SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[..X..] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended.. September 30, 2001

Or

[.....] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________________ to _________________

Commission File Number	Name of Registrant as specified in its charter	State of Incorporation	IRS Employer Identification Number
1-40	Pacific Enterprises	California	94-0743670
1-1402	Southern California Gas Company	California	95-1240705

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes...X... No......

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

Common Stock outstanding:

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PACIFIC ENTERPRISES AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
Dollars in millions

	Three Months Ended September 30,	
	2001	2000
~~Operating Revenues~~	~~$ 561~~	~~$ 722~~
~~Operating Expenses~~		
~~Cost of natural gas distributed~~	~~163~~	~~349~~

~~Operating and maintenance 188 175 Depreciation and amortization 68 65 Other taxes and franchise payments 20 19 Income taxes 50 44~~
~~----------- ---- Total operating expenses 489 652 --- -----------~~
~~- Operating Income 72 70 --------- -------~~
~~Other Income and (Deductions) Interest income 8 19 Allowance for equity funds used during construction 2 1 Regulatory interest - net (2) (4) Taxes on non-operating income (1) (3) Other - net (1) (8)~~
~~----------- ----- Total 6 5 -------- -------~~
~~Income Before Interest Charges 78 75 -------- -------~~
~~Interest Charges Long-term debt 17 17 Other 5 7 Allowance for borrowed funds used during construction (1) (1) ---- -----------~~
~~-- Total 21 23 Net Income 57 52 Preferred Dividend Requirements 1 1 -------- -------~~
~~Earnings Applicable to Common Shares $ 56 $ 51~~
~~=======~~

~~======= See notes to Consolidated Financial Statements.~~

PACIFIC ENTERPRISES AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
Dollars in millions

	Nine Months Ended September 30,	
	2001	2000
Operating Revenues	$3,036	$2,050
Operating Expenses		
Cost of natural gas distributed	1,847	959
Operating and maintenance	580	493
Depreciation and amortization	200	196
Other taxes and franchise payments	79	69
Income taxes	130	132
Total operating expenses	2,836	1,849
Operating Income	200	201
Other Income and (Deductions)		
Interest income	37	47
Allowance for equity funds used during construction	4	2
Regulatory interest - net	(8)	(9)
Taxes on non operating income	(5)	(7)
Preferred dividends of subsidiaries	(1)	(1)
Other - net	(1)	(6)
Total	26	26
Income Before Interest Charges	226	227
Interest Charges		
Long term debt	50	52
Other	22	24
Allowance for borrowed funds used during construction	(2)	(2)
Total	70	74
Net Income	156	153
Preferred Dividend Requirements	3	3
Earnings Applicable to Common Shares	$ 153	$ 150

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
Dollars in millions

	Balance at	
	September 30, 2001	December 31, 2000
ASSETS		
Property, plant and equipment	$6,511	$6,337
Accumulated depreciation	(3,754)	(3,571)
Property, plant and equipment - net	2,757	2,766
Current assets		
Cash and cash equivalents	164	205
Accounts receivable - trade	190	589
Accounts receivable - other	18	83
Due from affiliate	119	214
Income tax receivable	32	--
Deferred income taxes	43	43

Fixed price contracts and other derivatives	72	--
Regulatory assets arising from fixed price contracts and other derivatives	56	--
Inventories	109	67
Other	8	84
Total current assets	811	1,285
Other assets		
Regulatory assets	90	108
Regulatory assets arising from fixed price contracts and other derivatives	138	--
Due from affiliates	412	617
Other	90	52
Total other assets	730	777
Total assets	$4,298	$4,828

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
Dollars in millions

	Balance at	
	September 30, 2001	December 31, 2000
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stock	$1,282	$1,282
Retained earnings	127	165
Accumulated other comprehensive income (loss)	1	(1)
Total common equity	1,410	1,446
Preferred stock	80	80
Long term debt	722	821
Total capitalization	2,212	2,347
Current liabilities		
Current portion of long term debt	220	120
Accounts payable - trade	135	368
Accounts payable - other	78	43
Regulatory balancing accounts - net	114	463
Income taxes payable	--	50

~~Dividends and interest payable 32 28 Due to affiliates 146 365 Fixed price contracts and other derivatives 56 --- Other 329 300 ------- ---------- Total current liabilities 1,110 1,737 -------------- -- Deferred credits and other liabilities Customer advances for construction 18 16 Post-retirement benefits other than pensions 91 97 Deferred income taxes 244 224 Deferred investment tax credits 51 53 Regulatory liabilities 50 --- Fixed price contracts and other derivatives 140 --- Deferred credits and other liabilities 362 334 Preferred stock of subsidiary 20 20 ------------- ------ Total deferred credits and other liabilities 976 744 ------- ---------- Contingencies and commitments (Note 2) Total liabilities and shareholders' equity $4,298 $4,828 ======= ======= See notes to Consolidated Financial Statements.~~

