each year. Eventually CIS will allow customers to select alternate payment options, such as paying by phone, ATM or computer, and even automatic deductions from their bank accounts.

PERFORMANCE BASED REGULATION

With increased competition brought on by a changing energy marketplace, operating under the traditional "cost of service" regulation will impair the utility's ability to compete on a level playing field with non-regulated entities. In response SoCalGas filed its far-reaching "performance based regulation" (PBR) proposal with the CPUC last June.

The proposal, which points the utility in a market-oriented direction, includes among its key elements a permanent reduction in base rates of

[PHOTO]

REALIGNING FOR SUCCESS

To remain competitive, PE concentrates its resources through a new business unit structure that allows for more nimble responses to customer needs. Employees can draw on the collective strengths of the PE Companies to pursue utility-related opportunities anywhere in the world.

[PHOTO]

at least $41.6 million for all customers; an indexing measure that would limit future rate increases to the inflation rate minus a productivity factor, and rate refunds to core customers if service quality were to deteriorate.

PBR will present the utility with increased business risks as certain protections against non-weather related fluctuations in gas deliveries to the core market would be removed. On the upside, SoCalGas will be granted greater flexibility in packaging and pricing services to respond to customers' needs. PBR also will tie future utility earnings growth more closely to productivity and new revenue sources and less to allowed investment in ratebase.

Unfortunately, intervenor requests before the CPUC will require the utility to make an extensive supplemental filing that will delay PBR beyond the utility's planned January 1, 1997 implementation date.

UNSUBSCRIBED CAPACITY

The PE Companies spearheaded an effort to resolve the issue of re-allocating costs associated with unsubscribed capacity on two large interstate gas pipelines serving California -- El Paso Natural Gas and Transwestern Pipeline. The liability of this unsubscribed capacity potentially totaled more than $200 million annually, a burden likely to fall on the pipelines' firm customers, including SoCalGas and their ratepayers.

A customer coalition led by SoCalGas reached agreement on a sharing mechanism for these costs with Transwestern Pipeline and was negotiating an agreement with El Paso as the year ended. The Transwestern settlement provides a degree of rate certainty for SoCalGas customers over the coming decade.

NEXT STEPS

As the PE Companies move into 1996 and beyond, they will be guided by a set of strategies that build on the accomplishments of 1995.

First, Pacific Enterprises will continue its transformation from a regional utility holding company to a competitive provider of energy services. PE will be even more customer-focused, delivering better services than its competitors and at the lowest cost. The company will continue to build on established core competencies and will develop or acquire those competencies needed to excel in all markets in which it chooses to compete.

Second, Pacific Enterprises will remain fully committed to its utility operations, supporting SoCalGas in providing outstanding service to its customers. SoCalGas will continue to enhance its market position, cash flow and profitability by providing customer value at a low, competitive cost. The utility also will provide the source of competencies from which to launch related domestic expansion.

Third, as the distinction between energy utility operations begins to blur, Pacific Enterprises will build on initiatives to leverage natural gas skills in California into broader energy services.

And fourth, Pacific Enterprises will continue to participate in international gas infrastructure and market privatizations, focusing on opportunities in Latin America, Asia, the Pacific, and Eastern Europe. In doing so, the company will enter into these opportunities with experienced and reputable international and local partners.

AGGREGATOR One who provides a service of combining, or "aggregating," many small-volume natural gas users into a single group in order to acquire gas supplies for that group and/or to provide other services normally performed by the utility.

BUSINESS UNIT A discrete grouping of business activities, functions and processes aligned to provide an associated family of products and services tailored to the needs of a specific customer market.

BYPASS A condition that occurs when a utility customer leaves the utility's system to be served by a completely separate system and service provider.

BYPASS BY WIRE A condition that occurs when an electric utility buys electricity from sources other than local generating facilities served by SoCalGas.

CIS See Customer Information System.

CUSTOMER INFORMATION SYSTEM An integrated, state-of-the-art computerized system that allows SoCalGas to manage its customer information, process a wide range of customer record transactions, produce bills to core customers, process all payments, follow-up delinquent accounts and report revenue.

COMPETITIVE BENCHMARKING A process of measuring the efficiency and cost-effectiveness of an internal business process or function by comparing it with the cost and quality of having the same process or function provided by an external vendor.

COMPREHENSIVE SETTLEMENT A settlement negotiated by SoCalGas with interested parties and approved by the CPUC in July 1994 that restructured certain long-term gas supply contracts and resolved several regulatory matters affecting SoCalGas. (Also referred to as Global Settlement.)

CORE CUSTOMERS SoCalGas customers who typically use less than 250,000 therms per year.

CORE PROCESS RE-ENGINEERING A comprehensive evaluation of broad business processes (i.e. revenue management or procurement and logistics) for purposes of redesigning and implementing new processes that improve efficiency, effectiveness and timeliness.

CPR See Core Process Re-engineering.

CPUC California Public Utilities Commission.

ELECTRIC INDUSTRY RESTRUCTURING A general term for efforts by state and federal regulators to fundamentally change the way electric utilities are regulated in order to provide consumers with more choice of service providers and lower electric rates.

FERC Federal Energy Regulatory Commission.

GAS BROKER One who buys and sells natural gas on behalf of customers.

GAS AND POWER MARKETING A service that facilitates efficient matching of buyers' and sellers' unique energy needs.

GAS COST INCENTIVE MECHANISM A 3-year pilot program approved by the CPUC as part of the Comprehensive Settlement. The GCIM sets a standard for gas storage operations and establishes a benchmark price, based on published industry indices, for core gas purchases. It permits a 50-50 sharing between shareholders and core customers of cost savings when SoCalGas buys natural gas at prices below the benchmark. Shareholders are also at risk for half of any gas purchase costs that exceed the benchmark plus a "tolerance band" of 4 percent.

GCIM See Gas Cost Incentive Mechanism.

GPM See Gas and Power Marketing.

INTERVENOR A party with an interest in a specific proceeding before the CPUC.

LEV Low-emission vehicle.

MEGAWATT-HOUR A unit of measure of electrical energy that equals 1,000 kilowatt-hours; approximately 3.4 million BTUS.

NGV Natural gas vehicle.

NONCORE CUSTOMER SoCalGas customers who use more than 250,000 therms per year.

PBR See Performance Based Regulation.

PERFORMANCE BASED REGULATION A form of utility regulation that relies on a performance index system to track and reward utilities for efficiency in providing safe, reliable and reasonably priced utility services to customers. PBR usually gives the utility more flexibility in managing the business and meeting changing customer needs in exchange for greater accountability for providing effective results to customers.

PUHCA Public Utility Holding Company Act.

RATE BASE As determined by the CPUC, total dollars of net investment in a utility's facilities required to provide service. For SoCalGas this includes pipelines, storage facilities, supplies, materials, and working cash. Net investment equals initial investment less accumulated depreciation.

RATE OF RETURN The rate of return, allowed or earned, on rate base. It contains all elements of investors' return, including interest, preferred dividends and return on common equity. Established by the CPUC.

RETURN ON EQUITY The rate of return allowed or earned on an equity investment. Established by the CPUC for SoCalGas.

THERM A unit of heat energy equal to 100,000 BTUS, used in billing.

THROUGHPUT Total gas sales and transportation volumes moved through a utility's pipeline system.

TOTAL RETURN TO SHAREHOLDERS Return measured by the calendar year change in stock price plus the reinvested dividends paid for the year.

UNBUNDLING The subdividing of utility services into those to be included in a utility's basic obligation to serve, and those to be excluded from the basic obligation. Traditionally, utility services have been provided on a "bundled" basis. Gas commodity and transportation costs, and the costs of other services provided to customers were paid for through a single bundled rate, regardless of what services were actually consumed. With unbundling the cost of component services are separately stated. Customers can choose from whom they want to buy the particular service and will only pay for those services they choose to consume.

UNSUBSCRIBED CAPACITY That portion of a pipeline's capacity for which there are no customers paying subscription fees for the rights to move their gas supplies.

SOCALGAS SERVICE TERRITORY

[MAP]

Transmission Systems
AVERAGE THROUGHPUT - MILLIONS OF CUBIC FEET/DAY

SOCALGAS 3000
PG & E 2550
KERN/MOJAVE 850
TRANSMISSION INTERTIES WITH SOCALGAS SYSTEM
CITIES SERVICED
CITIES NOT SERVICED

NOTE: SOCALGAS SERVICE TERRITORY DOES NOT INCLUDE SAN DIEGO COUNTY OR THE CITY
OF LONG BEACH.
HOWEVER, BOTH ARE WHOLESALE CUSTOMERS OF SOCALGAS.

INTRODUCTION

This section includes management's analysis of operating results from 1993 through 1995, and is intended to provide additional information about Pacific Enterprises' (the Company) capital resources, liquidity and financial performance. This section also focuses on the major factors expected to influence future operating results and discusses future investment and financing plans. Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

Pacific Enterprises is a Los Angeles-based utility holding company engaged in supplying natural gas throughout most of southern and part of central California. These operations are conducted through Southern California Gas Company (SoCalGas), the nation's largest natural gas distribution utility, serving 4.7 million meters in 535 cities and communities throughout a 23,000-square-mile service territory with a population of approximately 17 million. Through other subsidiaries, the Company is also engaged in interstate and offshore natural gas transmission to serve its utility operations, in alternate energy development and centralized heating and cooling for large building complexes.

SoCalGas 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 small commercial and industrial customers). The noncore market consists of approximately 1,600 customers which include 8 utility electric generation, 3 wholesale, and the remainder large commercial and industrial customers. Most noncore customers procure their own gas supply rather than purchase gas through the utility.

In 1995, the Company completed a realignment into five business units which establishes a more flexible design to allow a more rapid response to competitive forces. There are two business units at SoCalGas, one focusing on core distribution customers and the other on large volume gas transportation customers. The three other business units focus on energy management services, new product development, and international business opportunities.

CAPITAL RESOURCES AND LIQUIDITY

The Company's primary sources and uses of cash during the last three years are summarized in the following condensed statement of cash flows:

SOURCES AND (USES) OF CASH

(Dollars in millions)	Year Ended December 31 1995	1994	1993
Operating Activities	$ 698	$ 255	$ 483
Capital Expenditures	(240)	(249)	(331)
Financing Activities:			
Long-Term Debt	(207)	226	(679)
Short-Term Debt	(44)	11	52
Issuance of Common Stock	6	7	189
Redemption of Preferred Stock	(30)	(40)	
Common and Preferred Dividends	(121)	(116)	(65)
Total Financing Activities	(396)	88	(503)
Other	2	41	71
Increase (Decrease) in Cash and Cash Equivalents	$ 64	$ 135	$ (280)

CASH FLOWS FROM OPERATING ACTIVITIES

The increase in cash flow from operating activities to $698 million in 1995 from $255 million in 1994 is primarily due to a payment of $391 million for the settlement of gas contract issues made in 1994.

The decrease in cash flow from operating activities of $228 million in 1994 from 1993 is primarily due to a payment for the settlement of gas contract issues partially offset by an increase in collections of regulatory accounts receivable. In addition, taxes paid in 1994 were higher due to the utilization of net operating loss carryforwards in 1993.

There are a number of factors that impact the Company's cash flow from operations. These include changes in operating expenses and return on equity. A one percentage point change in return on equity impacts cash flow and net income by approximately $13 million after taxes.

[GRAPH]

Allowed vs. Achieved
Return on Rate Base
(PERCENT)

Allowed
Achieved

	91	92	93	94	95
	10.79	10.49	9.99	9.22	9.67
	10.94	11.01	10.27	9.74	10.84

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures primarily represent rate base investment at SoCalGas. The table below summarizes capital expenditures by utility plant classification:

CAPITAL EXPENDITURES	Year Ended December 31		
(Dollars in millions)	1995	1994	1993
SoCalGas:			
Distribution	$ 126	$ 129	$ 159
Transmission	19	24	54
Storage	19	22	33
Other	67	70	72
Total SoCalGas	231	245	318
Other	9	4	13
Total Expenditures	$ 240	$ 249	$ 331

Capital expenditures for 1995 are $9 million lower than 1994 primarily the result of reduced investing requirements for connecting new customers.

The decrease in expenditures in 1994 was due primarily to a $30 million decrease in distribution main pipeline extensions as a result of fewer new customer connections and a $30 million decrease in non-recurring transmission projects such as the expansion of a compressor station and pipeline upgrades.

Capital expenditures are estimated to be $240 million in 1996. They will be financed primarily by internally generated funds and will largely represent investment in SoCalGas operations.

CASH FLOWS FROM FINANCING ACTIVITIES

In 1995, $396 million was used for financing activities. This is primarily the result of a $30 million redemption of preferred stock, repayment of short and long-term debt, and an increase in common dividends.

Cash flow provided by financing activities of $88 million in 1994 is due to the issuance of long-term debt for financing a Comprehensive Settlement of gas supply contracts and other regulatory issues (see Note 3 of Notes to Consolidated Financial Statements - "Comprehensive Settlement of Regulatory Issues") partially offset by the $40 million redemption of remarketed preferred stock and an increase in common dividends.

