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, 1997
Commission file number 1-40

PACIFIC ENTERPRISES
(Exact name of Registrant as specified in its charter)

California	94-0743670
(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 Preferred Stock) held by non-affiliates at March 16, 1998, was approximately $3.3 billion. This amount excludes the market value of 801,813 shares of Common Stock held by Registrant's directors and executive officers.

Registrant's Common Stock outstanding at March 16, 1998, numbered 83,385,572 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 "Management's Discussion and Analysis," "Quarterly Financial Data," "Range of Market Prices of Capital Stock" and "Selected Financial Data and Comparative Statistics 1987-1997," in Registrant's 1997 Annual Report to Shareholders.
		Consolidated Financial Statements, the Independent Auditors' Report and the Statement of Management Responsibility for Consolidated Financial Statements appearing on pages 31-55 of Registrant's 1997 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 7, 1998.

TABLE OF CONTENTS

		Page
	PART I	
Item 1.	Business	5
	Pacific Enterprises	5
	Southern California Gas Company	6
	Operating Statistics	7
	Service Area	8
	Utility Services	9
	Demand for Gas	9
	Competition	10
	Supplies of Gas	11
	Rates and Regulation	13
	Properties	15
	Energy Management Services	15
	Pacific Enterprises International	16
	Energy Trading	16
	Environmental Matters	17
	Employees	17
	Management	18
Item 2.	Properties	19
Item 3.	Legal Proceedings	19
Item 4.	Submission of Matters to a Vote of Security Holders	19
	PART II	
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	20
Item 6.	Selected Financial Data	20
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.....20

Item 8. Financial Statements and Supplementary Data....................20

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.......................................20

PART III

Item 10. Directors and Executive Officers of the Registrant.............21

Item 11. Executive Compensation..21

Item 12. Security Ownership of Certain Beneficial Owners and Management.21

Item 13. Certain Relationships and Related Transactions.................21

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K..22

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITH RESPECT TO MATTERS INHERENTLY INVOLVING NUMEROUS RISKS AND UNCERTAINTIES. THESE STATEMENTS ARE IDENTIFIED BY THE WORDS "ESTIMATES," "EXPECTS," "ANTICIPATES," "PLANS," "BELIEVES," AND SIMILAR EXPRESSIONS.

THESE STATEMENTS ARE NECESSARILY BASED UPON VARIOUS ASSUMPTIONS INVOLVING JUDGMENTS WITH RESPECT TO THE FUTURE INCLUDING, AMONG OTHER FACTORS, NATIONAL, REGIONAL, AND LOCAL ECONOMIC, COMPETITIVE AND REGULATORY CONDITIONS, TECHNOLOGICAL DEVELOPMENTS, INFLATION RATES, INTEREST RATES, ENERGY MARKETS, WEATHER CONDITIONS, BUSINESS AND REGULATORY DECISIONS, AND OTHER UNCERTAINTIES, ALL OF WHICH ARE DIFFICULT TO PREDICT, AND MANY OF WHICH ARE BEYOND THE CONTROL OF PACIFIC ENTERPRISES. ACCORDINGLY, WHILE PACIFIC ENTERPRISES BELIEVES THESE ASSUMPTIONS ARE REASONABLE, THERE CAN BE NO ASSURANCE THAT THEY WILL APPROXIMATE ACTUAL EXPERIENCE, OR THAT THE EXPECTATIONS WILL BE REALIZED.

PART I

ITEM 1. BUSINESS

PACIFIC ENTERPRISES

Pacific Enterprises is a Los Angeles-based energy services company whose principal subsidiary is Southern California Gas Company, the nation's largest natural gas distribution utility. Through other subsidiaries, Pacific Enterprises also markets a wide range of unregulated energy products and services, including natural gas, and has interests in international utility operations in Argentina and Mexico, interstate and offshore natural gas pipelines and centralized heating and cooling for large building complexes.

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.

Pacific Enterprises and Enova Corporation ("Enova"), the parent company of San Diego Gas & Electric Company, have agreed to a business combination in which they will each become a subsidiary of a new holding company to be named Sempra Energy. This strategic merger of equals will be a tax free transaction accounted for as a pooling of interests in which common shareholders of Pacific Enterprises and Enova will receive 1.5038 shares of Sempra Energy common stock for each share of Pacific Enterprises common stock and one share of Sempra Energy common stock for each share of Enova common stock. The preferred stock of Pacific Enterprises will remain outstanding.

The combination was approved by the shareholders of both Pacific Enterprises and Enova on March 11, 1997, but remains subject to approval by the California Public Utilities Commission ("CPUC") and the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935. It also remains subject to final approval by the Federal Energy Regulatory Commission ("FERC"), which has conditionally approved the combination subject to the imposition of certain CPUC conditions that are expected to be imposed and are acceptable to Pacific Enterprises and Enova.

A CPUC administrative law judge has issued a proposed decision recommending CPUC approval of the combination. The proposed decision also proposes that net savings from synergies and cost avoidances from the combination be shared between customers and shareholders over a five-year period, resulting in approximately $175 million for customers and $165 million for shareholders. A CPUC Commissioner has issued an alternate decision which proposes that the net savings (approximately $1 billion) be shared over a ten-year period approximately equally between customers and shareholders in essentially the same manner as originally proposed by Pacific Enterprises and Enova. The Commissioner's alternate decision does not preclude other commissioners from proposing other alternate decisions. The CPUC final decision may be the proposed decision by the administrative law judge, the alternate decision proposed by the Commissioner, or another decision.

SEC and final FERC regulatory approvals for the combination are expected to be obtained following CPUC approval and the commencement of combined operations is expected during the summer of 1998.

In connection with the completion of the Department of Justice's review and clearance of the combination, Enova committed to follow through on its previously announced plans to auction off two fossil-fuel power plants. In addition, Sempra Energy agreed to obtain prior approval from the Department of Justice before acquiring or otherwise controlling any existing California generation facilities in excess of 500 megawatts.

To pursue opportunities in unregulated energy markets pending the completion of the combination, Pacific Enterprises and Enova have formed a joint venture to be named Sempra Energy Solutions (currently named Energy Pacific) to market energy products and services. See "Energy Management Services" below. In addition, in December 1997, Pacific Enterprises and Enova jointly acquired Sempra Energy Trading Corp. (formerly AIG Trading Corporation), a natural gas and power marketing firm with 90 employees headquartered in Greenwich, Connecticut. Its business primarily focuses on wholesale trading and marketing of natural gas, power and oil. See "Energy Trading" below.

SOUTHERN CALIFORNIA GAS COMPANY

Pacific Enterprises' principal subsidiary, Southern California Gas Company ("SoCalGas"), is 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 and part of central California. SoCalGas provides natural gas service to residential, commercial, industrial, utility electric generation and wholesale customers through approximately 4.8 million meters in a 23,000-square-mile service area with a population of approximately 17.6 million.

OPERATING STATISTICS

The following table sets forth certain operating statistics of SoCalGas from 1993 through 1997.

	Year Ended December 31				
	1997	1996	1995	1994	1993
Gas Sales, Transportation & Exchange Revenues (millions of dollars):					
Residential	$1,736	$1,613	$1,554	$1,713	$1,652
Commercial/Industrial	756	708	751	798	854
Utility Electric Generation	76	70	104	118	147
Wholesale	67	70	62	98	117
Exchange	1	1	1	1	4
Total in rates(1)	2,636	2,462	2,472	2,728	2,774
Regulatory balancing accounts and other	5	(40)	(193)	(142)	37
Operating Revenue	$2,641	$2,422	$2,279	$2,586	$2,811
Volumes (billions of cubic feet):					
Residential	240	236	239	256	247
Commercial/Industrial	388	374	352	348	340
Utility Electric Generation	158	139	204	260	213
Wholesale	138	130	129	146	148
Exchange	6	5	13	10	17
Total	930	884	937	1,020	965
Core	323	314	325	341	339
Noncore	607	570	612	679	626
Total	930	884	937	1,020	965
Sales	317	315	338	362	352
Transportation	607	564	586	648	596
Exchange	6	5	13	10	17
Total	930	884	937	1,020	965
Revenues (per thousand cubic feet):					
Residential	$7.23	$6.86	$6.49	$6.68	$6.68
Commercial/Industrial	$1.95	$1.89	$2.14	$2.30	$2.51
Utility Electric Generation	$0.48	$0.50	$0.51	$0.45	$0.69
Wholesale	$0.49	$0.54	$0.48	$0.67	$0.79
Exchange	$0.17	$0.10	$0.06	$0.07	$0.22
Customers					
Active Meters (at end of period):					
Residential	4,624,279	4,582,553	4,526,150	4,483,324	4,459,250
Commercial	183,146	184,425	184,470	187,518	187,602
Industrial	22,642	22,952	22,976	23,505	23,924
Utility Electric Generation	8	9	8	8	8
Wholesale	4	3	3	3	3
Total	4,830,079	4,789,942	4,733,607	4,694,358	4,670,787
Residential Meter Usage (annual average):					
Revenues (dollars)	$ 375	$352	$345	$383	$371
Volumes (thousands of cubic feet)	51.9	50.5	53.2	57.4	55.6
System Usage (millions of cubic feet):					
Average Daily Sendout	2,515	2,452	2,579	2,795	2,611
Peak Day Sendout	3,887	4,000	4,120	4,350	4,578
Degree Days (2):					
Number	1,126(3)	1,195	1,241	1,459	1,203
Average (20 Year)	1,358	1,369	1,381	1,418	1,430
Percent of Average	82.9%	87.3%	89.9%	102.9%	84.1%
Population of Service Area (estimated at year end)	17,630,000	17,424,000	17,260,000	17,070,000	15,600,000

(1) Beginning January 1, 1994, rates included the ratepayer's portion of the Comprehensive Settlement (the amount included in rates for 1997, 1996, 1995, and 1994 was $98 million, $90 million, $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 17.6 million people. As indicated by the following map, its service territory includes most of southern California and part of central California.