~~PACIFIC ENTERPRISES AND SUBSIDIARIES~~

~~CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS~~
~~Dollars in millions~~

~~Nine Months Ended September 30,~~	~~2001~~	~~2000~~
~~Cash Flows from Operating Activities~~		
~~Net income~~	~~$ 156~~	~~$ 153~~
~~Adjustments to reconcile net income to net cash provided by operating activities:~~		
~~Depreciation and amortization~~	~~200~~	~~196~~
~~Deferred income taxes and investment tax credits~~	~~18~~	~~41~~
~~Other — net~~	~~62~~	~~50~~
~~Net changes in other working capital components~~	~~(179)~~	~~179~~
~~Net cash provided by operating activities~~	~~257~~	~~619~~
~~Cash Flows from Investing Activities~~		
~~Capital expenditures~~	~~(190)~~	~~(130)~~
~~Loans repaid by (paid to) affiliates~~	~~88~~	~~(387)~~
~~Net cash used in investing activities~~	~~(102)~~	~~(517)~~
~~Cash Flows from Financing Activities~~		
~~Common dividends paid~~	~~(190)~~	~~—~~
~~Preferred dividends paid~~	~~(3)~~	~~(3)~~
~~Repayment of long-term debt~~	~~—~~	

~~(30)~~
~~Other (3)~~

~~Net cash used in financing activities (196) (33)~~

~~Increase (decrease) in cash and cash equivalents (41) 69~~
~~Cash and cash equivalents, January 1 205 11~~

~~Cash and cash equivalents, September 30 $ 164 $ 80 ===== =====~~
~~SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION~~
~~Cash paid during the year for:~~
~~Income tax payments -- net $ 192 $ 105 ===== =====~~
~~Interest payments, net of amounts capitalized $ 66 $ 98 ===== =====~~
~~See notes to Consolidated Financial Statements.~~

~~SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES~~
~~STATEMENTS OF CONSOLIDATED INCOME~~
~~Dollars in millions~~
~~Three Months Ended September 30,~~

~~2001 2000~~

~~Operating Revenues $ 561 $ 722~~

~~Operating Expenses~~
~~Cost of natural gas distributed 163 349~~
~~Operation~~

~~and maintenance 188 175 Depreciation and amortization 68 65 Other taxes and franchise payments 20 19 Income taxes 49 45 ---------------- Total operating expenses 488 653 ---------------- Operating Income 73 69 ---------------- Other Income and (Deductions) Interest income 4 9 Allowance for equity funds used during construction 2 1 Regulatory interest -- net (2) (4) Taxes on non-operating income (1) (2) Other -- net -- (2) ---------------- Total 3 2 ---------------- Income Before Interest Charges 76 71 ---------------- Interest Charges Long-term debt 17 17 Other 3 2 Allowance for borrowed funds used during construction (1) (1) ---------------- Total 19 18 ---------------- Net Income 57 53 Preferred Dividend Requirements ---------------- Earnings Applicable to Common Shares $ 57 $ 53 =======~~

~~======= See notes to Consolidated Financial Statements.~~

~~SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES~~
~~STATEMENTS OF CONSOLIDATED INCOME~~
~~Dollars in millions~~

~~Nine Months Ended September 30, -------- ------------ 2001 2000 ------------ ----~~

~~Operating Revenues $3,036 $2,050 ------ ------------~~

~~Operating Expenses Cost of natural gas distributed 1,847 959 Operating and maintenance 572 492 Depreciation and amortization 200 196 Other taxes and franchise payments 79 69 Income taxes 131 132 -------- -------~~

~~Total operating expenses 2,829 1,848 ------------ ----~~

~~Operating Income 207 202 ---------- -------~~

~~Other Income and (Deductions) Interest income 20 20 Allowance for equity funds used during construction 4 2 Regulatory interest -- net (8) (9) Taxes on non-operating income (5) (6) Other -- net (1) (2) ------------ ----- Total 10 5 ------- ---------~~

~~Income Before Interest Charges 217 207 ----------- -------~~

~~Interest Charges Long-term debt 50 52 Other 12 6 Allowance for borrowed funds used during construction (2) (2) --- ----------- -- Total 60 56 ----------- --------- Net Income 157 151 Preferred Dividend Requirements 1 1 ----------- -------~~

~~Earnings Applicable to Common Shares $ 156 $ 150 ======= ======= See notes to Consolidated Financial Statements.~~

~~SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES~~
~~CONSOLIDATED BALANCE SHEETS~~
~~Dollars in millions~~
~~Balance at ----------- ----------- ---- September 30, December 31, 2001 2000 ----------- ----------- ---------~~