The cash flow used for financing activities in 1993 of $503 million is primarily due to the repayment of long-term debt with proceeds received from the sale of discontinued operations and the sale of eight million shares of common stock.

[GRAPH]

Capitalization Ratios
(PERCENT)

Capitalization
Debt

	91	92	93	94	95
	48	33	46	45	50
	52	67	54	55	50

The decrease in the debt to capitalization ratio in 1995 to 50% from 55% in 1994 is primarily due to increases in common equity from 1995 income and the repayment of debt.

During 1994 the debt to capitalization ratio remained relatively unchanged from 1993. An increase in debt to finance the Comprehensive Settlement was offset by 1994 net income and a $114 million adjustment to shareholders' equity due to resolution of certain obligations related to discontinued operations (see Note 2 of Notes to Consolidated Financial Statements).

During 1993 the Company completed the sale of discontinued operations and eight million shares of common stock. The proceeds from the sales, including tax benefits, together with cash provided by continuing operations, were used to repay essentially all of the Parent Company's bank debt. As a result the debt to capitalization ratio improved to 54% at the end of 1993 from 67% at the end of 1992.

The increase in the debt to capitalization ratio in 1992 of 15 percentage points from 52% in 1991 is primarily due to losses from discontinued operations and fair value adjustments charged to shareholders' equity as a result of the quasi-reorganization.

[GRAPH]

Annual Throughput Volumes
(BILLIONS OF CUBIC FEET)

Sold
Transported and Exchanged

91	92	93	94	95
1,047	1,001	965	1,020	937

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are $351 million at December 31, 1995, of which $335 is at the Parent. This cash is available for investment in new energy-related projects, redeeming preferred stock and debt and other corporate purposes.

The Company anticipates that cash required in 1996 for capital expenditures, dividends and debt payments will be provided by cash generated from operating activities and existing cash balances.

In addition to cash from ongoing operations, the Parent has available a $300 million multi-year credit agreement requiring annual fees of .09%. SoCalGas has a $650 million multi-year credit agreement requiring annual fees of .075%. The interest rates on these lines vary and are derived from formulas based on market rates and the companies' credit ratings. These multi-year credit agreements expire in February, 2001. At December 31, 1995, all bank lines of credit were unused. These lines of credit provide backing for SoCalGas' commercial paper program.

SoCalGas has $415 million of commercial paper outstanding at December 31, 1995, including $265 million to finance the comprehensive settlement of gas supply contracts and other regulatory issues, with the remainder financing seasonal cash needs at SoCalGas.

PREFERRED STOCK REDEMPTION

The Company redeemed $30 million of preferred stock in 1995 and $40 million of remarketed preferred stock in 1994. The Company plans to redeem up to $210 million of variable dividend rate preferred stock of the Parent and SoCalGas.

DIVIDENDS

The Company's goal is to increase the payout as a percentage of earnings over time to be in line with the historical payout levels of our gas distribution peers. The Company's 1995 payout stood at 63% while the historic payout level for peers was in the range of 70 to 80%.

In 1995, the Company paid dividends of $111 million on common stock and $10 million on preferred stock for a total of $121 million. This compares to $116 million in 1994 and $65 million in 1993. The increase in 1995 was due to the increase in the quarterly common stock dividend rate in the second quarter of 1995 partially offset by lower preferred dividends.

Dividends on common shares which had been suspended in 1992, were resumed in the third quarter of 1993 at a quarterly rate of $.30 per share. The quarterly dividend rate was increased to $.32 per share in the second quarter of 1994 and to $.34 per share in the second quarter of 1995.

RESULTS OF CONSOLIDATED OPERATIONS

Net income for 1995 was $185 million, or $2.12 per share of common stock, compared to net income of $172 million, or $1.95 per share in 1994 and net income of $181 million, or $2.06 per share in 1993. The increase of $13 million during 1995 is due primarily to the increase in the authorized rate of return on common equity at SoCalGas from 11% in 1994 to 12% in 1995 and lower operating expenses, which reflect savings from the Company's reduction in staffing levels and other expense reductions. The decrease of $9 million in 1994 is due primarily to a federal tax rate change benefit of $8 million recognized in 1993 and lower earnings at SoCalGas, partially offset by lower interest expense. Although SoCalGas' authorized rate of return on common equity was reduced from 11.9% in 1993 to 11% in 1994, this reduction was substantially offset by continued reductions in operating expenses, higher earnings from the noncore market and the growth in rate base.

The weighted average number of shares of common stock outstanding increased less than 1% to 82.3 million in 1995, following a 2% increase in 1994. The increase in 1994 was due primarily to the full year's impact of eight million shares issued in a second quarter public offering in 1993, partially offset by the effect of the adoption in 1994 of the American Institute of Certified Public Accountants' Statement of Position No. 93-6, "Employers' Accounting for Employee Stock Ownership Plans" (SOP 93-6). For further discussion of SOP 93-6, see Note 12 of Notes to Consolidated Financial Statements.

Book value per share was $15.71 and $14.74 at December 31, 1995 and 1994, respectively. The increase in book value per share of $.97 in 1995 is primarily due to net income and an increase in shareholders' equity of $13 million for the resolution of certain of the liabilities established in connection with the Company's 1992 quasi-reorganization. For

[GRAPH]

SoCalGas
Employees Per 1,000 Meters

91	92	93	94	95
2.06	1.99	1.93	1.75	1.52

further discussion of the quasi-reorganization see Note 2 of Notes to Consolidated Financial Statements.

SOCALGAS OPERATIONS

To fully understand the operations and financial results of SoCalGas it is important to understand the ratemaking procedure that SoCalGas employs.

RATEMAKING PROCEDURES

SoCalGas is regulated by the California Public Utilities Commission (CPUC). It is the responsibility of the CPUC to determine that utilities operate within the best interests of the ratepayer, with the opportunity to earn a reasonable return on investment.

Current ratemaking procedures are summarized below.

In a general rate case, the CPUC establishes a margin, which is the amount of revenue authorized to be collected from customers to recover authorized operating expenses (other than the cost of gas), depreciation, interest, taxes and return on rate base. General rate cases are typically filed every three years. On June 1, 1995 SoCalGas filed a "Performance Based Regulation" (PBR) application with the CPUC which would replace the general rate case. For a further discussion of PBR, see Factors Influencing Future Financial Performance - - Performance Based Regulation.

The CPUC annually adjusts rates for years between general rate cases to reflect the changes in rate base and the effects of inflation as adjusted by a productivity improvement factor. Separate proceedings are held annually to review SoCalGas' cost of capital, including return on common equity, interest costs and changes in capital structure. The CPUC has authorized annual allowances for 1996 for increases in operating and maintenance expenses to the extent that the projected annual inflation rate exceeds 3%. In 1995, the CPUC authorized allowances to the extent inflation exceeded 2%. For further discussion of annual attrition allowances, see Note 3 of Notes to Consolidated Financial Statements.

Biennial cost allocation proceedings (BCAP) adjust rates to reflect variances in the cost of gas and customer demand from estimates adopted in a general rate case. The mechanism substantially eliminates the effect on core income of variances in core market demand and gas costs subject to the limitations of the Gas Cost Incentive Mechanism and the Comprehensive Settlement. For further discussion, see Note 3 of Notes to Consolidated Financial Statements.

The CPUC approved a Gas Cost Incentive Mechanism (GCIM) for evaluating SoCalGas' gas purchases. This mechanism compares SoCalGas' cost of gas with the average market price of 30-day firm spot supplies delivered to the SoCalGas service area and permits full recovery of all costs within a tolerance band above that average. The cost of purchases above the tolerance band or savings from purchases below the average market price are shared equally between ratepayers and shareholders. For further discussion of GCIM, see Note 3 of Notes to Consolidated Financial Statements.

1993-1995 FINANCIAL RESULTS

Under current utility ratemaking policies, the return that SoCalGas is authorized to earn is the product of an authorized rate of return on rate base and the amount of rate base. Rate base consists primarily of net investment in utility plant. Thus, SoCalGas' earnings are affected by changes in the authorized rate of return on rate base and the change in the authorized rate base and by SoCalGas' ability to control expenses and investment in rate base within the amounts authorized by the CPUC in setting rates. The Company refunds or collects in the future the amounts by which certain defined costs vary from the amounts authorized by the CPUC in the rate case or other regulatory proceedings. Also, variations in core revenues from estimates adopted by the CPUC in established rates are refunded or collected through the balancing account mechanism. Thus, full balancing account treatment allows the Company to fully recover amounts recorded as deferred costs or core revenue shortfalls currently or in the future.

[GRAPH]

Average Cost of Gas Purchased, Excluding Fixed Charges
(DOLLARS PER THOUSAND CUBIC FEET)

91	92	93	94	95
2.40	2.24	2.21	1.68	1.42

Key financial and operating data for SoCalGas are highlighted in the table below.

	Year Ended December 31		
(Dollars in millions)	1995	1994	1993
Operating revenues	$ 2,279	$ 2,587	$ 2,811
Cost of gas	$ 737	$ 992	$ 1,187
Operating expenses	$ 760	$ 827	$ 868
Net income (after preferred dividends)	$ 203	$ 180	$ 184
Authorized return on rate base	9.67%	9.22%	9.99%
Authorized return on common equity	12.00%	11.00%	11.90%
Weighted average rate base	$ 2,766	$ 2,862	$ 2,769
(Decline) growth in weighted average rate base over prior period	(3.4)%	3.4%	1.8%

SoCalGas' operating revenues decreased $308 million in 1995. The decrease is primarily due to a reduction in the average unit cost of gas and a decrease in noncore transportation volumes. SoCalGas' cost of gas distributed decreased $255 million in 1995 due to lower volumes of gas purchased for customers and a decrease in the average unit cost of gas. The decrease in transportation volumes was primarily in the utility electric generation market. This was due to an abundance of less expensive hydro-electricity resulting from high levels of precipitation last winter. The decrease in operating revenues of $224 million in 1994 reflects a reduction in authorized gas margin and the average unit cost of gas partially offset by the growth in rate base and an increase in noncore volumes transported. SoCalGas' cost of gas distributed decreased $195 million in 1994. The average commodity cost of gas purchased by SoCalGas, excluding fixed charges, for 1995 was $1.42 per thousand cubic feet, compared to $1.68 per thousand cubic feet in 1994 and $2.21 per thousand cubic feet in 1993.

SoCalGas' operating expenses decreased $67 million in 1995. The decrease primarily reflects savings from cost reduction efforts in 1995 and nonrecurring expenses in 1994. Operating costs for 1994 included expenses resulting from the January 1994 earthquake and expenses related to a discontinued capital project. The decrease of $41 million in 1994 is primarily due to aggressive reductions in operating expenses partially offset by the nonrecurring expenses discussed above.

SoCalGas has achieved or exceeded the rate of return on rate base authorized by the CPUC for 13 consecutive years. In 1995, SoCalGas achieved a 10.84% return on rate base, compared to a 9.67% authorized return, and a 13.89% return on equity, compared to a 12% authorized return. The improved returns were primarily due to lower operating costs as a result of reduced staffing levels and other cost reduction efforts.

In 1994, SoCalGas achieved a 9.74% return on rate base, compared to a 9.22% authorized return, and a 12.33% return on equity, compared to an 11% authorized return. The improved returns were primarily due to more efficient operations through reductions in operating expenses, higher noncore earnings and a conservation award.

SoCalGas plans to continue efforts to control costs in 1996. In 1996, SoCalGas is authorized to earn 9.42% return on rate base and 11.6% on common equity. Rate base is expected to decline slightly from the level in 1995.

OPERATING RESULTS

The table on the following page summarizes the components of SoCalGas' throughput and rates charged to customers for the past three years. Beginning January 1, 1994, rates included the ratepayer portion of the Comprehensive Settlement (See Note 3 of Notes to Consolidated Financial Statements). The amount included in rates for 1995 was $84 million and in 1994 was $119 million.

Although the revenues from transportation throughput are less than for gas sales, SoCalGas generally earns the same margin whether it buys the gas and sells it to the customer or transports gas already owned by the customer. For 1996, approximately 89% of total margin authorized is contributed by the core market (residential and

[GRAPH]

SoCalGas
1996 Authorized Margin

Core Market 89%
Noncore Market 11%

(Dollars in millions, volume in billion cubic feet)	Gas Sales Throughput	Gas Sales Revenue	Transportation and Exchange Throughput	Transportation and Exchange Revenue	Total Throughput	Total Revenue
1995:						
Residential	237	$1,547	2	$ 7	239	$1,554
Commercial/Industrial	97	546	267	206	364	752
Utility Electric Generation			205	104	205	104
Wholesale	4	7	125	55	129	62
Total in Rates	338	$2,100	599	$ 372	937	2,472
Balancing and Other						(193)
Total Operating Revenues						$2,279
1994:						
Residential	254	$1,704	2	$ 9	256	$1,713
Commercial/Industrial	100	592	258	207	358	799
Utility Electric Generation			260	118	260	118
Wholesale	8	21	138	77	146	98
Total in Rates	362	$2,317	658	$ 411	1,020	2,728
Balancing and Other						(141)
Total Operating Revenues						$2,587
1993:						
Residential	244	$1,641	4	$ 12	248	$1,653
Commercial/Industrial	97	610	259	247	356	857
Utility Electric Generation		4	213	143	213	147
Wholesale	11	27	137	90	148	117
Total in Rates	352	$2,282	613	$ 492	965	2,774
Balancing and Other						37
Total Operating Revenues						$2,811

smaller commercial and industrial customers), with 11% contributed by the noncore market.