[GRAPHIC]

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. There are approximately 4.8 million core customers (4.6 million residential and 200,000 small commercial and industrial). Noncore customers consist primarily of utility electric generation ("UEG"), wholesale and large commercial and industrial customers, and total approximately 1,600. Gas volumes delivered to UEG customers are greatly affected by the price and availability of electric power generated outside of SoCalGas' service area. UEG and other noncore customers are also 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 through two business units, one focusing on core distribution customers and the other on large volume gas transportation customers. Most residential customers and most other core customers purchase gas directly from SoCalGas. Noncore 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. Core customers are permitted to aggregate their gas requirements and also to purchase gas directly from brokers or producers, up to a limit of 10% of SoCalGas' core market. Most noncore customers procure their own gas supply rather than purchase gas from SoCalGas. Although the revenues from transportation throughput are less than for gas sales, 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. For 1998, approximately 88% of the total margin authorized is contributed by the core market, with 12% contributed by the noncore market. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - SoCalGas Operations - Markets.")

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 gas storage services for noncore and off-system customers on a bid and negotiated contract basis. The storage service program provides opportunities for customers to store gas on an "as available" basis, usually during the summer to reduce winter purchases when gas costs are generally higher. As of December 31, 1997, SoCalGas stored approximately 15 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. Growth in SoCalGas' markets is largely dependent upon the health and expansion of the southern California economy. SoCalGas added approximately 43,700 new meters in 1997. This represents a growth rate of approximately 0.9%. SoCalGas anticipates that customer growth for 1998 will continue at about 1997 levels.

During 1997, approximately 97% of residential energy customers in SoCalGas' service area used natural gas for water heating and 94% for space heating. Approximately 78% of those customers used natural gas for cooking and 72% 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 1997, accounted for approximately 15% of total gas revenues, 65% of total gas volumes delivered and 12% of the authorized gas margin. External factors such as weather, electric deregulation, the increased use of hydro-electric power, competing pipeline bypass and general economic conditions can result in significant shifts in this market. Demand for gas for UEG customer use is also greatly affected by the price and availability of electric power generated in other areas and purchased by SoCalGas' UEG customers. (See "Competition" below.) Demand for gas for UEG customer use in 1997 increased as a result of higher demands for electricity and less availability of hydro-electricity. UEG customer demand decreased in 1996 as a result of abundant hydro-electricity.

As a result of electric industry restructuring, natural gas demand for electric generation within SoCalGas' service area competes with electric power generated throughout the western United States. Effective March 31, 1998, California consumers are scheduled to be given the option of selecting their electric energy provider from a variety of local and out-of-state producers. The implementation of electric industry restructuring has no direct impact on SoCalGas' operations. However, future volumes of natural gas transported for utility electric generation customers may be adversely affected to the extent that regulatory changes divert electricity generation from SoCalGas' service area. In addition, the electric industry restructuring has mandated a 10% reduction of electric rates to core customers as of January 1, 1998; however, electricity is unlikely to overcome the entire cost advantage of natural gas for existing uses. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - SoCalGas Operations - - Factors Influencing Future Performance.")

COMPETITION

SoCalGas' throughput to enhanced oil recovery ("EOR") customers has decreased significantly since 1992 because of the bypass of SoCalGas' system. 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 earnings.

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

To respond to bypass, SoCalGas may seek expedited review of long-term gas transportation contracts with some noncore customers at lower than tariff rates. In addition, SoCalGas allocates costs in a manner 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, a comprehensive settlement of certain regulatory issues has improved SoCalGas' competitiveness by reducing the cost of transportation service to noncore customers. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - SoCalGas Operations - Factors Influencing Future Financial Performance.")

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 agencies applicable to commercial and industrial customers utilizing gas are not generally applicable to those using electricity. However, anticipated advancements in natural gas technologies should enable gas equipment to remain competitive with alternate energy sources.

SUPPLIES OF GAS

In 1997, SoCalGas delivered approximately 930 billion cubic feet (Bcf) of natural gas through its system. Approximately 65% of these deliveries were customer-owned gas for which SoCalGas provided transportation services. 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 SoCalGas' intrastate transmission system by interstate pipeline companies (primarily El Paso Natural Gas Company and Transwestern Pipeline Company) that provide transportation services for supplies purchased from other sources by SoCalGas or its transportation customers. The rates that interstate pipeline companies may charge for gas and transportation services and other terms of service are regulated by the FERC.

Existing interstate pipeline capacity into California exceeds current demand by over 1 Bcf per day. This excess has reduced the market value of pipeline capacity well below FERC tariff rates. SoCalGas has exercised its step-down option on both the El Paso and Transwestern interstate pipeline systems, thereby reducing its firm interstate capacity obligations to 1.45 Bcf per day from 2.25 Bcf per day.

FERC-approved settlements have resulted in a reduction in the costs that SoCalGas may possibly have to pay for the capacity released back to El Paso and Transwestern that cannot be remarketed. Of the remaining 1.45 Bcf per day of capacity, SoCalGas' core customers use 1.05 Bcf per day at the full FERC tariff rate. The remaining 0.4 Bcf per day of capacity is marketed at significant discounts. Under existing regulation in California, unsubscribed capacity costs associated with the remaining 0.4 Bcf per day are recoverable in customer rates. While including the unsubscribed pipeline cost in rates may impact SoCalGas' ability to compete in highly contested markets, SoCalGas does not believe its inclusion will have a significant impact on volumes transported or sold.

The following table sets forth the sources of gas deliveries by SoCalGas from 1993 through 1997.

SOURCES OF GAS

	Year Ended December 31				
	1997	1996	1995	1994	1993
Gas Purchases (Billions of Cubic Feet):					
Market Gas	229	226	206	247	244
Affiliates	95	96	99	101	97
California Producers & Federal Offshore	5	12	29	36	28
Total Gas Purchases	329	334	334	384	369
Customer-Owned Gas and Exchange Receipts	614	518	620	658	622
Storage Withdrawal (Injection) - Net	(3)	42	(13)	(9)	(10)
Company Use and Unaccounted For	(10)	(10)	(4)	(13)	(16)
Net Gas Deliveries	930	884	937	1,020	965
Gas Purchases: (Thousands of dollars)					
Commodity Costs	$849	$627	$478	$ 644	$ 815
Fixed Charges*	250	276	264	368	398
Total Gas Purchases	$1,099	$903*	$742	$1,012	$1,213
Average Cost of Gas Purchased (Dollars per Thousand Cubic Feet)**	$2.58	$1.88	$1.42	$1.68	$2.21

* 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 70% of total gas volumes purchased by SoCalGas during 1997, as compared with 68% and 62%, respectively, during 1996 and 1995. 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 well into the next century.

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 in the best interest of their customers and have 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.

PERFORMANCE BASED REGULATION

On July 16, 1997, the CPUC issued its final decision on SoCalGas' application for performance based regulation ("PBR"), which was filed with the CPUC in 1995.

For the 5-year period that commenced January 1, 1998, PBR replaces the general rate case procedure and certain other regulatory proceedings. Under ratemaking procedures in effect prior to the PBR decision, SoCalGas typically filed a general rate case with the CPUC every three years. In a general rate case, the CPUC established a base margin, which is the amount of revenue to be collected from customers to recover authorized operating expenses (other than the cost of gas), depreciation, taxes and return on rate base.