~~ASSETS Utility plant - at original cost $6,399 $6,314 Accumulated depreciation (3,675) (3,557) ----------- ----------~~

~~Utility plant - net 2,724 2,757 ----------- --- Current assets Cash and cash equivalents 164 205 Accounts receivable~~

~~— trade 190 589 Accounts receivable — other 18 83 Due from affiliates 119 214 Deferred income taxes 73 74 Regulatory assets arising from fixed priced contracts and other derivatives 56 — Fixed price contracts and other derivatives 72 — Inventories 109 67 Other 6 80 ——————— —— Total current assets 807 1,312 ——— ————— Other assets Regulatory assets — 12 Regulatory assets arising from fixed priced contracts and other derivatives 138 — Other 94 35 ——————— —— Total other assets 232 47 ——————— Total assets $3,763 $4,116 ====== ====== See notes to Consolidated Financial Statements.~~

~~SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES~~
~~CONSOLIDATED BALANCE SHEETS (CONTINUED)~~
~~Dollars in millions~~
~~Balance at ——————— —————— September 30, December 31, 2001 2000 ——————— —————— CAPITALIZATION AND LIABILITIES~~

~~Capitalization Common stock $ 835 $ 835 Retained earnings 418 453 Accumulated other comprehensive income (loss) 1 (1) ------- ------- Total common equity 1,254 1,287 Preferred stock 22 22 Long-term debt 722 821~~

~~Total capitalization 1,998 2,130~~

~~Current liabilities Current portion of long-term debt 220 120 Accounts payable -- trade 135 368 Accounts payable -- other 78 44 Regulatory balancing accounts -- net 114 463 Income taxes payable 8 90 Interest payable 31 26 Fixed price contracts and other derivatives 56 -- Other 329 300 ------- -------~~

~~Total current liabilities 971 1,411~~

~~Deferred credits and other liabilities Customer advances for construction 18 16 Deferred income taxes 335 314 Deferred investment tax credits 50 53 Regulatory liabilities 51 -- Fixed price contracts and other derivatives 140 -- Deferred credits and other liabilities~~

~~200 192 ------- -------- Total deferred credits and other liabilities 794 575 ------- -------- Contingencies and commitments (Note 2) Total liabilities and shareholders' equity $3,763 $4,116 ====== ====== See notes to Consolidated Financial Statements.~~

~~SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES~~
~~CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS~~
~~Dollars in millions~~

~~Nine Months Ended September 30, ----------- ----------- 2001 2000 - ----------~~

~~Cash Flows from Operating Activities Net income $157 $151 Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization 200 196 Deferred income taxes and investment tax credits 18 38 Other - net 40 28 Net changes in other working capital components (179) 175 - -------- Net cash provided by operating activities 236 588 --- ------ Cash Flows from Investing Activities Capital expenditures (190) (130)~~

~~Loan repaid by (paid to) affiliate 104 (258) — ---------~~

~~Net cash used in investing activities (86) (388) ---- ----~~

~~Cash Flows from Financing Activities Dividends paid (191) (101) Repayment of long-term debt — (30) ------ ------ Net cash used in financing activities (191) (131) ---------~~

~~Increase (decrease) in cash and cash equivalents (41) 69 Cash and cash equivalents, January 1 205 11 ----- ----- Cash and cash equivalents, September 30 $164 $ 80 ==== ====~~

~~SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash paid during the year for: Income tax payments — net $199 $107 ==== ==== Interest payments, net of amounts capitalized $ 55 $ 55 ==== ==== See notes to Consolidated Financial Statements.~~

~~NOTES TO CONSOLIDATED FINANCIAL STATEMENTS~~

~~1. GENERAL~~

~~This Quarterly Report on Form 10-Q is that of Pacific Enterprises (PE or the Company) and of Southern California Gas Company (SoCalGas)(collectively the companies). PE's common stock is wholly owned by Sempra Energy, a California-based Fortune 500 energy services company. SoCalGas' common stock is wholly owned by PE. The financial statements herein are, in one case, the Consolidated Financial Statements of PE and its subsidiary, SoCalGas, and, in the second case, the Consolidated Financial Statements of SoCalGas and its subsidiaries.~~

~~The accompanying Consolidated Financial Statements have been prepared in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year. In the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal recurring nature. Certain changes in classification have been made to prior presentations to conform to the current financial statement presentation.~~

~~The companies' significant accounting policies are described in the notes to Consolidated Financial Statements in the companies' 2000 Annual Reports. The same accounting policies are followed for interim reporting purposes.~~

~~Information in this Quarterly Report is unaudited and should be read in conjunction with the companies' 2000 Annual Reports and March 31, 2001 and June 30, 2001 Quarterly Reports on Form 10-Q.~~

~~As described in the notes to Consolidated Financial Statements in the companies' 2000 Annual Reports, SoCalGas accounts for the economic effects of regulation on utility operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation."~~