Throughput, the total gas sales and transportation volumes moved through SoCalGas' system, decreased in 1995 as a result of lower demands, primarily by utility electric generators. This was as a result of an abundance of inexpensive hydro-electricity. The increase in throughput in 1994 from 1993 levels was the result of greater weather-related demand in noncore volumes, primarily utility electric generation.

FACTORS INFLUENCING FUTURE FINANCIAL PERFORMANCE

Performance of the Company in the near future will primarily depend on the results of SoCalGas. Because of the ratemaking and regulatory process as well as the changing energy marketplace, there are several factors that will influence future financial performance. These factors are summarized below.

Under current ratemaking policies, future SoCalGas net income and cash flow will be determined primarily by the allowed rate of return on common equity, changes to authorized rate base, noncore market pricing, the variance in gas volumes delivered to noncore customers from 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.

Future regulatory restructurings (including the PBR proposal from SoCalGas), increased competitiveness in the industry (including the continuing threat of customers bypassing SoCalGas' system and obtaining service directly from interstate pipelines), and electric industry restructuring could also affect SoCalGas' future performance.

The following detailed discussion addresses each of the major factors expected to influence future financial performance:

- ALLOWED RATE OF RETURN SoCalGas' earnings for 1996 will be affected by a decrease in the authorized rate of return on common equity. For 1996, SoCalGas is authorized to earn a rate of return on rate base of 9.42% and a rate of return on common equity of 11.6%, compared to 9.67% and 12%, respectively, in 1995. A change in return on equity of one percentage point impacts net income by approximately $13 million. The CPUC has also authorized an increase in the equity component of SoCalGas' capital structure

[GRAPH]

Annual Cost of Appliance Operation
Gas vs. Electric
(Dollars)

	Space	Water	Clothes	Cooking
Gas	270	145	47	32
Electric	838	523	124	113

to 47.4% in 1996 from 47.0% in 1995. The 40 basis point increase in the equity component should add between $1 million to $2 million to earnings. Rate base is expected to decline slightly from the level in 1995.

- - NONCORE BYPASS SoCalGas' throughput to enhanced oil recovery (EOR) customers in the Kern County area has decreased significantly because of the bypass of SoCalGas' system by competing interstate pipelines. The decrease in revenues from EOR customers is subject to full balancing account treatment, except for a 5% incentive to SoCalGas, and therefore, does not have a material impact on SoCalGas' earnings.

  Bypass of other markets may also occur, and SoCalGas is fully at risk for lost non-EOR noncore volumes due to bypass. SoCalGas is continuing to reduce its costs to maintain low cost competitiveness to retain transportation customers. Also, significant additional bypass would require construction of additional facilities by competing pipelines.

- - NONCORE PRICING To respond to bypass, SoCalGas has received authorization from the CPUC for expedited review of long-term gas transportation service contracts with some noncore customers at lower than tariff rates. In addition the CPUC approved changes in the methodology that eliminates subsidization of core customer rates by noncore customers. This allocation flexibility, together with negotiating authority, has enabled SoCalGas to better compete with new interstate pipelines for noncore customers.

- - NONCORE THROUGHPUT SoCalGas' earnings may be adversely impacted if gas throughput to its noncore customers varies from estimates adopted by the CPUC in establishing rates. There is a continuing risk that an unfavorable variance in noncore volumes can result from external factors such as weather, electric deregulation, the increased use of hydroelectric power, competing pipeline bypass of SoCalGas' system and a downturn in general economic conditions. In addition many noncore customers are especially sensitive to the price relationship between natural gas and alternate fuels, as they are capable of readily switching from one fuel to another, subject to air quality regulations. SoCalGas is at risk for the lost revenue.

  Through July 31, 1999 any favorable earnings effect of higher revenues resulting from higher throughput to noncore customers has been eliminated as a result of the Comprehensive Settlement described in Note 3 of Notes to the Consolidated Financial Statements.

- - EXCESS INTERSTATE PIPELINE CAPACITY 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 to pipeline customers may be relinquished within the next few years. Some of this capacity may not be resubscribed. Current Federal Energy Regulatory Commission (FERC) regulation could permit the cost of unsubscribed capacity to be allocated to remaining firm service customers, including SoCalGas. Under existing regulation in California, SoCalGas would have the opportunity to include its portion of any such reallocated costs in its rates.

  The FERC has approved a settlement with Transwestern which calls for firm customers, including SoCalGas, to subsidize unsubscribed pipeline costs for a five year period with Transwestern assuming full responsibility after that time. Negotiations are continuing with El Paso and a settlement is expected to be filed with the FERC in the first quarter of 1996.

- - MANAGEMENT CONTROL OF EXPENSES AND INVESTMENT Over the past 13 years, management has been able to control operating expenses and investment within the amounts authorized to be collected in rates and intends to continue to do so.

- - PERFORMANCE BASED REGULATION SoCalGas has filed a PBR application with the CPUC to replace the general rate case and certain other traditional regulatory proceedings. PBR, if approved, would allow SoCalGas to be more responsive to consumer interests and compete more effectively in

[GRAPH]

New Meter Sets Per Year
(THOUSANDS)

91	92	93	94	95
75.8	55.8	47.0	43.4	40.9

contestable markets. Key elements of this proposal include a permanent reduction in base rates of $42 million, an indexing measure that would limit future rate increases to the inflation rate less a productivity factor and rate refunds to customers if service quality were to deteriorate. This new approach would maintain cost based rates but would link financial performance with changes in productivity. Although PBR could result in increased earnings volatility, SoCalGas would have the opportunity to improve financial performance to the extent it was able to reduce expenses, increase energy deliveries and generate profits from new products and services.

Under the PBR proposal, SoCalGas would be at risk for certain changes in interest rates and cost of capital, changes in core volumes not caused by weather, and achievement of productivity improvements. The CPUC's process for approval of PBR has been delayed pending determination of additional information needed to establish the starting base cost of service. An agreement with several interested parties has been reached under which SoCalGas will provide a substantial portion of the supporting documentation that would be required for a general rate case proceeding. This additional step will delay implementation beyond the proposed January 1, 1997 starting date.

- ELECTRIC INDUSTRY RESTRUCTURING Demand for natural gas by electric generation customers is sensitive to the price and availability of electric power generated in other areas and purchased by these electric generation customers.

  On December 20, 1995, the CPUC issued a final decision to restructure California electric utility regulation. Implementation of portions of the plan are expected to need state legislative or federal administrative approval. The CPUC's decision has no immediate effect on SoCalGas' operations. However, SoCalGas is continuing to evaluate the decision because future volumes of natural gas it transports for electric utilities may be adversely affected by increased use of electricity generated by out-of-state producers. The electric industry restructuring also may result in a reduction of electric rates to core customers, but it is unlikely to overcome the entire cost advantage of natural gas for existing uses.

- ENVIRONMENTAL MATTERS SoCalGas' 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. Increasingly complex administrative and reporting requirements of environmental organizations applicable to commercial and industrial customers utilizing natural gas are not generally required by those using electricity. However, anticipated advancement in natural gas technologies will enable gas equipment to remain competitive with alternate energy sources. Environmental laws also require clean up of facilities no longer in use. Because of current and expected rate recovery, SoCalGas believes that compliance with these laws will not have a significant impact on its financial statements. For further discussion of environmental and regulatory matters, see Note 5 of Notes to Consolidated Financial Statements.

- UNION CONTRACT Most field, clerical and technical employees of SoCalGas are represented by the Utility Workers' Union of America or the International Chemical Workers' Union. A contract with these unions relating to benefits expired in 1995 and a contract covering wages, hours and working conditions will expire on March 31, 1996. Negotiations related to new contracts are ongoing.

- CALIFORNIA ECONOMY Growth in SoCalGas markets is largely dependent on the health and expansion of the California economy. While California has undergone a recession in recent years current economic forecasts indicate the state will experience a higher growth in jobs than the rest of the country.

ENERGY MANAGEMENT SERVICES

Energy Management Services (EMS) consists primarily of Pacific Interstate Company and Pacific Energy.

Pacific Interstate Company, an interstate pipeline subsidiary which is regulated by the FERC, purchases natural gas from producers in Canada and from federal waters offshore California and transports it for resale to SoCalGas. During 1995, these deliveries from the interstate pipeline subsidiaries accounted for approximately 29% of the total volume of gas purchased by SoCalGas

[GRAPH]

PacificEnterprises
Capital Expenditures
(MILLIONS OF DOLLARS)

91	92	93	94	95
335	329	331	249	240

and approximately 10% of SoCalGas' total throughput. The gas is purchased under long-term contracts which were restructured in conjunction with the Comprehensive Settlement.

Pacific Energy develops and operates alternate energy facilities and operates centralized heating and cooling plants.

Net income of EMS was $8 million in 1995 compared to $10 million in 1994. The decrease was primarily due to a $4 million nonrecurring charge for certain power sales contract restructuring issues partially offset by lower general and administrative expenses.

PACIFIC ENTERPRISES INTERNATIONAL

Pacific Enterprises International (PEI) was established in late 1994 to participate in the international gas infrastructure market. Net costs for the year were $2 million.

In January 1996, PEI entered into a non-binding memorandum of understanding which may result in acquisition of a 12.5% interest in two utility holding companies that control natural gas distribution utilities in Argentina. The acquisition price is anticipated to be approximately $50 million.

These utilities in central and southern Argentina deliver about 625 million cubic feet of gas per day to one million customers. PEI expects to have a role in managing the utility operations. A decision on the acquisition will be made by the end of the first quarter of 1996.

PEI also has formed a partnership with San Diego Gas & Electric Co. and Proxima, S.A. de C.V. to build and operate natural gas distribution networks in Mexico.

The partnership's first project, if awarded the franchise by the Mexican government, would be to distribute gas to the City of Mexicali in Baja California. This proposed distribution network would have the capacity to deliver 80 million cubic feet of gas per day. If approved by the government, licensing would take approximately six months and actual construction of the pipeline and facilities would require another six months. pei would initially invest less than $10 million in this project.

Other international projects are currently under evaluation.

PARENT COMPANY AND OTHER

The Parent is a holding company which provides services to its subsidiaries. The net losses in 1995, 1994 and 1993 were $25 million, $17 million and $14 million, respectively, including interest expense. Also included is $1 million of costs for the New Product Development business unit which was established in 1995 to identify and implement new products and services.

OTHER INCOME, INTEREST EXPENSE AND INCOME TAXES

OTHER INCOME

Other income was $34 million, $38 million and $24 million in 1995, 1994 and 1993, respectively. Other income primarily consists of interest income on regulatory accounts receivable balances and interest income from short-term investments. The increases from 1993 are primarily due to a higher level of short-term investments.

INTEREST EXPENSE

Interest expense was $108 million, $128 million and $135 million in 1995, 1994 and 1993, respectively. Interest expense in 1995 and 1994 was reduced from the 1993 level as a result of repayment of nonutility debt and refinancing of SoCalGas debt at lower interest rates. The Company had two interest rate swap agreements which effectively set $200 million of variable rate debt to fixed rates and expired in September, 1995 (See Note 8 of Notes to Consolidated Financial Statements).

INCOME TAXES

Income tax expense was $129 million, $139 million and $126 million in 1995, 1994 and 1993, respectively. The decrease of $10 million in 1995 is primarily due to higher capitalized software costs which are deductible for tax purposes. The increase of $13 million in 1994 was primarily due to the one time $8 million benefit from a 1993 tax rate change.