Under PBR, regulators allow future income potential to be tied to achieving or exceeding specific performance and productivity measures, rather than relying solely on expanding utility rate base in a market where SoCalGas already has a highly developed infrastructure. Key elements of the PBR include a reduction in base rates, an indexing mechanism that limits future rate increases to the inflation rate less a productivity factor, a sharing mechanism with customers if earnings exceed the authorized rate of return on rate base, and rate refunds to customers if service quality deteriorates. The change in regulatory oversight changes the way earnings are affected by various factors. For example, under PBR earnings are more reliant on operational efficiencies and less on investment in property, plant and equipment.

PBR retains the balancing account mechanism by which SoCalGas refunds or collects in the future the difference between actual core revenue and the amounts authorized by the CPUC to be received in regulatory proceedings. Thus, full balancing account treatment allows SoCalGas to fully recover amounts recorded as deferred costs or core revenue shortfalls, currently or in the future.

The Commission's PBR decision established the following rules for SoCalGas:

- The decision ordered a rate reduction to an initial base margin of $1.3 billion. This represents a rate reduction of $191 million effective August 1, 1997, partially offset by a $27 million rate increase to reflect inflation and customer growth effective on January 1, 1998.

- Earnings up to 25 basis points above the authorized rate of return are retained 100% by shareholders. Earnings that exceed the authorized rate of return on rate base by

greater than 25 basis points are shared between customers and shareholders on a sliding scale that begins with 75% of earnings being given back to customers and declining to 0% as earned returns approach 300 basis points above authorized amounts. However, the decision rejected sharing of any amount by which actual earnings may fall below the authorized rate of return. In 1998, SoCalGas is authorized to earn a 9.49% return on rate base.

- Margin per customer is indexed based on inflation less an estimated productivity factor of 2.1% in the first year, increasing 0.1% per year to 2.5% in the fifth year. This factor includes 1% to approximate the projected impact of declining rate base.

- The CPUC decision allows for pricing flexibility for residential and small commercial customers, with any shortfalls being borne by shareholders and with gains shared between shareholders and customers.

SoCalGas implemented the base margin reduction on August 1, 1997, and implemented the remaining PBR elements on January 1, 1998. The CPUC intends for its PBR decision to be in effect for five years. The CPUC decision also provides the possibility that changes to the PBR mechanism could be adopted in a decision to be issued in SoCalGas' 1998 Biennial Cost Allocation Proceeding ("BCAP") application anticipated to become effective on August 1, 1999.

The BCAP adjusts rates to reflect variances in core customer demand from estimates previously used in establishing core customer rates. 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 ("GCIM") and the 1993 settlement that restructured certain long-term gas supply contracts and resolved several regulatory matters. The BCAP will continue under PBR.

The GCIM compares SoCalGas' cost of gas with the average market price of 30-day firm spot supplies delivered to the SoCalGas service area. 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 of purchases or savings outside the "tolerance band" are shared equally between customers and shareholders. The GCIM is authorized by the CPUC to be in effect through March 31, 1999.

In June 1997, the CPUC approved a $3.2 million pre-tax shareholder award for the GCIM year-ended March 31, 1996 which was recognized as income in 1997.

In June 1997, SoCalGas filed a GCIM application with the CPUC requesting a shareholder award for the annual period ending March 31, 1997. The CPUC is expected to issue a final decision on this matter by mid-1998, and income associated with this award will be recognized at that time.

AFFILIATE TRANSACTIONS

On December 16, 1997, the CPUC adopted rules establishing uniform standards of conduct governing the manner in which California investor-owned utilities conduct business with their affiliates providing energy or energy-related services within California. The objective of these rules, which are effective beginning January 1, 1998, is to ensure that the utilities' energy affiliates do not gain an unfair advantage over other competitors in the marketplace and that utility customers do not subsidize affiliate activities. (See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - SoCalGas Operations - Factors Influencing Future Performance.")

ALLOWED RATE OF RETURN

For 1998, SoCalGas is authorized to earn a rate of return on rate base of 9.49% and a rate of return on common equity of 11.6%, which is unchanged from 1997.

GAS INDUSTRY RESTRUCTURING

The gas industry experienced an initial phase of restructuring during the 1980's by deregulating gas sales to noncore customers. On January 21, 1998, the CPUC released a staff report initiating a project to assess the current market and regulatory framework for California's natural gas industry. The general goals of the plan are to consider reforms to the current regulatory framework emphasizing market-oriented policies to benefit California natural gas consumers.

PROPERTIES

At December 31, 1997, SoCalGas owned approximately 2,843 miles of transmission and storage pipeline,43,769 miles of distribution pipeline and 43,499 miles of service piping. It also owned 10 transmission compressor stations and 6 underground storage reservoirs (with a combined working storage capacity of approximately 116 Bcf) 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% 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 operates a number of domestic business ventures, including Sempra Energy Solutions.

Sempra Energy Solutions is the joint venture between Pacific Enterprises and Enova established in early 1997. Sempra Energy Solutions primarily focuses on marketing new energy products and services.

Energy Management Services also includes Pacific Interstate Company ("PIC"), an interstate pipeline subsidiary, and Central Plants, Inc., a subsidiary which operates centralized heating and cooling plants for commercial buildings. PIC purchases gas from producers in Canada and from federal waters offshore California and transports it for sale to SoCalGas and others. Of the gas purchased by PIC, 90% was sold to SoCalGas in 1997. These deliveries accounted for approximately 29% of the total volume of gas purchased by SoCalGas and approximately 10% of SoCalGas' throughput.

In September 1997, Pacific Enterprises sold its interest in several small electric generating facilities. The net investment in these assets was $77 million at June 30, 1997, the effective date of the sale.

In January 1998, through Sempra Energy Solutions, Pacific Enterprises and Enova jointly acquired CES/Way International, the largest independent U.S. company providing energy service performance contracting. CES/Way International has approximately 125 employees and is headquartered in Houston, Texas. The total cost of the acquisition was less than $100 million.

PACIFIC ENTERPRISES INTERNATIONAL

Pacific Enterprises International ("PEI") was established in late 1994 to participate in the international gas infrastructure market and began operations in March 1995.

In April 1996, PEI acquired a 12.5% interest in each of two natural gas utility holding companies in Argentina for $48.5 million. These utilities serve approximately 1.1 million customers in central and southern Argentina with about 625 million cubic feet of gas per day. PEI has a role in helping manage these utilities by serving on the board of directors and providing expertise in technological and operating areas.

On August 12, 1996, PEI and two partners were awarded Mexico's first privatization license to build and operate a natural gas distribution system in Mexicali, Baja California. The franchise was awarded to Distribuidora de Gas Natural de Mexicali S. de R.L. de C.V. (DGN), a Mexican company formed by PEI, Enova International (a subsidiary of Enova) and Proxima Gas. DGN will invest approximately $20 to $25 million during an initial five-year period to provide service to more than 25,000 commercial, industrial and residential users. PEI has a 30% interest in DGN and has invested approximately $2 million and $1 million in the Mexicali project during 1997 and 1996, respectively. In August 1997, the system began distributing natural gas primarily to commercial customers in Mexicali, and by December 1997 daily throughput reached 5.3 million cubic feet.

In 1997, DGN was awarded a license to build and operate a natural gas pipeline in Chihuahua, a city of approximately 630,000 people in northern Mexico. DGN began construction in late 1997 and will invest $50 million in the first five years of operation. PEI has a 47.5% interest in this project and it invested approximately $5 million during 1997.

Other international projects are currently under evaluation in Latin America and the Pacific Rim.

ENERGY TRADING

In December 1997, Pacific Enterprises and Enova jointly acquired Sempra Energy Trading Corp. (formerly AIG Trading Corporation), a natural gas and power marketing firm with 90 employees headquartered in Greenwich, Connecticut. Its business primarily focuses on wholesale trading and marketing of natural gas, power and oil. Total cost of the acquisition was approximately $225 million.

ENVIRONMENTAL MATTERS

The CPUC has approved a collaborative settlement which provides for rate recovery of 90 percent of environmental investigation and remediation costs without reasonableness review. In addition, SoCalGas has the opportunity to retain a portion of any insurance recovery to offset the 10 percent of costs not recovered in rates.

At December 31, 1997, SoCalGas' estimated remaining liability for investigation and remediation was approximately $72 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 - SoCalGas Operations - Factors Influencing Future Performance.") Because of expected insurance and rate recovery, Pacific Enterprises believes that compliance with environmental laws and regulations will not have a material adverse effect on its consolidated results of operations or financial position.

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, 1997, ten of the sites have been remediated, of which seven have received certification from the California Environmental Protection Agency. Two sites are in the process of being remediated. 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, SoCalGas and its subsidiaries are one of a large number of major corporations that have been identified as potentially responsible parties for environmental remediation of two industrial waste disposal sites and two landfill sites.