~~2. MATERIAL CONTINGENCIES~~

~~NATURAL GAS INDUSTRY RESTRUCTURING~~

~~The companies' 2000 Annual Reports discuss various proposals and actions related to natural gas industry restructuring. As discussed therein, no significant impacts on the companies are expected when the various issues are finalized. Various developments since January 1, 2001 are described herein.~~

~~A settlement agreement between SoCalGas and certain parties settling the issue of retroactive refunding of costs in rates of ownership and operation of one of SoCalGas' storage fields was approved by the California Public Utilities Commission (CPUC) in June 2001. The settlement provides for no retroactive refund of the costs in rates of this field.~~

~~In October 2001, a CPUC commissioner issued a revised Proposed Decision (PD) which adopts, with some modification, many of the provisions of the settlement proposal that SoCalGas and SDG&E (an affiliated company also owned by Sempra Energy) were parties to (one of several that arose during 1999 and 2000). On the SoCalGas system these provisions include, among other things, the unbundling of intrastate transmission and the implementation of a system of firm, tradable intrastate transmission rights that are viewed to be in the public interest. The revised PD also would increase SoCalGas shareholder risks and rewards for unbundled storage service, while at the same time granting SoCalGas greater flexibility in charges for unbundled storage service. A CPUC decision could be issued at any time, but there is no deadline for CPUC action and the provisions of a final CPUC decision are uncertain.~~

~~LITIGATION~~

~~Lawsuits filed in 2000 and currently consolidated at the Federal Court in Las Vegas seek class action certification and allege that Sempra Energy, SoCalGas, SDG&E and El Paso Energy Corp. acted to drive up the price of natural gas for Californians by agreeing to stop a pipeline project that would have brought new and less-expensive natural gas supplies into California. Management believes the allegations are without merit. On October 30, 2001, the Federal Court ruled that the State Court is the appropriate jurisdiction for these lawsuits.~~

~~Except for the above, neither the companies nor their subsidiaries are party to, nor is their property the subject of, any material pending~~

~~legal proceedings other than routine litigation incidental to their businesses.~~

~~Management believes that these matters will not have a material adverse effect on the companies' results of operations, financial condition or liquidity.~~

~~QUASI-REORGANIZATION~~

~~In 1993, PE divested its merchandising operations and most of its oil and gas exploration and production business. In connection with the divestitures, PE effected a quasi-reorganization for financial reporting purposes effective December 31, 1992. Management believes the remaining balances of the liabilities established in connection with the quasi-reorganization are adequate.~~

~~3. COMPREHENSIVE INCOME~~

~~The following is a reconciliation of net income to comprehensive income.~~

	~~Pacific Enterprises~~				~~SoCalGas~~			
	~~Three-month periods ended September 30,~~		~~Nine-month periods ended September 30,~~		~~Three-month periods ended September 30,~~		~~Nine-month periods ended September 30,~~	
	~~(Dollars in millions)~~							
	~~2001~~	~~2000~~	~~2001~~	~~2000~~	~~2001~~	~~2000~~	~~2001~~	~~2000~~
~~Net income~~	~~$ 57~~	~~$ 52~~	~~$156~~	~~$153~~	~~$ 57~~	~~$ 53~~	~~$157~~	~~$151~~
~~Change in unrealized gain on marketable securities~~	~~--~~	~~(14)~~	~~--~~	~~7~~	~~--~~	~~(14)~~	~~--~~	~~7~~
~~Minimum pension~~								

~~liability adjustments 1 1 3 1 1 3~~
~~Financial instruments (Note 4) 1 1 1 1~~
~~Comprehensive income $ 58 $ 39 $158 $163 $ 58 $ 40 $159 $161~~

~~4. FINANCIAL INSTRUMENTS~~

~~Adoption of SFAS 133~~

~~Effective January 1, 2001, the companies adopted SFAS 133, as amended by SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." As amended, SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position, measure those instruments at fair value and recognize changes in the fair value of derivatives in earnings in the period of change unless the derivative qualifies as an effective hedge that offsets certain exposures.~~

~~$982 million in current assets, $1.1 billion in noncurrent assets, and $4 million in current liabilities were recorded as of January 1, 2001, in the Consolidated Balance Sheet as fixed-priced contracts and other derivatives. Due to the regulatory environment in which SoCalGas operates, regulatory assets and liabilities were established to the extent that derivative gains and losses are recoverable or payable through future rates. The effect on earnings was minimal. The ongoing effects will depend on future market conditions and on the companies' hedging activities.~~

~~Market Risk~~

~~The companies' policy is to use derivative financial instruments to manage exposure to fluctuations in interest rates and energy prices. Transactions involving these financial instruments are with credit worthy firms and major exchanges. The use of these instruments exposes the companies to market and credit risk which may at times be concentrated with certain counterparties, although counterparty nonperformance is not anticipated.~~