(Dollars are in millions, except per-share amounts)	Year Ended December 31 1995	1994	1993
REVENUES AND OTHER INCOME			
Operating Revenues	$ 2,343	$ 2,664	$ 2,899
Other	34	38	24
Total	2,377	2,702	2,923
EXPENSES			
Cost of Gas Distributed	682	924	1,086
Operating Expenses	920	977	1,029
Depreciation and Amortization	243	239	243
Franchise Payments and Other Taxes	98	113	113
Preferred Dividends of a Subsidiary	12	10	10
Total	1,955	2,263	2,481
Income from Operations Before Interest and Taxes	422	439	442
Interest	108	128	135
Income from Operations Before Income Taxes	314	311	307
Income Taxes	129	139	126
Net Income	185	172	181
Dividends on Preferred Stock	10	12	15
Net Income Applicable to Common Stock	$ 175	$ 160	$ 166
Net Income Per Share of Common Stock	$ 2.12	$ 1.95	$ 2.06
Common Dividends Declared Per Share	$ 1.34	$ 1.26	$ .60
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING (IN THOUSANDS)	82,265	81,939	80,472

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEET

(Dollars in Millions)	December 31 1995	1994
ASSETS		
Property, Plant and Equipment	$ 5,909	$ 5,710
Less accumulated depreciation and amortization	2,627	2,430
Total property, plant and equipment, net	3,282	3,280
Current Assets:		
Cash and cash equivalents	351	287
Accounts receivable - trade (less allowance for doubtful receivables of $16 in 1995 and $13 in 1994)	356	500
Accounts and notes receivable-other	67	37
Income taxes receivable	18	
Deferred income taxes	17	
Gas in storage	55	64
Other inventories	22	35
Regulatory accounts receivable-net	246	360
Prepaid expenses	38	40
Total current assets	1,170	1,323
Other Investments	53	51
Other Receivables	18	30
Regulatory Assets	645	707
Other Assets	91	54
Total assets	$ 5,259	$ 5,445

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(Dollars in Millions)	December 31 1995	1994
CAPITALIZATION		
Shareholders' Equity:		
Capital stock:		
Remarketed Preferred, Series A	$ 108	$ 108
Preferred	80	110
Common	1,111	1,092
Total capital stock	1,299	1,310
Retained earnings, after elimination of accumulated deficit of $452 million against common stock at December 31, 1992 as part of the quasi-reorganization	236	172
Less deferred compensation relating to Employee Stock Ownership Plan	(52)	(54)
Total shareholders' equity	1,483	1,428
Preferred Stocks of a Subsidiary	195	195
Long-Term Debt	1,241	1,420
Debt of Employee Stock Ownership Plan	130	130
Total capitalization	3,049	3,173
LIABILITIES		
Current Liabilities:		
Short-term debt	234	278
Accounts payable-trade	177	235
Accounts payable-other	299	234
Accrued income taxes		12
Deferred income taxes		34
Other taxes payable	47	53
Long-term debt due within one year	100	128
Accrued interest	44	42
Other	64	130
Total current liabilities	965	1,146
Long-Term Liabilities	232	255
Customer Advances for Construction	47	44
Postretirement Benefits Other than Pensions	235	245
Deferred Income Taxes	246	157
Deferred Investment Tax Credits	67	70
Other Deferred Credits	418	355
Commitments and Contingent Liabilities (Note 5)		
Total capitalization and liabilities	$ 5,259	$ 5,445

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(Dollars in Millions)	Year Ended December 31 1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from Continuing Operations	$ 185	$ 172	$ 181
Adjustments to Reconcile Income from Continuing Operations to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and amortization	243	239	243
Deferred income taxes	71	(37)	95
Other-net	(3)	(31)	(12)
Net change in other working capital components	202	(153)	(130)
Total from continuing operations	698	190	377
Changes in operating assets and liabilities of discontinued operations		65	106
Net cash provided by operating activities	698	255	483
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for Property, Plant and Equipment	(240)	(249)	(331)
Increase in Other Investments	(2)		(3)
Total capital expenditures and other investments	(242)	(249)	(334)
Proceeds from Disposition of Properties	2	1	
(Increase) Decrease in Other Receivables, Regulatory Assets and Other Assets	2	40	(28)
Net Investing Activities Relating to Discontinued Operations			102
Net cash used in investing activities	(238)	(208)	(260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Sale of Common Stock	6	7	189
Redemption of Preferred Stock	(30)	(40)	
Sale of Preferred Stock of a Subsidiary			75
Redemption of Preferred Stock of a Subsidiary			(75)
Increase in Long-Term Debt		246	931
Decrease in Long-Term Debt	(207)	(20)	(1,610)
Increase (Decrease) in Short-Term Debt	(44)	11	52
Common and Preferred Dividends	(121)	(116)	(65)
Net cash provided by (used in) financing activities	(396)	88	(503)
Increase (Decrease) in Cash and Cash Equivalents	64	135	(280)
Cash and Cash Equivalents, January 1	287	152	432
Cash and Cash Equivalents, December 31	$ 351	$ 287	$ 152

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(Dollars in Millions)	Year Ended December 31 1995	1994	1993
CHANGES IN OTHER WORKING CAPITAL COMPONENTS (Excluding cash and cash equivalents, short-term debt and long-term debt due within one year)			
Current Assets:			
Receivables	$ 114	$ (18)	$ 5
Inventories	22	(13)	(17)
Regulatory accounts receivable	198	237	(113)
Other	2	(10)	32
Total	336	196	(93)
Current Liabilities:			
Accounts payable	7	(454)	38
Accrued income taxes	(30)	32	(49)
Deferred income taxes	(42)	46	(23)
Other taxes payable	(6)	1	(8)
Other	(63)	26	5
Total	(134)	(349)	(37)
Net change in other working capital components	$ 202	$ (153)	$ (130)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid (Refunded) During the Year for:			
Interest (net of amount capitalized)	$ 101	$ 130	$ 131
Income taxes	$ 129	$ 98	$ (25)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

Years Ended December 31, 1995, 1994 and 1993 (In millions, except share amounts)	Preferred Stock		Common Stock			Deferred compensation relating to Employee Stock Ownership Plan (ESOP)	Total shareholders' equity
	Number of shares	No par value	Number of shares	No par value	Retained Earnings		
BALANCES AT DECEMBER 31, 1992	1,101,903	$258	75,289,828	$ 859		$(148)	$ 969
Net Income					$181		181
Cash Dividends Declared:							
Preferred Stock					(15)		(15)
Common Stock					(50)		(50)
Common Stock Sold			8,904,387	189			189
Redemption of Preferred Stock	(50)						
Decrease in Deferred Compensation Relating to esop						10	10
BALANCES AT DECEMBER 31, 1993	1,101,853	258	84,194,215	1,048	116	(138)	1,284
Net Income					172		172
Cash Dividends Declared:							
Preferred Stock					(12)		(12)
Common Stock					(104)		(104)
Common Stock Sold			337,577	7			7
Quasi-Reorganization Adjustment				37		77	114
Redemption of Remarketed Preferred Stock	(400)	(40)					(40)
Adoption of SOP 93-6			(2,575,690)				
Common Stock Released from esop			155,161			7	7
BALANCES AT DECEMBER 31, 1994	1,101,453	218	82,111,263	1,092	172	(54)	1,428
Net Income					185		185
Cash Dividends Declared:							
Preferred Stock					(10)		(10)
Common Stock					(111)		(111)
Common Stock Sold			232,310	6			6
Quasi-Reorganization Adjustment				13			13
Redemption of Preferred Stock	(300,100)	(30)					(30)
Common Stock Released from esop			103,098			2	2
BALANCES AT DECEMBER 31, 1995	801,353	$188	82,446,671	$1,111	$236	$ (52)	$1,483

THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED AT DECEMBER 31, 1995 AND 1994 IS 600,000,000. THE NUMBER OF SHARES OF PREFERRED STOCK AND CLASS A PREFERRED STOCK AUTHORIZED AND OUTSTANDING AT DECEMBER 31, 1995 AND 1994 IS SET FORTH IN NOTE 11 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

1. SUMMARY OF SIGNIFICANT

ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries of Pacific Enterprises (the Company). Investments in 50-percent-or-less owned joint ventures and partnerships are accounted for by the equity method or cost method, as appropriate.

RECLASSIFICATIONS

Certain changes in account classification have been made in the prior years' consolidated financial statements to conform to the 1995 financial statement presentation.

REGULATION

In conformity with generally accepted accounting principles (GAAP), Southern California Gas Company's (SoCalGas) accounting policies reflect the financial effects of rate regulation authorized by the California Public Utilities Commission (CPUC). In conformity with GAAP, interstate natural gas transmission subsidiaries follow accounting policies authorized by the Federal Energy Regulatory Commission (FERC). The regulated subsidiaries apply the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." This statement requires cost-based rate regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements. The Company records Regulatory Assets, which represent assets that are being recovered through customer rates or are probable of being recovered through customer rates. As of December 31, 1995, the Company had $645 million of regulatory assets which included the following: costs of reacquiring debt - $52 million; postretirement benefit costs (see Note 12) - $219 million; Comprehensive Settlement costs (see Note 3) - $175 million; deferred income taxes (see Note 4) - - $109 million; and other costs - $90 million.

Maintenance of the regulatory accounts and regulatory accounts receivable represents the only difference in the application of GAAP for the utility verses non-regulated entities.

REGULATORY ACCOUNTS RECEIVABLE - NET

Authorized regulatory balancing accounts are maintained to accumulate undercollections and overcollections from the revenue and cost estimates adopted by the CPUC in setting rates. SoCalGas makes periodic filings with the CPUC to adjust future gas rates to account for such variances.

INVENTORIES

Gas in storage inventory is stated at last-in, first-out (LIFO) cost. As a result of a regulatory accounting procedure, the pricing of gas in storage does not have any effect on net income. If the first-in, first-out (FIFO) method of accounting for gas in storage inventory had been used by SoCalGas, inventory would have been higher than reported at December 31, 1995 and 1994 by $21 million and $34 million, respectively. Other inventories are generally stated at the lower of cost, determined on an average cost basis, or market.

PROPERTY, PLANT AND EQUIPMENT

The costs of additions, renewals and improvements to utility plant are charged to the appropriate plant accounts. These costs include labor, material, other direct costs, indirect charges, and an allowance for funds used during construction. The cost of utility plant retired or otherwise disposed of, plus removal costs and less salvage, is charged to accumulated depreciation. Depreciation is recorded on the straight-line remaining-life basis. The depreciation methods are consistent with those used by non-regulated entities.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

AFUDC represents the cost of funds used to finance the construction of utility plant and is added to the cost of utility plant. Interest expense of $9 million in 1995, $4 million in 1994 and $7 million in 1993 was capitalized.

OTHER

Cash equivalents include short-term investments purchased with maturities of less than 90 days.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DISCONTINUED OPERATIONS AND QUASI-REORGANIZATION

During 1993, the Company completed a strategic plan to refocus on its natural gas utility and related businesses. The strategy included the divestiture of its retailing operations and substantially all of its oil and gas exploration and production business. In connection with the divestitures, the Company effected a quasi-reorganization for financial reporting purposes, effective December 31, 1992. Fair value adjustments charged to common stock totaled $190 million. Additionally, the accumulated deficit in retained earnings of $452 million at December 31, 1992 was eliminated by a reduction in the common stock account.

In connection with the sale of its retailing operations, the Company assumed the retailing group's Employee Stock Ownership Plan (ESOP) and related indebtedness (see Notes 8 and 12). In addition, the retailing group's buyer agreed to reimburse the Company for a portion of the ESOP quarterly debt service. In April 1994, the Company received a $65 million payment from the buyer. This payment primarily reflected the settlement of the buyer's remaining debt service obligation. It also canceled a warrant granted to the Company in connection with the sale of retailing operations to purchase approximately 10% of the buyer's common stock. Since the sale of the retailing operations was recorded prior to the quasi-reorganization, the settlement and resolution of other contingencies related to the ESOP resulted in a $114 million increase to shareholders' equity, of which $37 million was to common stock.

The receipt of $65 million is reflected in cash from discontinued operations in the consolidated statement of cash flows.

Certain of the liabilities established in connection with discontinued operations and the quasi-reorganization were favorably resolved in 1995, including the sale of ownership in the Company's headquarters building and settlement of certain lawsuits remaining from the oil and gas operations. Excess reserves of $13 million resulting from the favorable resolution of these issues have been added to shareholders' equity. Other liabilities will be resolved in future years. As of December 31, 1995, the provisions for these matters are adequate.

3. REGULATORY MATTERS

RESTRUCTURING OF GAS SUPPLY CONTRACTS

In 1993, SoCalGas and the Company's gas supply subsidiaries restructured long-term gas supply contracts with suppliers of California offshore and Canadian gas. In the past, SoCalGas' cost of these supplies had been substantially in excess of its average delivered cost of gas for all gas supplies.

The restructured contracts substantially reduced the ongoing delivered costs of these gas supplies and provided lump sum payments totaling $391 million to the suppliers. The expiration date for the Canadian gas supply contract was shortened from 2012 to 2003.

COMPREHENSIVE SETTLEMENT OF REGULATORY ISSUES

On July 20, 1994, the CPUC approved a comprehensive settlement (Comprehensive Settlement) of a number of pending regulatory issues including rate recovery of a significant portion of the restructuring costs associated with long-term gas supply contracts discussed above. The Comprehensive Settlement permits SoCalGas to recover in utility rates approximately 80% of the contract restructuring costs of $391 million and accelerated amortization of related pipeline assets of approximately $140 million, together with interest, over a period of approximately five years. In addition to the gas supply issues, the Comprehensive Settlement addresses the following other regulatory issues:

- - NONCORE CUSTOMER RATES The Comprehensive Settlement changed the procedures for determining noncore rates to be charged by SoCalGas to its customers for the five-year period commencing August 1, 1994. Rates charged to the customers are established based upon SoCalGas' recorded throughput to these customers for 1991. SoCalGas will bear the full risk of any declines in noncore deliveries from 1991 levels. Any revenue enhancement from deliveries in excess of 1991 levels will be limited by a crediting account mechanism that will require a credit to customers of 87.5% of revenues in excess of certain limits. These annual limits above which the credit is applicable increase from $11 million to $19 million over the five-year period from August 1, 1994 through July 31, 1999. The Company's ability to report as earnings the results from revenues in excess of SoCalGas' authorized return from noncore customers due to volume increases has been eliminated for the five years beginning August 1, 1994 as a consequence of the Comprehensive Settlement described above. This is because forecasted deliveries in excess of the 1991 throughput levels used to establish noncore rates were contemplated in estimating the costs of the Comprehensive Settlement at December 31, 1993.