EMPLOYEES

Pacific Enterprises and its subsidiaries employ approximately 7,215 persons. Of these, approximately 6,615 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. A contract on wages and working conditions is effective through March 31, 1999. Terms of the contract allow an extension through March 31, 2000.

MANAGEMENT

The executive officers of Pacific Enterprises are as follows:

NAME	AGE	POSITION
Willis B. Wood, Jr.	63	Chairman and Chief Executive Officer
Richard D. Farman	62	President and Chief Operating Officer
Warren I. Mitchell	60	Executive Vice President, Pacific Enterprises; President, Southern California Gas Company
Neal E. Schmale	51	Executive Vice President and Chief Financial Officer
Frederick E. John	52	Senior Vice President
Debra L. Reed	41	Senior Vice President, Southern California Gas Company
Lee M. Stewart	52	Senior Vice President, Southern California Gas Company
Dennis V. Arriola	37	Vice President and Treasurer
Leslie E. LoBaugh, Jr.	52	Vice President and General Counsel
Ralph Todaro	47	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. Schmale and Mr. Arriola. From 1992, until joining Pacific Enterprises in December 1997, Mr. Schmale was President of the Petroleum Products and Chemical Divisions of Unocal Corporation (1992-1994) and Chief Financial Officer of Unocal Corporation (1994-1997). From 1987 until joining Pacific Enterprises in August 1994, Mr. Arriola was a Vice President of Bank of America NT&SA (1992-1994) and a Vice President of Security Pacific National Bank (1987-1992).

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

ITEM 2. PROPERTIES

Information with respect to the properties of 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 1997 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, 1997 is set forth under the captions "Financial Review--Range of Market Prices of Capital Stock" and "Quarterly Financial Data" in Pacific Enterprises' 1997 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

At December 31, 1997, there were 34,542 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 " Selected Financial Data and Comparative Statistics 1987-1997" in Pacific Enterprises' 1997 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 "Management's Discussion and Analysis" in Pacific Enterprises' 1997 Annual Report to Shareholders filed as Exhibit 13.01 to this Annual Report. Such information is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is set forth under the caption "Management's Discussion and Analysis" in Pacific Enterprises' 1997 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 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 7, 1998. 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 7, 1998. 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 7, 1998. 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 Independent Auditors' Report (Contained in Exhibit 13.01).

   1.02 Consolidated Statement of Income for the years ended December 31, 1997, 1996 and 1995 (Contained in Exhibit 13.01).

   1.03 Consolidated Balance Sheet at December 31, 1997 and 1996 (Contained in Exhibit 13.01).

   1.04 Statement of Consolidated Cash Flows for the years ended December 31, 1997, 1996 and 1995 (Contained in Exhibit 13.01).

   1.05 Statement of Consolidated Shareholders' Equity for the years ended December 31, 1997, 1996 and 1995 (Contained in Exhibit 13.01).

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

2. FINANCIAL STATEMENT SCHEDULES: Schedules for which provision is made in Regulation S-X are not required under the instructions contained therein, are inapplicable, or the information is included in the Notes to the Consolidated Financial Statements

3. ARTICLES OF INCORPORATION AND BY-LAWS:

   3.01 Articles of Incorporation of Pacific Enterprises (Note 26, Exhibit 3.01).

   3.02 Bylaws of Pacific Enterprises. (Note 23; Exhibit 3.02).

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 First Mortgage Indenture of Southern California Gas Company to American Trust Company dated October 1, 1940 (Note 1; Exhibit B-4).

4.04 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of July 1, 1947 (Note 2; Exhibit B-5).

4.05 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of August 1, 1955 (Note 3; Exhibit 4.07).

4.06 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of June 1, 1956 (Note 4; Exhibit 2.08).

4.07 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of August 1, 1972 (Note 6; Exhibit 2.19).

4.08 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of May 1, 1976 (Note 5; Exhibit 2.20).

4.9 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of September 15, 1981 (Note 9; Exhibit 4.25).

4.10 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).

4.11 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).

4.12 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).

4.13 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).

10.2 Agreement and Plan of Merger and Reorganization dated as of October 12, 1996, by and among Pacific Enterprises, Enova, the New Holding Company, Pacific Sub and Enova Sub (Note 24; Exhibit 10.1).

10.3 Operating Agreement of Mineral JV, LLC, dated as of January 13, 1997 (Note 25; Exhibit 10.5).

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

10.17 Amended and Restated Pacific Enterprises Employee Stock Option Plan (as of March 4, 1997) (Note 26; Exhibit 10.17).

10.18 Form of Severance Agreement (Note 26; Exhibit 10.18).

10.19 Form of Incentive Bonus Agreement (Note 26; Exhibit 10.19).

11. STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

11.01 Pacific Enterprises Computation of Earnings per Share (see Consolidated Statement of Income and Note 15 of the Notes to Consolidated Financial Statements contained in Exhibit 13.01).

13. ANNUAL REPORT TO SECURITY HOLDERS

13.01 Pacific Enterprises 1997 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 Independent Auditors' Consent.

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:

The following reports on Form 8-K were filed during the last quarter of 1997: None

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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	[Intentionally Left Blank.]
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	[Intentionally Left Blank.]
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	[Intentionally Left Blank.]
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	[Intentionally Left Blank.]
23	Annual Report on Form 10-K for the year ended December 31, 1995, filed by Pacific Enterprises.

24 Current Report on Form 8-K dated October 15, 1996, filed by Pacific Enterprises.

25 Registration Statement No. 333-21229 filed by Mineral Energy Company on February 5, 1997.

26 Annual Report on Form 10-K for the year ended December 31, 1996, filed by Pacific Enterprises.

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.

Name: Willis B. Wood, Jr.

Title: Chairman and
Chief Executive Officer

Dated: March 20, 1998

Each person whose signature appears below hereby authorizes Willis B. Wood, Jr., Richard D. Farman, and Neal E. Schmale, 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. - --------------------------- (Willis B. Wood, Jr.	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 20, 1998
NEAL E. SCHMALE - --------------------------- (Neal E. Schmale)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 1998
RALPH TODARO - --------------------------- Ralph Todaro	Vice President and Controller (Principal Accounting Officer)	March 20, 1998
HYLA H. BERTEA - --------------------------- (Hyla H. Bertea)	Director	March 20, 1998
HERBERT L. CARTER - --------------------------- (Herbert L. Carter)	Director	March 20, 1998
RICHARD D. FARMAN - --------------------------- (Richard D. Farman)	Director	March 20, 1998
WILFORD D. GODBOLD, JR. - --------------------------- (Wilford D. Godbold, Jr.)	Director	March 20, 1998
IGNACIO E. LOZANO, JR. - --------------------------- (Ignacio E. Lozano, Jr.)	Director	March 20, 1998
RICHARD J. STEGEMEIER - --------------------------- (Richard J. Stegemeier)	Director	March 20, 1998
DIANA L. WALKER - --------------------------- (Diana L. Walker)	Director	March 20, 1998

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section includes management's analysis of operating results from 1995 through 1997, and is intended to provide additional information about Pacific Enterprises' (the Company or PE) 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 whose primary subsidiary is Southern California Gas Company (SoCalGas), the nation's largest natural gas distribution utility, serving 4.8 million meters throughout most of southern and part of central California. SoCalGas delivers natural gas and related services to residential and small commercial and industrial customers and stores and transports natural gas for utility electric generation and wholesale customers. The Company's Energy Management Services (EMS) business unit is engaged in interstate and offshore natural gas transmission to serve its utility operations and centralized heating and cooling for large building complexes. Through Pacific Enterprises International (PEI), the Company invests in international energy utility operations.

The Company and Enova Corporation (Enova), the parent company of San Diego Gas & Electric Company (SDG&E), have agreed to a business combination in which they will each become a subsidiary of a new holding company to be named Sempra Energy. The holders of common stock of each company will become holders of common stock of Sempra Energy. This strategic merger of equals will be a tax free transaction accounted for as a pooling of interests. The combination was approved by the shareholders of both companies on March 11, 1997, but remains subject to approval by several regulatory and governmental agencies, including the California Public Utilities Commission (CPUC). A proposed decision issued February 23, 1998, by a CPUC law judge included many of the proposals contained in the original merger application and recommends approval of the merger. But the proposed decision, which the CPUC can adopt, modify or reject, recommends savings from synergies and cost avoidances be shared between customers and shareholders over a five-year period, reducing total net savings to approximately $340 million. The merger application proposed that savings of approximately $1 billion be shared equally between customers and shareholders over 10 years. The proposed decision recommends that SDG&E divest its gas-fired generation units (which is already in progress) and that SoCalGas sell its options to purchase those portions of the Kern River and Mojave Pipeline gas transmission facilities within California by December 31, 1999. In addition, the proposed decision grants PE and Enova $148 million in costs to achieve the merger, rather than the $202 million requested by the companies. It also recommends that savings to be generated through utility-to-utility transactions should be allowed. To pursue opportunities in unregulated energy markets pending the completion of the combination, the Company and Enova have formed a joint venture named Sempra Energy Solutions (formerly Energy Pacific) to market energy products and services.