~~Energy Derivatives~~

~~SoCalGas utilizes derivative financial instruments to reduce exposure to unfavorable changes in energy prices which are subject to significant and often volatile fluctuation. Derivative financial instruments are comprised of futures, forwards, swaps, options and long-term delivery contracts. These contracts allow SoCalGas to predict with greater certainty the effective prices to be received and to be charged to its customers.~~

~~If gains and losses are not recoverable or payable through future rates, SoCalGas will apply hedge accounting if certain criteria are met.~~

~~In instances where hedge accounting is applied to energy derivatives, cash flow hedge accounting is elected and, accordingly, changes in fair values of the derivatives are included in other comprehensive income. The entire balance of $1 million, currently included in accumulated other comprehensive income, is expected to be reclassified~~

into income within the next 12 months. In instances where energy derivatives do not qualify for hedge accounting, gains and losses are recorded in the Statement of Consolidated Income.

Accounting for Derivative Activities

At September 30, 2001, $72 million in current assets, $56 million in current liabilities, $140 million in noncurrent liabilities and $1 million in other noncurrent assets were recorded in the Consolidated Balance Sheet as fixed priced contracts and other derivatives. Regulatory assets and liabilities were established to the extent that derivative gains and losses are recoverable or payable through future rates. As such, $56 million in current regulatory assets, $138 million in noncurrent regulatory assets, $62 million in regulatory balancing account liabilities, $4 million of current regulatory liabilities (included in other current liabilities), $1 million of noncurrent regulatory liabilities (included in deferred credits and other liabilities) and $1 million of accumulated other comprehensive income were recorded in the Consolidated Balance Sheet as of September 30, 2001. For the nine month period ended September 30, 2001, a net $3 million was recorded in other operating income in the Statement of Consolidated Income.

Fair Value

The fair value of the companies' derivative financial instruments (fixed price contracts and other derivatives) is not materially different from their carryings amounts. The fair values of fixed price contracts and other derivatives were estimated based on quoted market prices. Information regarding the fair value of the companies' non-derivative financial instruments is provided in Note 8 of the notes to Consolidated Financial Statements in the 2000 Annual Reports on Form 10-K.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements contained in this Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the companies' 2000 Annual Report.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans," "intends," "may," "would" and "should" or similar expressions, or discussions of strategy or of plans are intended to identify forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in these forward-looking statements.

Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others, local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the CPUC, the California Legislature, and the FERC; the financial condition of other investor-owned utilities; capital market conditions, inflation rates, interest rates and exchange rates; energy markets, including the timing and extent of changes in commodity prices; weather conditions and conservation efforts; business, regulatory and legal decisions; the pace of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; and other uncertainties -- all of which are difficult to predict and many of which are beyond the control of the companies. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the companies' business described in this quarterly report and other reports filed by the companies from time to time with the Securities and Exchange Commission.

See also "Factors Influencing Future Performance" below.

~~EVENTS OF SEPTEMBER 11, 2001~~

~~The terrorist attacks of September 11 have not affected the companies' operations and are not expected to have an effect on the companies' future operations, except to the extent that they significantly affect the general economy, or the business or geographic areas in which the companies operate.~~

~~CAPITAL RESOURCES AND LIQUIDITY~~

~~Cash and cash equivalents at September 30, 2001 are available for investment in utility plant, the retirement of debt and other corporate purposes. Major changes in cash flows not described elsewhere are described below.~~

~~CASH FLOWS FROM OPERATING ACTIVITIES~~

~~For the nine month period ended September 30, 2001, the decrease in cash flows from operations compared to the corresponding period in 2000 was primarily due to the decrease in overcollected regulatory balancing accounts due to a decrease in the spot gas price compared to the average cost of gas, the decrease in trade accounts payable due to lower September 2001 gas prices, and lower accrued income taxes in 2001 reflecting tax payments made during the first quarter of 2001 (none were made during the same period in 2000), partially offset by the decrease in SoCalGas' trade accounts receivable due to the lower September 2001 gas prices passed on to its customers.~~

~~CASH FLOWS FROM INVESTING ACTIVITIES~~

~~Capital expenditures for property, plant and equipment are estimated to be $300 million for the full year 2001 and are being financed primarily by internally generated funds. Construction, investment and financing programs are continuously reviewed and revised in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements. For the nine months ended September 30, 2001, the decrease in cash flows used in investing activities compared to the corresponding period in 2000 was primarily due to loans being repaid by Sempra Energy in 2001 versus being made to Sempra Energy in 2000, partially offset by an increase in capital expenditures by SoCalGas.~~