- - REASONABLENESS REVIEWS The Comprehensive Settlement includes settlement of all pending reasonableness reviews with respect to SoCalGas' gas purchases from April 1989 through March 1992, as well as certain other future reasonableness review issues.

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

SoCalGas can recover costs in excess of the benchmark to the extent they fall within a tolerance band, which extends to 4% above the benchmark. If SoCalGas' cost of gas exceeds the tolerance level, then the excess cost will be shared equally between ratepayers and shareholders. All savings from gas purchased below the benchmark are shared equally between ratepayers and shareholders. For the first year of the program, ended March 31, 1995, gas purchases were within the established 4.5% tolerance band.

- ATTRITION ALLOWANCES The Comprehensive Settlement authorizes SoCalGas an annual allowance for increases in operating and maintenance expenses for 1996 to the extent that the projected annual inflation rate exceeds 3%. In 1995 attrition was calculated on the inflation rate in excess of 2%. The rate base attrition will continue to be based upon a three year rolling average of recorded net utility plant additions. This is a departure from past regulatory practice of allowing recovery in rates of the full effect of inflation on operating and maintenance expenses. SoCalGas intends to continue to attempt to control operating expenses and investment to amounts authorized in rates to offset the effect of this regulatory change. The most recent decision issued by the CPUC in December 1995 authorized SoCalGas to collect $12 million in rates for the 1996 attrition allowance.

The Company recorded the impact of the Comprehensive Settlement in 1993 and, upon giving effect to liabilities previously recognized at the Company and SoCalGas, the costs of the Comprehensive Settlement, including the restructuring of gas supply contracts, did not result in any additional charge to the Company's consolidated earnings.

In the most recent decision issued by the CPUC in December 1995, SoCalGas has been authorized to reduce rates by $50 million effective January 1, 1996. The reduction is comprised of the following:

(Dollars in millions)	Increase (Decrease)
1996 Cost of Capital	$ (12)
BCAP: Core	(94)
Noncore	20
1996 Attrition Allowances	12
1994 Earthquake Costs	22
Other	2
	$ (50)

Regulatory Accounts Receivable and Regulatory Assets include a total of approximately $259 million and $327 million in 1995 and 1994, respectively, for the recovery of costs as provided in the Comprehensive Settlement. The CPUC authorized the borrowing of $425 million primarily to provide for funds needed under the Comprehensive Settlement. As of December 31, 1995, SoCalGas has $265 million in commercial paper remaining outstanding related to the Comprehensive Settlement (See Note 7).

4. INCOME TAXES

A reconciliation of the difference between computed statutory federal income tax expense and actual income tax expense for operations is as follows:

	Year Ended December 31		
(Dollars in Millions)	1995	1994	1993
Computed statutory federal income tax expense	$ 110	$ 109	$ 108
Increases (reductions) resulting from:			
Depreciation and other items not deferred-SoCalGas	20	17	18
Capitalized expenses not deferred - SoCalGas	(10)	(6)	
Federal income tax rate change			(8)
State income taxes-net of federal income tax benefit	20	17	16
Research and development credit			(6)
Investment tax credits	(3)	(3)	(4)
Other, net	(8)	5	2
Income tax expense from operations	$ 129	$ 139	$ 126

The components of income tax expense for operations are as follows:

	Year Ended December 31		
(Dollars in Millions)	1995	1994	1993
Federal			
Current	$ 70	$ 79	$ 59
Deferred	28	34	38
	98	113	97
State			
Current	32	26	17
Deferred	(1)		12
	31	26	29
Total			
Current	102	105	76
Deferred	27	34	50
	$ 129	$ 139	$ 126

The principal components of net deferred tax liabilities are as follows:

	December 31, 1995		
(Dollars in Millions)	Assets	Liabilities	Total

Accelerated depreciation for tax purposes		$ (489)	$ (489)
Comprehensive Settlement	$ 159	(77)	82
Regulatory accounts receivable		(104)	(104)
Postretirement benefits	90		90
Restructuring costs deferred for tax purposes	58		58
Deferred investment tax credits	30		30
Partnership income		(45)	(45)
Customer advances for construction	21		21
Regulatory asset		(120)	(120)
Other regulatory	119	(46)	73
AMT carryforward	74		74
Other	134	(33)	101
Total deferred income tax assets (liabilities)	$ 685	$ (914)	$ (229)

	December 31, 1994		
(Dollars in Millions)	Assets	Liabilities	Total
Accelerated depreciation for tax purposes		$ (417)	$ (417)
Comprehensive Settlement	$ 212	(108)	104
Regulatory accounts receivable		(151)	(151)
Postretirement benefits	95		95
Restructuring costs deferred for tax purposes	78		78
Deferred investment tax credits	31		31
Partnership income		(45)	(45)
Customer advances for construction	26		26
Regulatory asset		(135)	(135)
Other regulatory	109	(62)	47
amt carryforward	93		93
Other	100	(17)	83
Total deferred income tax assets (liabilities)	$ 744	$ (935)	$ (191)

In 1994, the Company utilized all of its remaining net operating loss carryforward for federal income tax purposes. No valuation allowance has been provided for deferred tax assets since they are expected to be realized through either reversal of existing temporary differences or future taxable income.

SoCalGas generally provides for income taxes on the basis of amounts expected to be paid currently, except for the provision for deferred taxes on regulatory accounts, customer advances for construction and accelerated depreciation of property placed in service after 1980. In addition, SoCalGas recognizes certain other deferred tax liabilities (primarily accelerated depreciation of property placed in service prior to 1981 and deferred investment tax credits) which are expected to be recovered through future rates. At December 31, 1995 and 1994, $109 million and $97 million, respectively, of deferred income taxes have been offset by an equivalent amount in regulatory assets.

5. COMMITMENTS AND CONTINGENT LIABILITIES

ENVIRONMENTAL OBLIGATIONS

SoCalGas 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 remedial obligations under environmental laws. As of December 31, 1995, nine 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 39 of the gas plant sites, including those sites at which the remediations described above have been completed. In addition, the Company and its subsidiaries have been named as potentially responsible parties for two landfill sites and four industrial waste disposal sites.

On May 4, 1994, the CPUC approved a collaborative settlement between SoCalGas and other California energy utilities and the Division of Ratepayer Advocates which provides for rate recovery of 90% 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% of costs not recovered in rates.

At December 31, 1995, SoCalGas' estimated remaining investigation and remediation liability was

$76 million, of which 90% is authorized to be recovered 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.

LITIGATION

The Company is a defendant in various lawsuits arising in the normal course of business. Management believes that the resolution of these pending claims and legal proceedings will not have a material adverse effect on the Company's financial statements.

OBLIGATIONS UNDER FIRM COMMITMENTS

The Company has commitments for firm pipeline capacity under contracts with pipeline companies that expire at various dates through the year 2006. These agreements provide for payments of an annual demand or reservation charge. The Company recovers such fixed charges in rates. Estimated minimum commitments as of December 31, 1995 are as follows: 1996 - $258 million, 1997 - $222 million, 1998 - $244 million, 1999 - $244 million, 2000 - $244 million, after 2000 - $1,327 million.

OTHER COMMITMENTS AND CONTINGENCIES

At December 31, 1995, commitments for capital expenditures were approximately $27 million.

6. LEASES

The Company and its subsidiaries have leases on real and personal property expiring at various dates from 1996 to 2011. The rentals payable under these leases are determined on both fixed and percentage bases and most leases contain options to extend which are exercisable by the Company or the subsidiaries.

Rental expense under space operating leases was $66 million, $63 million and $63 million in 1995, 1994 and 1993, respectively.

The following is a schedule of future minimum operating lease commitments as of December 31, 1995:

(Dollars in Millions)	Future Minimum Lease Payments
Year Ended December 31:	
1996	$ 51
1997	51
1998	48
1999	48
2000	49
Later years	413
Total	$ 660

In connection with the quasi-reorganization and loss on disposal of discontinued operations (see Note 2), the Company established reserves of $102 million to fair value operating leases related to its headquarters and other leases at December 31, 1992. The remaining amount of these reserves was $85 million at December 31, 1995.

7. COMPENSATING BALANCES AND SHORT-TERM BORROWING ARRANGEMENTS

The Parent has a $300 million multi-year credit agreement requiring annual fees of .09%. SoCalGas has an additional $650 million multi-year credit agreement requiring annual fees of .075%. The interest rates on these lines vary and are derived from formulas based on market rates and the Companies' credit ratings. The multi-year credit agreements expire in February 2001. At December 31, 1995, all bank lines of credit were unused. The unused bank lines of credit provide backing for SoCalGas' commercial paper program.

At December 31, 1995 and 1994, SoCalGas had $415 million and $524 million, respectively, of commercial paper obligations outstanding. The weighted average annual interest rate of commercial paper obligations outstanding was 5.66% and 5.96% at December 31, 1995 and 1994, respectively. At December 31, 1995, the Company has classified $181 million of the commercial paper as long-term debt since it is the Company's intent (supported by the $650 million multi-year credit agreement above) to continue to refinance that portion of the debt on a long-term basis.

8. LONG-TERM DEBT

(Dollars in Millions)	December 31 1995	1994
SOUTHERN CALIFORNIA GAS COMPANY		
First Mortgage Bonds:		
6 1/2% December 15, 1997	$ 125	$ 125
5 1/4% March 1, 1998	100	100
6 7/8% August 15, 2002	100	100
5 3/4% November 15, 2003	100	100
9 3/4% December 1, 2020		18
8 3/4% October 1, 2021	150	150
7 3/8% March 1, 2023	100	100
7 1/2% June 15, 2023	125	125
6 7/8% November 1, 2025	175	175
Other Long-Term Debt:		
4.69% Notes, June 16, 1995		31
8 3/4% Notes, August 4, 1995		20
5.03% - 5.05% Notes, August 28 - September 1, 1995		28
5.81% - 5.85% Notes, December 1, 1995		7
8 3/4% Notes, July 8, 1996	20	20
5.98% Notes, August 28, 1997	22	22
8 3/4% Notes, July 6, 2000	10	10
SFr. 150,000,000 7 1/2% Foreign Interest Payment Securities, May 14, 1996	75	75
SFr. 100,000,000 5 1/8% Bonds, February 6, 1998 (Foreign currency exposure hedged through currency swap at an interest rate of 9.725%)	47	47
5.66% Commercial Paper, February 8, 2001	181	246
	1,330	1,499
PACIFIC INTERSTATE COMPANIES		
7.65%-1995		39
OTHER		
8.0%-10.0% 1999-2003	26	26
Total	1,356	1,564
Less:		
Long-term debt due within one year	100	128
Unamortized debt discount less premium	15	16
	115	144
Long-Term Debt	$ 1,241	$ 1,420

The annual principal payment requirements of long-term debt, including debt of the Employee Stock Ownership Plan, for the years 1996 through 2000 are $100 million, $150 million, $150 million, $133 million, and $13 million, respectively. Substantially all of utility plant serves as collateral for the First Mortgage Bonds, and certain assets of the nonutility subsidiaries are pledged as collateral for their obligations.

DEBT OF EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST (TRUST) (SEE NOTE 12).

The TRUST covers substantially all employees and is used to fund the Company's retirement savings program. It has an ESOP feature and holds approximately 2.3 million shares of common stock of the Company. The variable rate ESOP debt held by the TRUST bears interest at a rate necessary to place or remarket the notes at par. Principal is due on November 30, 1999 and interest is payable monthly through 1999. The Company is obligated to make contributions to the TRUST sufficient to satisfy debt service requirements. The debt is scheduled to mature in 1999. As the Company makes contributions to the TRUST, these contributions, plus any dividends paid on the unallocated shares of the Company's common stock held by the TRUST, will be used to repay the debt. As dividends are increased or decreased, required contributions are reduced or increased, respectively. Interest on ESOP debt amounted to $7 million in 1995, $5 million in 1994 and $6 million in 1993. Dividends used for debt service amounted to $3 million, $3 million and $2 million in 1995, 1994 and 1993, respectively, and are deductible for federal income tax purposes.

CURRENCY RATE SWAPS

In February 1986, SoCalGas issued SFr. 100 million of 5 1/8% bonds which will mature on February 6, 1998. SoCalGas has entered into a swap transaction with a major international bank to hedge the currency exposure. The terms of the swap result in a U.S. dollar liability of $47 million at an interest rate of 9.725% with the principal payable on February 6, 1998.

In May 1986, SoCalGas issued SFr. 150 million of 7 1/2% Foreign Interest Payment Securities which are renewable at 10-year intervals at reset interest rates. Interest is payable in U.S. dollars. The principal was exchanged into $75 million at an exchange rate of 1.9925, which is also the minimum rate of exchange for determining the amount of principal repayable in Swiss francs.