In December 1997, the Company and Enova jointly acquired Sempra Energy Trading Corp. (formerly AIG Trading Corporation), a natural gas and power marketing firm with 90 employees headquartered in Greenwich, Connecticut. Its business primarily focuses on wholesale trading and marketing of natural gas, power and oil. Total cost of the acquisition paid by PE and Enova was approximately $225 million.

In January 1998, through Sempra Energy Solutions, the Company and Enova jointly acquired CES/Way International, the largest independent U.S. company providing energy service performance contracting. CES/Way International has 125 employees and is headquartered in Houston, Texas. The total cost of the acquisition paid by Sempra Energy Solutions was less than $100 million.

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 1997	1996	1995
Operating Activities	$ 350	$ 608	$ 698
Investing Activities:			
Capital Expenditures	(187)	(204)	(240)
Investments	(118)	(62)	
Financing Activities:			
Long-Term Debt	(125)	(97)	(207)
Short-Term Debt	92	29	(44)
Issuance of Common Stock	17	8	6
Repurchase of Common Stock	(48)	(24)	
Redemption of Preferred Stock		(210)	(30)
Common and Preferred Dividends	(126)	(123)	(121)
Total Financing Activities	(190)	(417)	(396)
Other	42	(20)	2
Increase (Decrease) in Cash and Cash Equivalents	$ (103)	$ (95)	$ 64

CASH FLOWS FROM OPERATING ACTIVITIES
The decrease in cash flow from operating activities to $350 million in 1997 from $608 million in 1996 was primarily due to greater working capital requirements at SoCalGas in 1997. This was caused by actual gas costs incurred being higher than amounts collected in rates and resulted in undercollected regulatory balancing accounts at year-end 1997. In addition, higher taxes were paid in 1997 compared to 1996.

[chart]

The decrease in cash flow from operating activities to $608 million in 1996 from $698 million in 1995 was primarily due to lower noncore revenues and lower amounts received from undercollected regulatory balancing accounts, partially offset by favorable settlements described under "SoCalGas Operations."

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)	1997	1996	1995
SoCalGas:			
Distribution	$ 110	$ 124	$ 126
Transmission	14	24	19
Storage	10	5	19
Other	25	44	67
Total SoCalGas	159	197	231
Other	28	7	9
Total Expenditures	$ 187	$ 204	$ 240

Capital expenditures were $17 million lower in 1997 than in 1996. The decrease was due to lower capital spending at SoCalGas primarily related to the customer information system completed in early 1996, and other nonrecurring computer system expenditures in 1996. The decrease was partially offset by higher capital expenditures related to the purchase of a data processing facility and a plant expansion at Pacific Interstate Company.

Capital expenditures for 1996 were $36 million lower than in 1995, primarily due to the completion in 1996 of a new customer information system and by capital required for repairs to earthquake-damaged storage facilities during 1995.

Capital expenditures are estimated to be $200 million in 1998. They will be financed primarily by internally generated funds and will largely represent investment in SoCalGas operations.

INVESTMENTS

Investments in 1997 include $112 million representing the Company's 50% ownership interest in Sempra Energy Trading Corp. and $7 million invested in the two natural gas distribution systems in Mexico (Chihuahua and Mexicali). Investments have been reduced by proceeds from the sale of several small electric generation facilities in 1997.

Investments in 1996 include PEI's acquisition of a 12.5% interest in two utility holding companies that control natural gas distribution utilities in Argentina, and the investment in the Mexicali natural gas distribution system. The acquisition price of the Argentina investment was $48.5 million, and funds invested in the Mexicali project totaled $1 million through the end of 1996.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flow used for financing activities decreased $227 million in 1997 compared to 1996. The decrease was primarily due to the redemption of preferred stock in 1996.

Cash flow used for financing activities increased $21 million in 1996 compared to 1995. The increase was primarily due to the redemption of preferred stock and repurchase of common stock, partially offset by a decrease in long- and short-term debt repayments.

LONG-TERM DEBT

In 1997, cash was used for the repayment of $96 million of debt issued to finance the Comprehensive Settlement (see Note 4 of Notes to Consolidated Financial Statements) and repayment of $125 million First Mortgage Bonds. This was partially offset by the issuance of $120 million in Medium Term Notes and short-term borrowings used to finance working capital requirements at SoCalGas.

In 1996, cash was used for a $67 million redemption of the Swiss Franc Bonds, and repayment of $79 million of debt issued to finance the Comprehensive Settlement. This was partially offset by cash provided from the issuance of $75 million in Medium Term Notes.

Cash was used in 1995 primarily for the repayment of short- and long-term debt, including $65 million of debt related to the Comprehensive Settlement.

STOCK PURCHASES AND REDEMPTION

In 1996, the Board of Directors authorized the redemption of up to 4.25

million shares of the Company's common stock, representing approximately 5% of the outstanding shares. The Company has repurchased 1,539,700 shares and 816,000 shares under this program for the years ended December 31, 1997 and 1996, respectively. During 1997, the Company paid approximately $48 million to repurchase shares under the program. Prior to the completion of the business combination with Enova, the repurchase program will be terminated.

The Company redeemed $210 million of variable dividend rate remarketed preferred stocks in 1996, of which $100 million was issued by SoCalGas. In 1995, $30 million of preferred stock was redeemed.

On February 2, 1998, SoCalGas redeemed all outstanding shares of its 7 3/4% Series Preferred Stock at a cost of $25.09 per share, or $75.3 million including accrued dividends.

DIVIDENDS

In 1997, the Company paid dividends of $122 million on common stock and $4 million on preferred stock for a total of $126 million. This compares to $123 million in 1996 and $121 million in 1995. The increases in 1997 and 1996 were primarily due to increases in the quarterly common stock dividend amount in the second quarter of 1997 and 1996, partially offset by a reduction in the number of shares outstanding.

[chart]

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The quarterly dividend rate was increased from $.34 per share to $.36 per share in the second quarter of 1996, and to $.38 per share in the second quarter of 1997. The increase in the quarterly common dividend resulted in an increase in common dividends paid to $1.50 per share in 1997 from $1.42 per share in 1996.

CAPITALIZATION

The debt to capitalization ratio was 51% at year-end 1997, slightly below the 52% ratio in 1996.

The debt to capitalization ratio increased to 52% in 1996 from 50% in 1995 due to a reduction in equity from the redemption of preferred stock and repurchase of common stock, partially offset by the repayment of debt.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents were $153 million at December 31, 1997, of which $151 million was at PEholding company (Parent). This cash is available for investment in energy-related domestic and international projects, repurchase of common and preferred stock, the retirement of debt and other corporate purposes.

The Company anticipates that cash required in 1998 for capital expenditures, dividends, debt payments and merger-related costs will be provided by cash generated from operating activities and existing cash balances.

In addition to cash from ongoing operations, the Parent and SoCalGas have multi-year credit agreements that permit term borrowing of up to $950 million. At December 31, 1997, all bank lines of credit were unused. For further discussion, see Note 8 of Notes to Consolidated Financial Statements.

RESULTS OF CONSOLIDATED OPERATIONS

Consolidated operations include SoCalGas, Energy Management Services, Pacific Enterprises International, Parent and Other.

The following table shows the effect of nonrecurring events on reported results:

	Year Ended December 31		
	1997	1996	1995
Reported earnings per share- basic	$ 2.22	$ 2.37	$ 2.12
Nonrecurring events:			
Contract settlement charges			.05
Litigation settlement benefits		(.19)	
Merger-related expenses	.19	.05	
Unamortized discount		.03	
Adjusted earnings per share	$ 2.41	$ 2.26	$ 2.17

1997 COMPARED TO 1996

Net income for 1997 decreased to $184 million, or $2.22 per share of common stock, compared to net income of $203 million, or $2.37 per share, in 1996.

Nonrecurring expenses relating to the merger with Enova were $16 million and $4 million, after-tax, for 1997 and 1996, respectively. These nonrecurring expenses primarily consist of investment banking, legal, regulatory and consulting fees. Merger-related expenses for 1997 include a $4 million after-tax loss on the sale of small electric generating facilities at EMS.

Also contributing to lower net income for 1997 when compared to 1996 was the absence of favorable litigation settlements totaling $16.1 million, after-tax, or $.19 per share. One settlement was from gas producers for $5.6 million, after-tax, for damages incurred to Company and customer equipment as a result of impure gas supplies. The other settlement reflects the resolution of environmental insurance claims, which benefited earnings by $10.5 million, after-tax.