~~During the second quarter of 2001, SoCalGas announced plans to add 11 percent more capacity to its transmission system by the end of the year. The expansion will help meet increased demand for natural gas from new and existing electric generation projects in Southern California.~~

~~CASH FLOWS FROM FINANCING ACTIVITIES~~

~~In September 2001, SoCalGas filed a shelf registration for the public offering of up to an additional $350 million of debt securities. Any securities under this shelf registration are offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933. At September 30, 2001, no debt securities had been issued under this registration statement.~~

~~For the nine month period ended September 30, 2001, cash flows used in financing activities increased from the corresponding period in 2000 due primarily to an increase in common dividends paid during 2001.~~

~~In October 2001, $120 million of 6.38 percent, SoCalGas medium term notes matured. On November 7, 2001, SoCalGas called its $150 million, 8.75 percent, first mortgage bonds at a premium of 3.59 percent.~~

~~On February 9, 2001, SoCalGas' $200 million credit line expired and was replaced on February 27, 2001, with a $170 million, one year agreement. This agreement bears interest at various rates based on market rates and SoCalGas' credit rating. On April 18, 2001, PE entered into a $500 million two year revolving line of credit which bears interest at various rates based on market rates and PE's credit rating.~~

~~RESULTS OF OPERATIONS~~

~~The companies' net income increased slightly for the three-month and nine-month periods ended September 30, 2001, compared to the same periods in 2000. The increases were primarily due to the reduction of operating expenses as a percentage of related revenues.~~

~~Seasonality~~

~~SoCalGas' natural gas sales volumes generally are higher in the winter due to heating demands, although that difference is lessening as the use of natural gas to fuel electric generation increases.~~

~~The table below summarizes natural gas volumes and revenues by customer class for the nine-month periods ended September 30, 2001 and 2000.~~

~~Gas Sales, Transportation and Exchange~~
~~(Volumes in billion cubic feet, dollars in millions)~~
~~Gas Sales~~
~~Transportation~~
~~& Exchange~~
~~Total~~

~~Volumes~~
~~Revenue~~
~~Volumes~~
~~Revenue~~
~~Volumes~~
~~Revenue~~

~~2001:~~
~~Residential~~
~~186 $1,864 2~~
~~$ 4 188~~
~~$1,868~~
~~Commercial~~
~~and~~
~~industrial 68~~
~~543 187 125~~
~~255 668~~
~~Electric~~
~~generation~~
~~plants -~~
~~299 73 299 73~~
~~Wholesale -~~
~~- 131 27 131~~
~~27~~

~~254 $2,407~~
~~619 $229 873~~
~~2,636~~
~~Balancing~~
~~accounts and~~
~~other 400~~
~~Total~~
~~$3,036~~

~~2000:~~
~~Residential~~
~~172 $1,373 2~~
~~$ 9 174~~
~~$1,382~~
~~Commercial~~
~~and~~
~~industrial 62~~
~~409 241 165~~
~~303 574~~
~~Utility~~
~~electric~~
~~generation -~~

~~230 82 230~~
~~82 Wholesale~~
~~119 39~~
~~119 39~~

~~234~~
~~$1,782 592~~
~~$295 826~~
~~2,077~~
~~Balancing accounts and other (27)~~
~~Total~~
~~$2,050~~

~~The increases in natural gas revenues and the cost of natural gas distributed were primarily due to higher natural gas prices. Under the current regulatory framework, the cost of natural gas is passed on to customers without markup and changes in core market natural gas prices do not affect net income since, as explained more fully in the 2000 Annual Report, current or future core customer rates normally recover the actual cost of natural gas on a substantially concurrent basis.~~

~~FACTORS INFLUENCING FUTURE PERFORMANCE~~

~~Performance of the companies in the near future will depend primarily on the ratemaking and regulatory process, electric and natural gas industry restructuring, and the changing energy marketplace. These factors are discussed in this section and in Note 2 of the notes to Consolidated Financial Statements.~~

~~Performance Based Regulation (PBR)~~

~~To promote efficient operations and improved productivity and to move away from reasonableness reviews and disallowances, the CPUC has been directing utilities to use PBR. PBR has replaced the general rate case and certain other regulatory proceedings for the California utilities. Under PBR, regulators require future income potential to be tied to achieving or exceeding specific performance and productivity goals, as well as cost reductions, rather than relying solely on expanding utility plant in a market where a utility already has a highly developed infrastructure.~~

~~SoCalGas' PBR mechanism is in effect through December 31, 2002, at which time the mechanisms will be updated. That update is described in the companies' 2000 Annual Reports. The PBR and Cost of Service (COS) cases for SoCalGas and SDG&E were both due to be filed on December 21, 2001. However, both SoCalGas' and SDG&E's PBR/COS cases were delayed by an October 10, 2001 CPUC decision such that the resulting rates would be effective in 2004 instead of 2003. The decision also denies the utilities' request to continue 50/50 allocation between ratepayers and shareholders of estimated savings stemming from the 1998 merger between Pacific Enterprises (parent company of SoCalGas) and Enova Corporation (parent company of SDG&E). Instead, the CPUC ordered that 100 percent of the estimated 2003 merger benefits go to ratepayers.~~