INTEREST RATE SWAPS

At December 31, 1994, the Company had outstanding interest rate swaps related to continuing operations which effectively set $100 million of ESOP debt to a fixed 7.3% until September 15, 1995 and an interest rate swap related to discontinued operations which set the interest rate on $100 million of long-term debt to a fixed 9.12% until September 5, 1995. These swaps were not renewed.

9. FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. The Flexible Auction Preferred Stocks of SoCalGas approximate fair value since they are remarketed periodically. The debt of the ESOP approximates fair market value based on rates currently available to the Company for debt with similar terms and maturity.

The fair value of interest rate swaps is the estimated amount that the bank would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The carrying amount of interest rate and currency rate swaps approximates fair value.

The fair value of SoCalGas' long-term debt, 6% preferred, 6% Series A preferred and 7 1/4% preferred stock is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to SoCalGas for debt of similar remaining maturities. The fair value of these financial instruments is different from the carrying amount. These instruments were not adjusted to fair value in the quasi-reorganization because they represent obligations of the rate regulated subsidiaries which are recoverable in future rates.

The following financial instruments have a fair value which is different from the carrying amount as of December 31.

(Dollars in Millions)	Carrying Amount	Fair Value
1995:		
Long-Term Debt of SoCalGas	$ 1,315	$ 1,278
Preferred Stocks of SoCalGas	$ 95	$ 92
1994:		
Long-Term Debt of SoCalGas	$ 1,483	$ 1,377
Preferred Stocks of SoCalGas	$ 95	$ 77

As a result of the GCIM (See Note 3), SoCalGas enters into a certain amount of gas futures contracts in the open market with the intent of reducing gas costs within the GCIM tolerance band. SoCalGas' 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. For the year ended December 31, 1995, gains or losses from gas futures contracts are not material to the Company's financial statements.

10. PREFERRED STOCKS OF A SUBSIDIARY

The amount of preferred stocks of SoCalGas outstanding at December 31 is as follows:

	Number of Shares	Millions of Dollars
1995:		
6%, $25 par value	29,507	$ 1
6% Series A, $25 par value	783,032	19
Series Preferred, no par value		
Flexible Auction, Series A	500	50
Flexible Auction, Series C	500	50
7 3/4%, $25 Stated Value	3,000,000	75
		$ 195
1994:		
6%, $25 par value	29,642	$ 1
6% Series A, $25 par value	783,032	19
Series Preferred, no par value		

Flexible Auction, Series A	500	50
Flexible Auction, Series C	500	50
7 3/4%, $25 Stated Value	3,000,000	75
		$ 195

Each issue of the Flexible Auction Series Preferred Stock is auctioned on specified dividend dates. The term of each subsequent dividend period is, at SoCalGas' option, 49 days or longer, not to exceed ten years. The weighted average dividend rates for the Flexible Auction Preferred Stock for 1995, 1994 and 1993 were: Series A, 4.80%, 3.40% and 2.67%, respectively; and, Series C, 4.18%, 3.33% and 2.75%, respectively. Subsequent dividend rates may be affected by general market conditions and the credit rating assigned to the Flexible Auction Series Preferred Stock. SoCalGas has the option of redeeming the shares, in whole or in part, at $100,000 per share plus accumulated dividends on any scheduled dividend payment date.

11. PREFERRED STOCK

The Company has 1,100 shares of Remarketed Preferred (RP) Stock outstanding with a liquidation preference of $100,000 per share. The RP shares are remarketed by designated agents at specified dividend dates. In connection with the remarketing process, the holders of the shares may elect dividend periods of seven or 49 days. The dividend rate may be affected by general market conditions and the credit rating assigned to the RP shares.

The weighted average dividend rates for 1995 and 1994 were 4.9%. The Company has the option of redeeming the RP shares, in whole or in part, at $100,000 per share plus accumulated dividends on any scheduled dividend payment date.

All or any part of every series of presently outstanding preferred stock is subject to redemption at the Company's option at any time upon not less than 30 days notice, at the applicable redemption prices for each series, together with the accrued and accumulated dividends to the date of redemption. None of the outstanding issues of preferred stock has any conversion rights. During 1995, the Company redeemed 300,000 shares of the $7.64 dividend preferred stock and 100 shares of $4.75 dividend preferred stock. In 1994, the Company repurchased 400 shares of Remarketed, Series A preferred stock.

The number of shares of preferred stock and class A preferred stock authorized and outstanding is as follows:

	Redemption Price Per Share	December 31, 1995 Shares Authorized	Shares Outstanding	December 31, 1994 Shares Authorized	Shares Outstanding
Preferred stock - cumulative, no par value:					
Remarketed, Series A	$ 100,000.00	1,500	1,100	1,500	1,100
$7.64 Dividend	101.00	300,000	0	300,000	300,000
$4.75 Dividend	100.00	200,000	200,000	200,000	200,000
$4.50 Dividend	100.00	300,000	300,000	300,000	300,000
$4.40 Dividend	101.50	100,000	100,000	100,000	100,000
$4.36 Dividend	101.00	200,000	200,000	200,000	200,000
$4.75 Dividend	101.00	353	253	353	353
Unclassified		8,898,147		8,898,147	
Total preferred		10,000,000	801,353	10,000,000	1,101,453
Class A preferred stock - cumulative, no par value		5,000,000		5,000,000	

12. PENSION, POSTRETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS

PENSION PLANS

The Company and certain subsidiaries have noncontributory defined benefit pension plans covering substantially all of their employees. Over 90% of the employees covered by the plans are employed by SoCalGas. Benefits are based on an employee's years of service and compensation during his or her last years of employment. The Company's policy is to fund the plans annually at a level which is fully deductible for federal income tax purposes and as necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members.

Pension expense for continuing operations was as follows:

	Year Ended December 31		
(DOLLARS IN MILLIONS)	1995	1994	1993
Service cost-benefits earned during the period	$ 27	$ 36	$ 34
Interest cost on projected benefit obligation	91	87	84
Actual return on plan assets	(333)	(1)	(160)
Net amortization and deferral	223	(102)	57
Net periodic pension cost	8	20	15
Special early retirement program	18	12	18
Regulatory adjustment	2	(3)	1
Total pension expense	$ 28	$ 29	$ 34

A reconciliation of the plans' funded status to the pension liability recognized in the Consolidated Balance Sheet is as follows:

	December 31	
(DOLLARS IN MILLIONS)	1995	1994
Actuarial present value of pension benefit obligations:		
Accumulated benefit obligation, including $1,060 and $824 in vested benefits at December 31, 1995 and 1994, respectively	$ 1,195	$ 920
Effect of future salary increases	298	215
Projected benefit obligation	1,493	1,135
Less: plan assets at fair value, primarily publicly traded common stocks and equity pooled funds	(1,603)	(1,312)
Unrecognized net gain	191	254
Unrecognized prior service cost	(44)	(40)
Unrecognized transition obligation	(5)	(6)
Accrued pension liability included in the Consolidated Balance Sheet	$ 32	$ 31
The plans' major actuarial assumptions include:		
Weighted average discount rate	6.85 %	8.00 %
Rate of increase in future compensation levels	5.00 %	5.00 %
Expected long-term rate of return on plan assets	8.00 %	8.00 %

POSTRETIREMENT BENEFIT PLAN

In 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"

(SFAS 106). SFAS 106 requires the accrual of the cost of certain postretirement benefits other than pensions over the active service period of the employee. The Company previously recorded these costs when paid or funded. SFAS 106 allows amortization of the cumulative adjustment over 20 years. However, at December 31, 1992, the Company implemented a quasi-reorganization and accrued the postretirement liability at its entire fair value. The CPUC and the FERC in late 1992 authorized SFAS 106 amounts to be recovered in rates for the regulated entities. Therefore, a regulatory asset has been recorded to reflect the portion of the liability which will be recovered in future rates.

The Company's postretirement benefit plans currently provide medical and life insurance benefits to qualified retirees. In the past, employee cost-sharing provisions have been implemented to control the increasing costs of these benefits. Other changes could occur in the future. The Company's policy is to fund these benefits at a level which is fully tax deductible for federal income tax purposes, not to exceed amounts recoverable in rates for regulated companies, and as necessary on an actuarial basis to provide assets sufficient to be paid to plan participants. The net periodic postretirement benefit expense was as follows:

	Year Ending December 31		
(Dollars in Millions)	1995	1994	1993
Service cost-benefits earned during the period	$13	$14	$12
Interest cost on projected benefit obligation	31	28	28
Actual return on plan assets	(37)	(1)	(10)
Net amortization and deferral	23	(10)	3
Net periodic postretirement benefit cost	30	31	33
Regulatory adjustment	13	13	13
Net postretirement benefit expense	$43	$44	$46

A reconciliation of the plan's funded status to the postretirement liability recognized in the Consolidated Balance Sheet is as follows:

	December 31	
(Dollars in Millions)	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$ 193	$ 168
Fully eligible active plan participants	255	189
Other active plan participants	24	19
	472	376
Less: plan assets at fair value, primarily publicly traded common stocks and equity pooled funds	(217)	(147)
Unrecognized prior service cost	15	16
Unrecognized net loss	(35)	
Net postretirement benefit liability included in the Consolidated Balance Sheet	$ 235	$ 245
The plan's major actuarial assumptions include:		
Health care cost trend rate	7.50 %	8.00 %
Weighted average discount rate	6.85 %	8.00 %
Rate of increase in future compensation levels	5.00 %	5.00 %
Expected long-term rate of return on plan assets	8.00 %	8.00 %

The assumed health care cost trend rate is 7.5% for 1996. The trend rate is expected to decrease from

1996 to 1998 with a 6.5% ultimate trend rate thereafter. The effect of a one-percentage-point increase in the assumed health care cost trend rate for each future year is $8.6 million on the aggregate of the service and interest cost components of net periodic postretirement cost for 1995 and $63.6 million on the accumulated postretirement benefit obligation at December 31, 1995. The estimated income tax rate used in the return on plan assets is zero since the assets are invested in tax exempt funds.

POSTEMPLOYMENT BENEFITS
At December 31, 1992, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). SFAS 112 requires the accrual of the obligation to provide benefits to former or inactive employees after employment but before retirement. There was no impact on earnings since these costs are currently recovered in rates as paid, and as such, have been reflected as a regulatory asset. At December 31, 1995 and 1994 the liability was $45 million and $50 million, respectively, and represents primarily workers compensation and disability benefits.

RETIREMENT SAVINGS PLAN
Upon completion of one year of service, all employees of the Company and certain subsidiaries are eligible to participate in the Company's retirement savings plan administered by bank trustees. Employees may contribute from 1% to 14% of their regular earnings. The Company generally contributes an amount of cash or a number of shares of the Company's common stock of equivalent fair market value which, when added to prior forfeitures, will equal 50% of the first 6% of eligible base salary contributed by employees. The employees' contributions, at the direction of the employees, are primarily invested in the Company's common stock, mutual funds or guaranteed investment contracts. In 1993, 1994 and 1995 the Company's contributions were partially funded by the Pacific Enterprises Employee Stock Ownership Plan and Trust. The Company's compensation expense was $8 million in 1995 and $9 million in both 1994 and 1993.

EMPLOYEE STOCK OWNERSHIP PLAN
The Company retained Pacific Enterprises Employee Stock Ownership Plan and Trust (TRUST) subsequent to the sale of the retailing operations in 1992 (see Notes 2 and 8). The TRUST covers substantially all employees and is used to fund the Company's retirement savings plan program. All contributions to the TRUST are made by the Company and there are no contributions by the participants.

On January 1, 1994, the Company adopted the provisions of the American Institute of Certified Public Accountants Statement of Position No. 93-6

(SOP 93-6), "Employers' Accounting for Employee Stock Ownership Plans." SOP 93-6 does not treat unallocated shares held by the ESOP as outstanding for accounting purposes. As a result, the weighted average shares of common stock outstanding in 1994 were reduced by 2.5 million shares, which favorably impacted earnings per share by $.06 for the year ended December 31, 1994. The adoption of SOP 93-6 had no impact on earnings. Since the unallocated shares held by the ESOP are treated as unissued, SOP 93-6 requires that when unallocated shares are released to employees' accounts they be accounted for at market value as newly issued shares. As the Company makes contributions to the ESOP, the ESOP debt service is paid and shares are released proportionately to the total expected debt service.

Compensation expense is charged and equity is credited for the market value of the shares released. However, tax deductions are allowed based on the cost of the shares. Dividends on unallocated shares are used to pay debt service and are charged against liabilities. The TRUST held 2.3 million and 2.4 million shares of common stock with fair values of $65.5 million and $51.4 million at December 31, 1995 and 1994, respectively.

13. STOCK BASED COMPENSATION

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123) was issued. This statement establishes a fair-value-based method of accounting for employee stock options or similar equity instruments and encourages all companies to adopt that method of accounting for all of their employee stock compensation plans.

SFAS 123 allows companies to continue to measure compensation cost for employee stock options or similar equity instruments using the method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Companies electing to remain with this method are required to make pro forma disclosures of net income and earnings per share as if SFAS 123 accounting had been applied.