Net income also was negatively affected in 1997 by start-up costs and increased operating expenses related to energy products and services offered by EMS' joint venture, Sempra Energy Solutions. Sempra Energy Solutions is not expected to be profitable during 1998. Lower net income at EMS also resulted from the sale of the small electric generating facilities, effective June 30, 1997.

Partially offsetting the lower consolidated net income in 1997 was an increase in SoCalGas' net income from 1996. This increase was primarily due to increased throughput to utility electric generation (UEG) customers and lower operating and maintenance expenses than amounts authorized in rates.

The performance based regulation decision that went into effect on August 1, 1997, resulted in a rate reduction to customers (see additional discussion in "Ratemaking Procedures"). This lower margin partially offset the higher SoCalGas net income effects previously described.

The weighted average number of shares of common stock outstanding decreased 2% in 1997, to 81.4 million shares from 82.6 million shares in 1996, due primarily to the repurchase of 1.5 million shares in 1997.

Book value per share increased to $17.13 from $16.58, primarily due to net income earned in 1997, net of common and preferred dividends paid, and a decrease in the number of shares outstanding.

1996 COMPARED TO 1995

Net income for 1996 increased to $203 million, or $2.37 per share of common stock, compared to net income of $185 million, or $2.12 per share in 1995.

Net income for 1996 included net benefits of $12.1 million, after-tax, from nonrecurring items previously discussed.

Net income also benefited from lower operating and maintenance expenses at SoCalGas and lower interest expense than was authorized in rates. Interest expense in 1996 was reduced from its 1995 level as a result of the lower long-term debt balance maintained throughout the year and the redemption of $67 million of Swiss Franc bonds. This was partially offset by higher general and administrative expenses at PEI and EMS, a reduction in the authorized return on equity for SoCalGas to 11.6% from 12% and

[chart]

lower noncore revenues at SoCalGas as a result of decreased UEG transportation volumes (for further discussion see "SoCalGas Operations").

Results for 1995 included a nonrecurring charge of $3.8 million, after-tax, for the resolution of certain power sales contract issues at EMS.

The weighted average number of shares of common stock outstanding increased to 82.6 million in 1996 from 82.3 million in 1995.

Book value per share increased to $16.58 in 1996 from $15.71 in 1995. The increase primarily was due to net income earned in 1996 net of common and preferred dividends.

SOCALGAS OPERATIONS

MARKETS

SoCalGas markets are comprised of core and noncore customers. There are approximately 4.8 million core customers (4.6 million residential and 200,000 small commercial and industrial). The noncore market consists of approximately 1,600 customers, which includes eight UEG and four wholesale customers, with the remainder being large commercial and industrial customers. Most noncore customers procure their own gas (delivered through the SoCalGas distribution system) rather than purchase gas from SoCalGas. 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 1998, approximately 88% of the total margin authorized is contributed by the core market, with 12% contributed by the noncore market.

RATEMAKING PROCEDURES

To understand the operations and financial results of SoCalGas, it is important to understand the ratemaking procedures that SoCalGas follows.

SoCalGas is regulated by the CPUC. It is the responsibility of the CPUC to determine that utilities operate in the best interest of their customers and have the opportunity to earn a reasonable return on investment.

On July 16, 1997, the CPUC issued its final decision on SoCalGas' application for performance based regulation (PBR), which was filed with the CPUC in 1995.

PBR replaces the general rate case procedure and certain other regulatory proceedings through December 31, 2002. Under ratemaking procedures in effect prior to the PBR decision, SoCalGas typically filed a general rate case with the CPUC every three years. In a general rate case, the CPUC established a base margin, which is the amount of revenue to be collected from customers to recover authorized operating expenses (other than the cost of gas), depreciation, taxes and return on rate base.

Under PBR, regulators allow future income potential to be tied to achieving or exceeding specific performance and productivity measures, rather than relying solely on expanding utility rate base in a market where SoCalGas already has a highly developed infrastructure. Key elements of the PBR include a reduction in base rates, an indexing mechanism that limits future rate increases to the inflation rate less a productivity factor, a sharing mechanism with customers if earnings exceed the authorized rate of return on rate base and rate refunds to customers if service quality deteriorates. The change in regulatory oversight changes the way earnings are affected by various factors. For example, under PBR earnings are more dependent on operational efficiencies and less on investment in property, plant and equipment.

PBR retains the balancing account mechanism by which the Company refunds or collects in the future the difference between actual core revenue and the amounts authorized by the CPUC to be received in a rate case or other regulatory proceedings. 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.

The Commission's PBR decision established the following rules for SoCalGas:

- - The decision ordered a net rate reduction of $164 million to an initial base margin of $1.3 billion. The $164 million is comprised of a rate reduction of $191 million, effective August 1, 1997, partially offset by a $27 million rate increase to reflect inflation and customer growth effective on January 1, 1998.

- - Earnings up to 25 basis points exceeding the authorized rate of return on rate base are retained 100% by shareholders. Earnings that exceed the authorized rate of return on rate base by greater than 25 basis points are shared between customers and shareholders on a sliding scale that begins with 75% of earnings being given back to customers and declining to 0% as earned returns approach 300 basis points above authorized amounts. However, the decision rejects sharing of any amount by which actual earnings may fall below the authorized rate of return. In 1998, SoCalGas is authorized to earn a 9.49% return on rate base.

- - Revenue or margin per customer is indexed based.on inflation less an estimated productivity factor of 2.1% in the first year, increasing 0.1% per year up to 2.5% in the fifth year. This factor includes 1% to approximate the projected impact of declining rate base.

- - The CPUC decision allows for pricing flexibility for residential and small commercial customers, with any shortfalls being borne by shareholders and with gains shared between shareholders and ratepayers.

- - The decision allows SoCalGas to continue offering some types of products and services it currently offers (e.g. contract meter reading), but the issue of other new product and service offerings was addressed in the CPUC's Affiliate Transactions Decision. For further discussion see Note 4 of Notes to Consolidated Financial Statements.

[chart]

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

SoCalGas implemented the base margin reduction on August 1, 1997, and implemented the remaining PBR elements on January 1, 1998. The CPUC intends for its PBR decision to be in effect for five years. The CPUC decision also provides the possibility that changes to the PBR mechanism could be adopted in a decision to be issued in SoCalGas' 1998 Biennial Cost Allocation Proceeding (BCAP) application anticipated to become effective on August 1, 1999.

BCAP adjusts rates to reflect variances in core customer demand from estimates adopted previously. 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 (GCIM) and the Comprehensive Settlement. BCAP will continue under PBR. For further discussion, see Note 4 of Notes to Consolidated Financial Statements.

The GCIM compares SoCalGas' cost of gas with the average market price of 30-day firm spot supplies delivered to the SoCalGas service area. The mechanism permits full recovery of all costs within a "tolerance band" above and below the benchmark price. The costs of purchases or savings outside the "tolerance band" are shared equally between customers and shareholders. The GCIM is authorized by the CPUC to be in effect through March 31, 1999.

In June 1997, the CPUC approved a $3.2 million pre-tax shareholder award for the GCIM year ended March 31, 1996, which was recognized as income in 1997. Also in June 1997, SoCalGas filed an application with the CPUC requesting a shareholder award for the annual period ending March 31, 1997. The CPUC is expected to issue a final decision on this matter by mid-1998, and income associated with this award will be recognized at that time.

1995-1997 FINANCIAL RESULTS

Key financial and operating data for SoCalGas are highlighted in the following table:

	Year Ended December 31		
(Dollars in millions)	1997	1996	1995
Operating revenues	$ 2,641	$ 2,422	$ 2,279
Cost of gas	$ 1,088	$ 923	$ 737
Operating expenses	$ 712	$ 725	$ 760
Income from operations before interest and taxes	$ 492	$ 431	$ 451
Net income (after preferred dividends)	$ 231	$ 193	$ 203
Authorized return on rate base	9.49%	9.42%	9.67%
Authorized return on common equity	11.60%	11.60%	12.00%
Weighted average rate base	$ 2,734	$ 2,777	$ 2,766

1997 COMPARED TO 1996.

SoCalGas' operating revenues increased $219 million in 1997 compared to 1996 primarily due to an increase in the average unit cost of gas which is recoverable in rates. To a lesser extent, the increase was also due to increased throughput to UEG customers due to increased demand for electricity.

SoCalGas' cost of gas distributed increased $165 million in 1997 compared to 1996 largely due to an increase in the average commodity cost of gas purchased by SoCalGas, excluding fixed pipeline charges, to $2.58 per thousand cubic feet compared to $1.88 per thousand cubic feet in 1996.

SoCalGas' operating expenses decreased $13 million in 1997 compared to 1996 because of its continued emphasis on reducing costs. The extent of this reduction was partially offset by reduced costs in 1996 from favorable litigation settlements.