~~Gas Cost Incentive Mechanism (GCIM)~~

~~This mechanism for evaluating SoCalGas' natural gas purchases substantially replaced the previous process of reasonableness reviews. GCIM compares SoCalGas' cost of natural gas with a benchmark level, which is the average price of 30-day firm spot supplies in the basins in which SoCalGas purchases natural gas. The mechanism permits full recovery of all costs within a tolerance band above the benchmark price and refunds all savings within a tolerance band below the benchmark price. The costs or savings outside the tolerance band are shared equally between customers and shareholders. The CPUC approved the use of natural gas futures for managing risk associated~~

~~with the GCIM.~~

~~In May 2001 the CPUC approved a $10 million shareholder award for the year ended March 31, 2000. In June 2001 SoCalGas filed its annual GCIM application with the CPUC, requesting a shareholder award of $106 million for the year ended March 31, 2001. Notwithstanding this request, SoCalGas stated that it would retroactively reduce the award request to $31 million if the CPUC approves the settlement agreement entered into in June 2001 between SoCalGas, the CPUC's Office of Ratepayer Advocates and The Utilities Reform Network, a consumer-based intervenor, on modifying the GCIM. A final CPUC decision is expected in the first quarter of 2002.~~

~~Biennial Cost Allocation Proceeding (BCAP)~~

~~Rates to recover the changes in the cost of natural gas transportation services are determined in the BCAP. The BCAP adjusts rates to reflect variances in customer demand from estimates previously used in establishing customer natural gas transportation rates. The mechanism substantially eliminates the effect on income of variances in market demand and natural gas transportation costs. SoCalGas filed its 2003 BCAP on September 21, 2001.~~

~~Cost of Capital~~

~~For 2001, SoCalGas is authorized to earn a rate of return on common equity (ROE) of 11.6 percent and a 9.49 percent return on rate base (ROR), the same as in 2000 and 1999, unless interest rate changes are large enough to trigger an automatic adjustment as discussed in the companies' 2000 Annual Reports.~~

~~Utility Integration~~

~~On September 20, 2001 the CPUC approved Sempra Energy's request to integrate the management teams of SoCalGas and SDG&E. Utility operations/management was not, and is not expected to be, shifted to the parent company. CPUC approval would be required if such a shift were contemplated. The decision retains the separate identities of both utilities and is not a merger. Instead, utility integration is a reorganization that consolidates senior management functions of the two utilities and returns to the utilities a significant portion of shared support services currently provided by Sempra Energy's centralized corporate center. Once implemented, the integration is expected to result in more efficient and effective operations.~~

~~CPUC INVESTIGATION OF ENERGY-UTILITY HOLDING COMPANIES~~

~~The CPUC has initiated an investigation into the relationship between California's investor-owned utilities and their parent holding companies. Among the matters to be considered in the investigation are utility dividend policies and practices and obligations of the holding companies to provide financial support for utility operations. The investigation is currently on hold while certain jurisdictional issues are being resolved.~~

~~NEW ACCOUNTING STANDARDS~~

~~Effective January 1, 2001, the companies adopted SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." The adoption of this new standard on January 1, 2001, did not have a material impact on earnings. For further information regarding the implementation of SFAS 133, see Note 4 of the notes to Consolidated Financial Statements.~~

~~In July 2001 the Financial Accounting Standards Board (FASB) approved three statements, SFAS 141 "Business Combinations," SFAS 142 "Goodwill and Other Intangible Assets" and SFAS 143 "Accounting for Asset Retirement Obligations."~~

~~- SFAS 141 provides guidance on the accounting for a business combination at the date the combination is completed. It requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. The pooling-of-interest method is eliminated.~~

~~- SFAS 142 provides guidance on how to account for goodwill and other intangible assets after the acquisition is complete. Goodwill and certain other intangible assets will no longer be amortized and will be tested in the aggregate for impairment at least annually. Goodwill will not be tested on an acquisition-by-acquisition basis.~~

~~SFAS 142 applies to existing goodwill and other intangible assets, beginning with fiscal years starting after December 15, 2001.~~

~~SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.~~

~~In August 2001 the FASB approved SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" that replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 applies to all long-lived assets, including discontinued operations. SFAS 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of SFAS 144 are effective for fiscal years beginning after December 15, 2001.~~

~~The companies have not yet determined the effect on its financial statements of SFASs 141-144 or of the various subsequent guidance concerning SFAS 133/138.~~