The Company is required to adopt the disclosure requirements of SFAS 123 for its year ending December 31, 1996. Measurement of compensation cost under SFAS 123, if adopted, is effective for all awards granted after the beginning of the year in which that method is first applied. Management is currently reviewing the provisions of SFAS 123. If the fair value based measurement provisions are adopted, they are not expected to have a material impact on the results of operations or financial condition of the Company.

The consolidated financial statements have been prepared by management. The integrity and objectivity of these financial statements and the other financial information in the Annual Report, including the estimates and judgments on which they are based, are the responsibility of management. The financial statements have been audited by Deloitte & Touche LLP, independent certified public accountants, appointed by the Board of Directors. Their report is shown on page 53. Management has made available to Deloitte & Touche LLP all of the Company's financial records and related data, as well as the minutes of shareholders' and directors' meetings.

Management maintains a system of internal accounting control which it believes is adequate to provide reasonable, but not absolute, assurance that assets are properly safeguarded and accounted for, that transactions are executed in accordance with management's authorization and are properly recorded and reported, and for the prevention and detection of fraudulent financial reporting. Management monitors the system of internal control for compliance through its own review and a strong internal auditing program which also independently assesses the effectiveness of the internal controls. In establishing and maintaining internal controls, the Company must exercise judgment in determining whether the benefits to be derived justify the costs of such controls.

Management acknowledges its responsibility to provide financial information (both audited and unaudited) that is representative of the Company's operations, reliable on a consistent basis, and relevant for a meaningful financial assessment of the Company. Management believes that the control process enables them to meet this responsibility.

Management also recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's code of corporate conduct, which is publicized throughout the Company. The Company maintains a systematic program to assess compliance with this policy.

The Board of Directors has an Audit Committee composed solely of directors who are not officers or employees. The Committee recommends for approval by the full Board the appointment of the independent auditors. The Committee meets regularly with management, with the Company's internal auditors, and with the independent auditors. The independent auditors and the internal auditors periodically meet alone with the Audit Committee and have free access to the Audit Committee at any time.

/S/Willis B. Wood, Jr.
Willis B. Wood, Jr.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

/S/Larry J. Dagley
Larry J. Dagley
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

January 31, 1996

INDEPENDENT AUDITORS' REPORT

PACIFIC ENTERPRISES:
We have audited the consolidated financial statements of Pacific Enterprises and subsidiaries (pages 31 to 51) as of December 31, 1995 and 1994, and for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pacific Enterprises and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

/S/Deloitte & Touche LLP

Los Angeles, California
January 31, 1996

(Dollars in millions, except per-share amounts)	1995	1994	1993	1992
CONSOLIDATED:				
Operating revenues from continuing operations	$ 2,343	$ 2,664	$ 2,899	$ 2,900
Income from continuing operations	$ 185	$ 172	$ 181	$ 136
Income (loss) from discontinued operations				(686)
Net income (loss)	185	172	181	(550)
Dividends on preferred stock	10	12	15	16
Net income (loss) applicable to common stock	$ 175	$ 160	$ 166	$ (566)
Net income (loss) per share of common stock:				
Continuing operations	$ 2.12	$ 1.95	$ 2.06	$ 1.60
Discontinued operations				(9.17)
	$ 2.12	$ 1.95	$ 2.06	$ (7.57)
Cash dividends per share of common stock	$ 1.34	$ 1.26	$ .60	$ .44
Book value per share	$ 15.71	$ 14.74	$ 12.19	$ 9.44
Capital expenditures of continuing operations	$ 240	$ 249	$ 331	$ 329
Total assets	$ 5,259	$ 5,445	$ 5,596	$ 5,414
Capitalization:				
Short-term debt	$ 234	$ 278	$ 267	$ 215
Long-term debt due within one year	100	128	58	217
Long-term debt	1,241	1,420	1,262	1,774
Long-term debt of ESOP	130	130	132	141
Obligations under capital leases				
Preferred stocks of a subsidiary:				
Redeemable				
Nonredeemable	195	195	195	195
Preferred stock	188	218	258	258
Common stock	1,111	1,092	1,048	859
Retained earnings	236	172	116	
Less deferred compensation relating to ESOP	(52)	(54)	(138)	(148)
Total capitalization	$ 3,383	$ 3,579	$ 3,198	$ 3,511
Number of employees	7,860	8,484	9,200	9,884
SoCalGas:				
Gas revenues:				
Residential	$ 1,554	$ 1,713	$ 1,653	$ 1,484
Commercial/industrial	751	798	853	836
Utility electric generation	104	118	147	195
Wholesale	62	98	117	129
Exchange	1	1	4	6
Gas revenues in rates	2,472	2,728	2,774	2,650
Regulatory balancing accounts and other	(193)	(141)	37	190
Total operating revenue	$ 2,279	$ 2,587	$ 2,811	$ 2,840
Gas volumes delivered (billion cubic feet):				
Residential	239	256	248	244
Commercial/industrial	351	348	339	363
Utility electric generation	205	260	213	221
Wholesale	129	146	148	149
Exchange	13	10	17	24
Total	937	1,020	965	1,001
Core	325	341	339	335
Noncore	612	679	626	666
Total	937	1,020	965	1,001
Gas volumes sold	338	362	352	355
Gas volumes transported or exchanged	599	658	613	646
Total	937	1,020	965	1,001
Number of customers:				
Residential	4,526,150	4,483,324	4,459,250	4,445,500
Commercial	184,470	187,518	187,602	189,364
Industrial	22,976	23,505	23,924	24,419
Utility electric generation/wholesale	11	11	11	10
Total number of customers	4,733,607	4,694,358	4,670,787	4,659,293
Gas purchased (billion cubic feet):				
Market gas:				
30-day	133	98	85	21
Other	73	149	159	198

Total market gas purchased	206	247	244	219
Affiliates	99	101	97	99
Other long-term supplies	29	36	28	42
Total gas purchased	334	384	369	360
Average cost of gas purchased excluding fixed costs (per thousand cubic feet)	$ 1.42	$ 1.68	$ 2.21	$ 2.24
Weighted average rate base	$ 2,766	$ 2,862	$ 2,769	$ 2,720
Authorized rate of return on:				
Rate base	9.67%	9.22%	9.99%	10.49%
Common equity	12.00%	11.00%	11.90%	12.65%
Degree days	1,215	1,459	1,203	1,258

	1991	1990	1989	1988
CONSOLIDATED:				
Operating revenues from continuing operations	$ 3,007	$ 3,376	$ 3,344	$ 3,301
Income from continuing operations	$ 167	$ 142	$ 142	$ 142
Income (loss) from discontinued operations	(255)	(201)	64	75
Net income (loss)	(88)	(59)	206	217
Dividends on preferred stock	16	17	13	6
Net income (loss) applicable to common stock	$ (104)	$ (76)	$ 193	$ 211
Net income (loss) per share of common stock:				
Continuing operations	$ 2.09	$ 1.78	$ 1.98	$ 2.20
Discontinued operations	(3.54)	(2.87)	.99	1.23
	$ (1.45)	$ (1.09)	$ 2.97	$ 3.43
Cash dividends per share of common stock	$ 2.62	$ 3.48	$ 3.48	$ 3.48
Book value per share	$ 19.74	$ 23.07	$ 27.10	$ 28.26
Capital expenditures of continuing operations	$ 335	$ 386	$ 340	$ 351
Total assets	$ 5,462	$ 5,702	$ 5,874	$ 5,496
Capitalization:				
Short-term debt	$ 123	$ 491	$ 637	$ 572
Long-term debt due within one year	25	30	30	65
Long-term debt	1,776	1,161	1,045	1,220
Long-term debt of ESOP	149	163	173	31
Obligations under capital leases				25
Preferred stocks of a subsidiary:				
Redeemable			60	60
Nonredeemable	195	145	70	20
Preferred stock	258	258	258	110
Common stock	1,458	1,385	1,331	1,066
Retained earnings	146	419	738	770
Less deferred compensation relating to ESOP	(163)	(173)	(189)	(31)
Total capitalization	$ 3,967	$ 3,879	$ 4,153	$ 3,908
Number of employees	40,953	42,370	43,891	40,538
SoCalGas:				
Gas revenues:				
Residential	$ 1,674	$ 1,548	$ 1,484	$ 1,482
Commercial/industrial	977	1,057	1,016	1,008
Utility electric generation	149	235	483	554
Wholesale	145	165	192	252
Exchange	7	8	8	12
Gas revenues in rates	2,952	3,013	3,183	3,308
Regulatory balancing accounts and other	(22)	200	92	(86)
Total operating revenue	$ 2,930	$ 3,213	$ 3,275	$ 3,222
Gas volumes delivered (billion cubic feet):				
Residential	249	262	255	253
Commercial/industrial	460	436	400	344
Utility electric generation	170	159	202	199
Wholesale	142	139	146	144
Exchange	26	30	30	39
Total	1,047	1,026	1,033	979
Core	351	372	364	n/a
Noncore	696	654	669	n/a
Total	1,047	1,026	1,033	979
Gas volumes sold	411	515	594	654
Gas volumes transported or exchanged	636	511	439	325
Total	1,047	1,026	1,033	979
Number of customers:				
Residential	4,429,896	4,381,563	4,295,838	4,196,010

Commercial	193,051	193,409	192,269	190,908
Industrial	25,642	26,530	26,957	27,133
Utility electric generation/wholesale	10	10	9	9
Total number of customers	4,648,599	4,601,512	4,515,073	4,414,060
Gas purchased (billion cubic feet):				
Market gas:	140	149	202	219
30-day	168	226	161	87
Other				
	308	375	363	306
Total market gas purchased	99	103	104	118
Affiliates	39	53	149	247
Other long-term supplies				
	446	531	616	671
Total gas purchased				
Average cost of gas purchased excluding fixed costs	$ 2.40	$ 2.59	$ 2.46	$ 2.39
(per thousand cubic feet)	$ 2,663	$ 2,549	$ 2,386	$ 2,268
Weighted average rate base				
Authorized rate of return on:	10.79%	10.75%	10.96%	10.93%
Rate base	13.00%	13.00%	13.00%	12.75%
Common equity	1,409	1,432	1,344	1,354
Degree days				

	1987	1986	1985
CONSOLIDATED:			
Operating revenues from continuing operations	$ 3,385	$ 3,691	$ 4,955
Income from continuing operations	$ 148	$ 138	$ 105
Income (loss) from discontinued operations	101	(56)	82
Net income (loss)	249	82	187
Dividends on preferred stock	6	6	6
Net income (loss) applicable to common stock	$ 243	$ 76	$ 181
Net income (loss) per share of common stock:			
Continuing operations	$ 2.40	$ 2.27	$ 1.78
Discontinued operations	1.70	(.96)	1.47
	$ 4.10	$ 1.31	$ 3.25
Cash dividends per share of common stock	$ 3.48	$ 3.48	$ 3.36
Book value per share	$ 27.05	$ 26.21	$ 27.70
Capital expenditures of continuing operations	$ 328	$ 332	$ 372
Total assets	$ 4,374	$ 4,584	$ 4,134
Capitalization:			
Short-term debt	$ 128	$ 469	$ 81
Long-term debt due within one year	72	16	48
Long-term debt	1,067	1,194	1,151
Long-term debt of ESOP	38	44	37
Obligations under capital leases	26	27	27
Preferred stocks of a subsidiary:			
Redeemable	60	60	60
Nonredeemable	20	20	20
Preferred stock	110	110	110
Common stock	875	855	759
Retained earnings	771	734	838
Less deferred compensation relating to ESOP	(38)	(44)	(37)
Total capitalization	$ 3,129	$ 3,485	$ 3,094
Number of employees	27,928	26,571	26,550
SoCalGas:			
Gas revenues:			
Residential	$ 1,496	$ 1,275	$ 1,596
Commercial/industrial	1,059	1,068	1,392
Utility electric generation	662	610	1,380
Wholesale	302	362	534
Exchange	18	19	14
Gas revenues in rates	3,537	3,334	4,916
Regulatory balancing accounts and other	(225)	274	(120)
Total operating revenue	$ 3,312	$ 3,608	$ 4,796
Gas volumes delivered (billion cubic feet):			
Residential	259	234	267
Commercial/industrial	269	223	223
Utility electric generation	309	225	318
Wholesale	159	124	130
Exchange	55	55	44
Total	1,051	861	982
Core	n/a	n/a	n/a
Noncore	n/a	n/a	n/a

Total	1,051	861	982
Gas volumes sold	759	767	938
Gas volumes transported or exchanged	292	94	44
Total	1,051	861	982
Number of customers:			
Residential	4,086,365	3,969,671	3,878,861
Commercial	189,611	186,773	189,068
Industrial	27,227	27,942	29,047
Utility electric generation/wholesale	8	8	8
Total number of customers	4,303,211	4,184,394	4,096,984
Gas purchased (billion cubic feet):			
Market gas:	271	242	118
30-day	48		
Other			
	319	242	118
Total market gas purchased	113	113	116
Affiliates	343	421	705
Other long-term supplies			
	775	776	939
Total gas purchased			
Average cost of gas purchased excluding fixed costs	$ 2.20	$ 2.52	$ 3.31
(per thousand cubic feet)	$ 2,167	$ 2,092	$ 1,968
Weighted average rate base			
Authorized rate of return on:	11.51%	12.74%	13.04%
Rate base	13.90%	14.60%	15.75%
Common equity	1,498	1,058	1,663
Degree days			