Net income increased $38 million in 1997 compared to 1996 primarily due to increased throughput to UEG customers, lower operating and maintenance expenses than amounts authorized in rates, and a nonrecurring non-cash charge of $26.6 million, after-tax, in 1996 partially offset by a lower margin established in the PBR decision. The non-cash charge of $26.6 million in 1996 was the result of continuing developments in the CPUC's restructuring of the electric utility industry. The charge was needed because SoCalGas anticipated that throughput to noncore UEG customers would be below the levels projected in 1993 at the time of the Comprehensive Settlement (see Note 4 of Notes to Consolidated Financial Statements). Consequently, SoCalGas believed it would not realize the remaining revenue enhancements that were applied to offset the costs of the Comprehensive Settlement. In connection with the 1992 quasi-reorganization, the Company established a liability for this issue and therefore this charge had no effect on consolidated net income.

1996 COMPARED TO 1995

SoCalGas' operating revenues increased $143 million in 1996 compared to 1995. The increase was primarily due to an increase in the cost of gas in 1996 compared to 1995. Gas costs are recoverable in revenues subject to the GCIM. The increase in revenue was also generated by demand from refinery customers who required 21 billion cubic feet (Bcf) more gas in 1996 than in 1995. The increase in revenue was partially offset by a decrease in UEG revenues due to a reduction in volumes transported because of abundant inexpensive hydro-electricity.

SoCalGas' cost of gas distributed increased $186 million in 1996 compared to 1995, due primarily to an increase in the average unit cost of gas. The average commodity cost of gas purchased by SoCalGas, excluding fixed charges for 1996, was $1.88 per thousand cubic feet, compared to $1.42 per thousand cubic feet in 1995.

[chart]

SoCalGas' operating expenses decreased $35 million in 1996 compared to 1995. The decrease was primarily due to the nonrecurring favorable settlements from gas producers and environmental insurance claims totaling $28 million and also reflects savings as a result of SoCalGas' continued improvements in efficiency and management's close control of expenses.

Net income decreased $10 million in 1996 compared to 1995, primarily due to the nonrecurring non-cash charge of $26.6 million previously discussed. The decline in 1996 earnings was partially offset by the effects of the nonrecurring favorable settlements and lower operating costs.

OPERATING RESULTS

The table below summarizes the components of SoCalGas' throughput and rates charged to customers for the past three years. Rates include the customer portion of the Comprehensive Settlement (see Note 4 of Notes to Consolidated Financial Statements) of $98 million, $90 million, and $84 million, for 1997, 1996 and 1995, respectively.

Throughput, the total gas sales and transportation volumes moved through SoCalGas' system, increased in 1997, primarily because of higher demand for electricity from gas-fired electric generation. The decrease in throughput in 1996 from 1995 was a result of abundant inexpensive hydro-electricity resulting from high levels of precipitation the previous winter.

FACTORS INFLUENCING FUTURE PERFORMANCE

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

- - PERFORMANCE BASED REGULATION. PBR became effective on January 1, 1998, except for a base margin reduction of $191 million which was effective August 1, 1997. Under PBR, regulators allow future income potential to be tied to achieving or exceeding specific performance and productivity measures, rather than relying solely on expanding utility rate base. SoCalGas continues to meet all criteria for continued application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." See Note 2 of Notes to Consolidated Financial Statements.

(Dollars in millions, volumes in billion cubic feet)	Gas Sales		Transportation & Exchange		Total	
	Throughput	Revenue	Throughput	Revenue	Throughput	Revenue
1997:						
Residential	237	$ 1,726	3	$ 10	240	$ 1,736
Commercial/Industrial	80	502	314	255	394	757
Utility Electric Generation			158	76	158	76
Wholesale			138	67	138	67
Total in Rates	317	$ 2,228	613	$ 408	930	2,636
Balancing and Other						5
Total Operating Revenues						$ 2,641
1996:						
Residential	233	$ 1,603	3	$ 10	236	$ 1,613
Commercial/Industrial	82	473	297	236	379	709
Utility Electric Generation			139	70	139	70
Wholesale			130	70	130	70
Total in Rates	315	$ 2,076	569	$ 386	884	2,462
Balancing and Other						(40)
Total Operating Revenues						$ 2,422
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

[chart]

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- - AFFILIATE TRANSACTION DECISION. On December 16, 1997, the CPUC adopted rules establishing uniform standards of conduct governing the manner in which California investor-owned utilities conduct business with their affiliates providing energy or energy-related services within California. The objective of these rules, which are effective beginning January 1, 1998, is to ensure that the utilities' energy affiliates do not gain an unfair advantage over other competitors in the marketplace and that utility customers do not subsidize affiliate activities. For further discussion of the key elements of the CPUC decision, see Note 4 of the Notes to Consolidated Financial Statements.

  Utility-to-utility transactions are also included under the definition of an affiliate transaction unless the rules are modified in a subsequent merger or other regulatory proceeding. On January 23, 1998, at the request of the Administrative Law Judge presiding over the PE/Enova merger proceeding, the Company and Enova jointly filed their comments regarding the impact of the Affiliate Transaction Decision on the original estimate of merger synergies. The filing indicated that the Affiliate Transaction rules, if applied to utility-to-utility transactions, would significantly reduce the anticipated synergy savings previously discussed in the "Introduction." The CPUC will consider this issue as part of the PE/Enova merger proceeding.

- - ALLOWED RATE OF RETURN. For 1998, SoCalGas is authorized to earn a rate of return on rate base of 9.49% and a rate of return on common equity of 11.6%, which is unchanged from 1997.

- - MANAGEMENT CONTROL OF EXPENSES AND INVESTMENT. Over the past 15 years, management has been able to control operating expenses and investment within the amounts authorized to be collected in rates.

  It is the intent of management to control operating expenses and investment within the amounts authorized to be collected in rates in the PBR decision. SoCalGas intends to make the efficiency improvements, changes in operations and cost reductions necessary to achieve this objective and earn its authorized rate of return. However, in view of the earnings sharing mechanism and other elements of the PBR authorized by the CPUC, it will be more difficult for SoCalGas to achieve returns in excess of authorized returns at levels that it has experienced in 1997 and other recent years.

- - ELECTRIC INDUSTRY RESTRUCTURING. As a result of electric industry restructuring, natural gas-generated electricity within SoCalGas' service area competes vigorously with electric power generated throughout the western United States.

  Effective March 31, 1998, California consumers are scheduled to be given the option of selecting their electric energy provider from a variety of local and out-of-state producers. The implementation of electric industry restructuring has no direct impact on SoCalGas' operations. However, future volumes of natural gas transported for current utility electric generation customers may be adversely affected to the extent these regulatory changes divert electricity generated from SoCalGas' service territory. In addition, the electric industry restructuring has set a mandated 10% reduction of electric rates to core customers as of January 1, 1998; however, electricity is unlikely to overcome the entire cost advantage of natural gas for existing uses.

  The Company has considered the effect of Statement of Financial Accounting Standard No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121) on the Company's financial statements, including the potential effect of electric industry restructuring. Although the Company believes that the volume of gas transported by SoCalGas may be adversely impacted by electric industry restructuring, it is not anticipated to result in an impairment of assets as defined in SFAS 121, because the expected undiscounted future cash flows from SoCalGas' investment in its gas transportation infrastructure is greater than its carrying amount.

- - GAS INDUSTRY RESTRUCTURING. The gas industry experienced an initial phase of restructuring during the 1980's by deregulating gas sales to noncore customers. On January 21, 1998, the CPUC released a staff report initiating a project to assess the current market and regulatory framework for California's natural gas industry. The general goals of the plan are to consider reforms to the current regulatory framework emphasizing market-oriented policies benefiting California natural gas consumers.

- - NONCORE BYPASS. SoCalGas' throughput to enhanced oil recovery (EOR) customers in the Kern County area has decreased significantly since 1992 because of the bypass of SoCalGas' system by competing interstate pipelines. The decrease in revenues from EOR customers did not have a material impact on SoCalGas' earnings.

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

- - 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.

[chart]

- - 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 may result from external factors such as weather, electric deregulation, the increased use of hydro-electric 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 limited as a result of the Comprehensive Settlement (see Note 4 of Notes to Consolidated Financial Statements).

- - EXCESS INTERSTATE PIPELINE CAPACITY. Existing interstate pipeline capacity into California exceeds current demand by over one billion cubic feet (Bcf) per day. This situation has reduced the market value of the capacity well below the Federal Energy Regulatory Commission's (FERC) tariffs. SoCalGas has exercised its step-down option on both the El Paso and Transwestern systems, thereby reducing its firm interstate capacity obligation from 2.25 Bcf per day to 1.45 Bcf per day.