~~ITEM 3.   MARKET RISK~~

~~There have been no significant changes in the risk issues affecting the companies subsequent to those discussed in the Annual Reports for 2000. As noted in those reports, SoCalGas may, at times, be exposed to limited market risk in its natural gas purchase, sale and storage activities as a result of activities under SoCalGas' Gas Cost Incentive Mechanism. The risk is managed within the parameters of the companies' market risk management and trading framework. However, to lessen the impact on customers from the unprecedented natural gas price volatility at the California border during the first quarter of 2001, SoCalGas began hedging a larger portion of its customer natural gas requirements than in the past. As of March 31, 2001, the Value at Risk (VaR) of the hedges was $1.8 million. During the second and third quarters of 2001, the gas hedging activity at SoCalGas was sharply reduced and, as of September 30, 2001, the VaR of the SoCalGas hedges was $200,000. This represents the 50-percent shareholder portion under the PBR mechanism and excludes the 50-percent portion subject to rate recovery. In addition, certain fixed-price contracts that traditionally have not been considered derivatives, but now meet the derivative definition under SFAS 133 (see "New Accounting Standards" above), are excluded from the VaR amounts due to the offsetting regulatory asset or liability.~~

~~PART II - OTHER INFORMATION~~

~~ITEM 1.   LEGAL PROCEEDINGS~~

~~Except as otherwise described in this report, the companies' 2000 Annual Reports, or their March 31, 2001 or June 30, 2001 Quarterly Reports on Form 10-Q, neither the companies nor their subsidiaries are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.~~

~~ITEM 5.   OTHER INFORMATION~~

~~On November 6, 2001, the boards of directors of the companies were reconstituted with the following individuals now comprising all of the incumbent directors:~~

~~For PE: Stephen L. Baum, Chairman, Chief Executive Officer and President of Sempra Energy; John R. Light, Executive Vice President and General Counsel of Sempra Energy; and Neal E. Schmale, Executive Vice President and Chief Financial Officer of Sempra Energy.~~

For SoCalGas: Frank H. Ault, Senior Vice President and Controller of Sempra Energy; Edwin A. Guiles, Group President - Regulated Business Units of Sempra Energy and Chairman of SDG&E and SoCalGas; and Debra L. Reed, President of SDG&E.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 12 - Computation of ratios

12.1 Computation of Ratio of Earnings to Fixed Charges of PE.

12.2 Computation of Ratio of Earnings to Fixed Charges of SoCalGas.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed after June 30, 2001.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly cause this report to be signed on their behalf by the undersigned thereunto duly authorized.

PACIFIC ENTERPRISES

(Registrant)

Date: November 13, 2001 By: /s/ F. H. Ault

F. H. Ault
Sr. Vice President and Controller

SOUTHERN CALIFORNIA GAS COMPANY

(Registrant)

By: /s/ E.A. Guiles

E.A. Guiles
President

EXHIBIT 12.1

PACIFIC ENTERPRISES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	1996	1997	1998	1999	2000	For the nine months ended Sept 30, 2001
Fixed Charges and Preferred Stock Dividends:						
Interest	$99	$91	$84	$82	$72	$72
Interest Portion of Annual Rentals	12	12	11	3	4	2
Preferred dividends of subsidiary (1)	14	13	2	2	2	2
Total Fixed Charges and Preferred Stock For Purpose of Ratio	$125	$116	$97	$87	$78	$76
Earnings:						
Pretax income from continuing operations	$354	$335	$274	$350	$396	$291
Add:						
Fixed charges (from above)	125	116	97	87	78	76
Less: Fixed charges capitalized	2	1	1	2	2	2
Fixed charges net of capitalized charges	123	115	96	85	76	74
Total Earnings for Purpose of Ratio	$477	$450	$370	$435	$472	$365
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	3.82	3.88	3.81	5.00	6.05	4.80

(1) In computing this ratio, "Preferred dividends of subsidiaries" represents the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

EXHIBIT 12.2

SOUTHERN CALIFORNIA GAS COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	1996	1997	1998	1999	2000	For the nine months ended Sept 30, 2000
Fixed Charges:						
Interest	$88	$88	$81	$62	$72	$62
Interest Portion of Annual Rentals	5	5	4	3	4	2
Total Fixed Charges For Purpose of Ratio	$93	$93	$85	$65	$76	$64
Earnings:						
Pretax income from continuing operations	$349	$416	$287	$383	$390	$292
Add: Fixed charges (from above)	93	93	85	65	76	64
Less: Fixed charges capitalized	2	1	1	2	2	2
Fixed charges net of capitalized charges	91	92	84	63	74	62
Total Earnings for Purpose of Ratio	$440	$508	$371	$446	$464	$354
Ratio of Earnings to Fixed Charges	4.73	5.46	4.36	6.86	6.11	5.53