QUARTERLY FINANCIAL DATA (UNAUDITED)

(Dollars are in millions, except per-share amounts)	Three Months Ended 1995 Mar 31	Jun 30	Sep 30	Dec 31	Total
Operating revenues	$ 618	$ 599	$ 528	$ 598	$ 2,343
Net income	$ 45	$ 45	$ 47	$ 48	$ 185
Net income per share of common stock	$ .51	$ .51	$ .55	$ .56	$ 2.12
Dividends declared per share of common stock	$ .32	$ .68	$	$ .34	$ 1.34
Dividends paid per share of common stock	$ .32	$ .34	$ .34	$ .34	$ 1.34
Weighted average number of shares of common stock outstanding (in thousands)	82,128	82,230	82,320	82,382	82,265

(Dollars are in millions, except per-share amounts)	Three Months Ended 1994 Mar 31	Jun 30	Sep 30	Dec 31	Total
Operating revenues	$ 705	$ 651	$ 591	$ 717	$ 2,664
Net income	$ 38	$ 42	$ 42	$ 50	$ 172
Net income per share of common stock	$ .43	$ .47	$ .47	$ .58	$ 1.95
Dividends declared per share of common stock	$ .30	$ .64	$	$ .32	$ 1.26
Dividends paid per share of common stock	$ .30	$ .32	$ .32	$ .32	$ 1.26
Weighted average number of shares of common stock outstanding (in thousands)	81,717	81,937	81,978	82,096	81,939

RANGE OF MARKET PRICES OF CAPITAL STOCK

Three Months Ended	1995 Mar 31	Jun 30	Sep 30	Dec 31
Common Stock	$24 7/8 - 21	$26 3/8 - 23	$25 3/8 - 22 3/8	$28 5/8 - 24 5/8
Preferred Stock:				
$7.64	$93 - 81	$102 - 89		
$4.75	$55 - 51	$67 1/4 - 55 5/8	$68 1/4 - 59 3/4	$71 1/4 - 65
$4.50	$53 3/8 - 47 1/2	$64 3/4 - 52 3/4	$63 51/64 - 59 1/2	$68 - 62
$4.40	$55 3/4 - 46 1/2	$64 - 51 5/8	$63 - 58	$67 5/8 - 60
$4.36	$53 57/64 - 47	$62 7/8 - 52	$62 29/64 - 54 1/2	$65 1/2 - 59
Remarketed(1)				

(1)SEE NOTE 11 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Three Months Ended	1994 Mar 31	Jun 30	Sep 30	Dec 31
Common Stock	$24 1/2 - 20	$23 1/4 - 19 3/4	$22 - 19 1/4	$21 5/8 - 20
Preferred Stock:				
$7.64	$101 5/8 - 92	$97 - 88 1/4	$94 3/8 - 87 1/8	$86 7/8 - 79 1/8
$4.75	$66 3/4 - 59 1/4	$60 - 52	$57 1/4 - 53 3/8	$54 - 50
$4.50	$64 3/8 - 55 1/4	$56 - 51 1/4	$55 - 51 1/4	$52 3/8 - 48 1/4
$4.40	$61 1/2 - 56 1/8	$58 7/8 - 52	$54 - 50 1/8	$51 1/2 - 47 7/8
$4.36	$62 5/8 - 53 1/2	$55 - 51 1/8	$53 3/8 - 49 1/2	$50 1/8 - 46 1/4
Remarketed(1)				

(1)SEE NOTE 11 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MARKET PRICES FOR THE COMMON STOCK ARE AS REPORTED ON THE COMPOSITE TAPE FOR STOCKS LISTED ON THE NEW YORK STOCK EXCHANGE. MARKET PRICES FOR THE PREFERRED STOCK WERE OBTAINED FROM THE AMERICAN STOCK EXCHANGE. THE NUMBER OF SHAREHOLDERS OF COMMON STOCK AT DECEMBER 31, 1995 IS 39,217.

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[PHOTO OF DIRECTORS]

SEATED (LEFT) Willis B. Wood Jr., Richard D. Farman. STANDING (FROM LEFT) Herbert L. Carter, Richard J. Stegemeier, Wilford D. Godbold Jr., Diana L. Walker, Harold M. Messmer Jr., Ignacio E. Lozano Jr., Paul A. Miller, Hyla H. Bertea

Hyla H. Bertea
COMMUNITY LEADER, CORONA DEL MAR, CALIFORNIA

Herbert L. Carter
EXECUTIVE VICE CHANCELLOR EMERITUS & TRUSTEE
PROFESSOR OF PUBLIC ADMINISTRATION,
CALIFORNIA STATE UNIVERSITY SYTEM,
LONG BEACH, CALIFORNIA

Richard D. Farman
PRESIDENT & CHIEF OPERATING OFFICER,
PACIFIC ENTERPRISES

Wilford D. Godbold, Jr.
PRESIDENT & CHIEF EXECUTIVE OFFICER,
ZERO CORPORATION,
LOS ANGELES

Ignacio E. Lozano, Jr.
EDITOR-IN-CHIEF, La Opinion, LOS ANGELES

Harold M. Messmer, Jr.
CHAIRMAN, PRESIDENT & CHIEF EXECUTIVE OFFICER,
ROBERT HALF INTERNATIONAL INC.
MENLO PARK, CALIFORNIA

Paul A. Miller
CHAIRMAN OF THE EXECUTIVE COMMITTEE,
PACIFIC ENTERPRISES

Richard J. Stegemeier,
RETIRED CHAIRMAN, UNOCAL CORPORATION,
BREA, CALIFORNIA

Diana L. Walker
PARTNER IN LAW FIRM OF O'MELVENY & MYERS,
LOS ANGELES

Willis B. Woods, Jr.
CHAIRMAN & CHIEF EXECUTIVE OFFICER,
PACIFIC ENTERPRISES

PACIFIC ENTERPRISES

Willis B. Wood, Jr.
CHAIRMAN & CHIEF EXECUTIVE OFFICER

Richard D. Farman
PRESIDENT & CHIEF OPERATING OFFICER

Larry J. Dagley
SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER

Frederick E. John
SENIOR VICE PRESIDENT

John L. Estes
VICE PRESIDENT & CHIEF INFORMATION OFFICER

Leslie E. LoBaugh, Jr.
VICE PRESIDENT & GENERAL COUNSEL

Anne M. Miller
VICE PRESIDENT

G. Joyce Rowland
VICE PRESIDENT

Thomas S. Sayles
VICE PRESIDENT

Ralph Todaro
VICE PRESIDENT & CONTROLLER

Dennis V. Arriola
TREASURER

Thomas C. Sanger
CORPORATE SECRETARY

ENERGY MANAGEMENT SERVICES

Claude Harvey
PRESIDENT, PACIFIC ENERGY

Robert J. Salvaria
VICE PRESIDENT

NEW PRODUCT DEVELOPMENT

Anne M. Miller
VICE PRESIDENT

PACIFIC ENTERPRISES INTERNATIONAL

Christopher R. Sherman
PRESIDENT

John K. Peterson
VICE PRESIDENT

Raj P. Shah
VICE PRESIDENT

SOUTHERN CALIFORNIA GAS COMPANY

Warren I. Mitchell
PRESIDENT

Larry J. Dagley
SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER

Ralph Todaro
VICE PRESIDENT & CONTROLLER

Dennis V. Arriola
TREASURER

Thomas C. Sanger
CORPORATE SECRETARY

ENERGY DISTRIBUTION SERVICES

Debra L. Reed
SENIOR VICE PRESIDENT

Paul J. Cardenas
VICE PRESIDENT

John L. Estes
VICE PRESIDENT

Pamela J. Fair
VICE PRESIDENT

Richard M. Morrow
VICE PRESIDENT

Roy M. Rawlings
VICE PRESIDENT

ENERGY TRANSPORTATION SERVICES

Lee M. Stewart
SENIOR VICE PRESIDENT

Eric B. Nelson
VICE PRESIDENT

Anne S. Smith
VICE PRESIDENT

George E. Strang
VICE PRESIDENT

CORPORATE INFORMATION

SHAREHOLDER INFORMATION

Stock Transfer Agent and Registrar
Chemical Mellon Shareholder Services
Washington Bridge Station
P.O. Box 590
Ridgefield Park, NJ 07660
1-800-715-4473

STOCK EXCHANGE LISTING

Common Stock:
New York Stock Exchange
Pacific Stock Exchange
Ticker Symbol: PET

Preferred Stock:
American Stock Exchange
Pacific Stock Exchange

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Shareholders are entitled to participate in the Company's Dividend Reinvestment and Stock Purchase Plan, under which cash dividends and optional cash payments are invested in shares of Pacific Enterprises common stock.

ADDITIONAL INFORMATION

Shareholders may request additional information about Pacific Enterprises by calling Clem Teng, Director of Investor Relations, at 213-244-3966, or the Shareholder Services Department at 1-800-722-5483. Pacific Enterprises also can be found on the internet at http://www.pacent.com

ANNUAL MEETING

Written notice of business, including nominations for directors, to be brought by shareholders before the Company's 1997 Annual Meeting, must be received by the secretary of the Company on or before March 10, 1997. The notice must contain the information specified in the Company's bylaws.

The Board of Directors has a Nominating Committee which considers and makes recommendations regarding the nominations of directors and the size and composition of the Board of Directors. The committee will consider shareholders' suggestions for nominees for director. Suggestions may be submitted to the secretary of the Company, P.O. Box 60043, Los Angeles, California 90060-0043. Biographical information concerning the proposed nominee also should be included to assist the committee in its deliberations.

CREDIT RATINGS

	S&P	Duff & Phelps	Moody's
Pacific Enterprises			
Preferred stock	A+	BBB+	baa2
SoCalGas			
Secured debt	AA-	A+	A2
Unsecured debt	A+	A	A3
Commercial paper	A1+	D1+	P1
Preferred stock	AA-	A	a2

PACIFIC ENTERPRISES

555 West 5th Street
Suite 2900
Los Angeles, California 00013-1011
212-895-5000

EXHIBIT 21.01

LIST OF SUBSIDIARIES
OF PACIFIC ENTERPRISES

Burney Mountain Power
Central Plants, Inc.
Coalition Undertaking Remedial Efforts, Inc.
EcoTrans OEM Corporation
Ensource
FTM Sports Corporation
Landfill Control Technologies
Mammoth Geothermal Company
Mammoth Power Company
Mt. Lassen Power
Pacific Bio-Energy Company
Pacific Enerchange
Pacific Energy
Pacific Energy Resources Incorporated
Pacific Enterprises
Pacific Enterprises ABC Corporation
Pacific Enterprises Commercial Loans, Inc.
Pacific Enterprises International
Pacific Enterprises International Argentina I
Pacific Enterprises Leasing Company
Pacific Enterprises LNG Company
Pacific Enterprises Oil Company
Pacific Enterprises Oil Company (Canada)
Pacific Enterprises Oil Company (USA)
Pacific Enterprises Oil Company (Western)
Pacific Enterprises Minerals Company
Pacific Gas Gathering Company
Pacific Geothermal Company
Pacific Hydropower Company
Pacific Interstate Company
Pacific Interstate Mojave Company
Pacific Interstate Offshore Company
Pacific Interstate Transmission Company
Pacific Interstate Transmission Company (Arctic)
Pacific Library Tower
Pacific Lighting Corporation
Pacific Lighting Gas Development Company
Pacific Lighting Land Company
Pacific Lighting Real Estate Group
Pacific Offshore Pipeline Company
Pacific Oroville Power, Inc.
Pacific Penobscot Power Company
Pacific Recovery Corporation
Pacific Synthetic Fuel Company
Pacific Western Resources Company
Pacific Wood Fuels Company
Pacific Wood Power
Pay'n Save Drug Stores, Incorporated

Penstock Power Company
Presley-Home Mac Finance Co., Inc.
Presley RAC Finance Co., Inc.
Southern California Gas Company
Southern California Gas Tower
8309 Tujunga Avenue Corp.

EXHIBIT 23.01

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-96782, 33-26357, 2-66833, 2-96781, 33-21908 and 33-54055 of Pacific Enterprises on Forms S-8 and Registration Statement Nos. 33-24830 and 33-44338 of Pacific Enterprises on Forms S-3 of our reports dated January 31, 1996, appearing in and incorporated by reference in this Annual Report on Form 10-K of Pacific Enterprises for the year ended December 31, 1995.

DELOITTE & TOUCHE LLP

Los Angeles, California
March 21, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 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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12-MOS
DEC-31-1995
DEC-31-1995
PER-BOOK
3,282
53
1,170
645
109
5,259
1,111
0
236
1,295
0
188
1,241
234
0
0
100
0
0
0
2,201
5,259
2,343
129
0
1,955
422
34
0
108
185
10
175
111
0
698
2.12
2.12