  FERC-approved settlements have resulted in a reduction in the costs that SoCalGas may have possibly been required to pay for the capacity released back to El Paso and Transwestern that cannot be remarketed. Of the remaining 1.45 Bcf per day of capacity, SoCalGas' core customers use 1.05 Bcf per day at the full FERC tariff rate. The remaining 0.4 Bcf per day of capacity is marketed at significant discounts. Under existing regulation in California, unsubscribed capacity costs associated with the remaining 0.4 Bcf per day are recoverable in customer rates. While including the unsubscribed pipeline cost in rates may impact the Company's ability to compete in highly contested markets, the Company does not believe its inclusion will have a significant impact on volumes transported or sold.

- - 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 agencies applicable to commercial and industrial customers utilizing natural gas are not generally required of those using electricity. However, anticipated advancements in natural gas technologies are expected to enable gas equipment to remain competitive with alternate energy sources. Environmental laws also require cleanup 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 matters, see Note 6 of Notes to Consolidated Financial Statements.

- - UNION CONTRACT. Most field, clerical and technical employees of SoCalGas are represented by the Utilities Workers' Union of America or the International Chemical Workers' Union. The existing contract with these employees on wages and working conditions will expire on March 31, 1999. Terms of the contract allow an extension through March 31, 2000.

- - CALIFORNIA ECONOMY. Growth in SoCalGas markets is largely dependent on the health and expansion of the southern California economy. SoCalGas added approximately 43,700 new meters in 1997. This represents a growth rate of approximately 0.9%. The Company anticipates that customer growth will continue at 1997 levels. Southern California has finally emerged from its prolonged recession, and job growth in 1997 was stronger than the U.S. average.

ENERGY MANAGEMENT SERVICES

Energy Management Services operates a number of domestic business ventures, including Sempra Energy Solutions, the joint venture with Enova, established in 1997. Sempra Energy Solutions primarily focuses on providing new energy products and services, and marketing natural gas. EMS also includes Pacific Interstate Company (PIC), an interstate pipeline subsidiary, and a subsidiary which operates centralized heating and cooling plants for commercial buildings. PIC purchases gas from producers in Canada and from federal waters offshore California and transports it for sale to SoCalGas and others. Of the gas purchased by PIC, 90% was sold to SoCalGas in 1997. These deliveries accounted for approximately 29% of the total volume of gas purchased by SoCalGas and approximately 10% of SoCalGas' throughput.

In September 1997, the Company sold its interest in several small electric generating facilities. The net investment in these assets was $77 million at June 30, 1997, the effective date of the sale.

Net losses of EMS for 1997 were $5 million compared to net income of $6 million in 1996. The decrease in earnings is primarily due to start-up costs incurred by Sempra Energy Solutions and income lost due to the sale of the small electric generating facilities. EMS is not expected to be profitable in 1998.

Net income of EMS for 1996 decreased to $6 million compared to $8 million in 1995. The decrease was primarily due to start-up costs of several new products and services launched during 1996.

PACIFIC ENTERPRISES INTERNATIONAL

Pacific Enterprises International was established to participate in the international natural gas infrastructure market and began operations in March 1995.

Net losses were $8 million in 1997 compared to $5 million in 1996. The increase in net loss was primarily due to increased expenditures for project costs related to bids for various international natural gas systems.

On August 12, 1996, PEI and two partners were awarded Mexico's first privatization license, allowing the consortium to build and operate a natural gas distribution system in Mexicali, Baja California. The franchise was awarded to Distribuidora de Gas Natural de Mexicali S. de R.L. de C.V. (DGN), a Mexican company formed by PEI, Enova International (a subsidiary of Enova Corporation) and Proxima Gas. DGN will invest approximately $20 million to $25 million during an initial five-year period to provide service to more than 25,000 commercial, industrial and residential users. PEI has a 30% interest in the consortium and invested approximately $2 million and $1 million in the Mexicali project during 1997 and 1996, respectively. In August 1997, the system began distributing natural gas primarily to commercial customers in Mexicali, and by December daily throughput reached 5.3 million cubic feet.

In 1997, DGN was awarded a license to build and operate a natural gas pipeline in Chihuahua, a city of almost 630,000 people in northern Mexico. DGN began construction in late 1997 and will invest $50 million in the first five years of operation. PEI's share in this project is 47.5% and it invested $5 million during 1997.

Other international projects are currently under evaluation in Latin America and the Pacific Rim. PEI is not expected to be profitable in 1998.

PARENT COMPANY AND OTHER

The Parent is a holding company which provides support services to its subsidiaries and joint ventures.

Expenses were higher in 1997 due to costs related to the merger with Enova Corporation. Merger-related costs of $16 million and $4 million, after-tax, for 1997 and 1996, respectively, primarily consist of investment banking, legal, regulatory and consulting fees. Merger costs for 1997 include a $4 million after-tax loss on the sale of the small electric generating facilities.

Expenses were lower in 1996 compared to 1995 due to the savings realized from the reorganization of the Company into business units which was completed in July 1995. In addition, 1995 expenses include costs related to this reorganization. The savings were partially offset by expenses related to the proposed merger with Enova.

OTHER INCOME, INTEREST EXPENSE AND INCOME TAXES

OTHER INCOME

Other income, which primarily consists of interest income from short-term investments and regulatory accounts receivable balances, increased in 1997 to $39 million from $25 million in 1996. The increase was due to higher interest from short-term investments at the Parent during much of 1997 because foreign investments were lower than anticipated.

Other income decreased in 1996 to $25 million from $34 million in 1995. Short-term investment income decreased at both SoCalGas and the Parent. The decrease at SoCalGas was due to unusually high short-term investments in 1995 as a result of overcollected gas costs that were refunded to customers in the fourth quarter of 1995. The decrease in short-term investments at the Parent was due to cash outflows for the $49 million investment into PEI for the purchase of the Argentina utility holding companies and $110 million for the preferred stock redemption.

INTEREST EXPENSE

Interest expense for 1997 increased only slightly to $103 million from $97 million in 1996. Interest expense for 1996 decreased to $97 million from $108 million in 1995. Interest expense was reduced from its 1995 level as a result of the lower long-term debt balance maintained throughout the year and the redemption of $67 million of Swiss Franc bonds.

INCOME TAXES

Income tax expense for 1997 was $151 million, unchanged from 1996. The effective income tax rates were 45% and 43% for 1997 and 1996, respectively. Income tax expense was unchanged for 1997, despite lower earnings, due to fewer deductions from capitalized information systems costs at SoCalGas.

Income tax expense for 1996 increased to $151 million from $129 million in 1995. The increase of $22 million was primarily due to an increase in earnings before taxes to $354 million in 1996 from $314 million in 1995.

RISK MANAGEMENT

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest and currency exchange rates and equity and commodity prices. Market risk is inherent to both derivative and non-derivative financial instruments. The following is a discussion of the Company's primary market risk exposures as of December 31, 1997, including a discussion of how these exposures are managed.

INTEREST RATE RISK

SoCalGas has historically funded utility operations through long-term bond issues with fixed interest rates. With the restructuring of the regulatory process, greater flexibility has been permitted within the debt management process. As a result, recent debt offerings have been selected with short-term maturities. The Company also evaluates the use of a combination of fixed and floating rate debt. Interest rate swaps, subject to regulatory constraints, may be used to adjust interest rate exposures when appropriate, based upon market conditions.

A portion of the Company's borrowings are denominated in foreign currencies, which exposes the Company to market risk associated with exchange rate movements. The Company's policy generally is to hedge major foreign currency cash exposures through swap transactions. These contracts are entered into with major international banks, thereby minimizing the risk of credit loss.

The Company employs a variance/covariance approach in its calculation of Value at Risk (VaR), which measures the potential losses in fair value or earnings that could arise from changes in market conditions, using a 95% confidence level and assuming a one-year holding period. VaR is a statistical measure that takes into consideration historical volatilities and correlations of market data (i.e., interest rates and currency exchange rates). The VaR, which is the potential loss in fair value of long-term debt sensitive to changes in interest rates, is estimated at $116 million as of December 31, 1997. The total VaR is attributable to debt obligations with fixed interest rates. The VaR attributable to currency exchange rates nets to zero as a result of a currency swap which is directly matched to the Company's Swiss Franc debt obligation.

NATURAL GAS PRICE RISK

SoCalGas is subject to price risk on its natural gas purchases if its cost exceeds a 2% tolerance band above the GCIM benchmark price. Price risk is influenced by physical contract positions, financial contract positions, basis risk, system demand, and regulation. SoCalGas becomes subject to price risk when positions are incurred during the buying, selling, and storage of natural gas.

A Gas Acquisition Committee, composed of officers of the Company and SoCalGas, is responsible for establishing natural gas price risk management objectives and strategies that are consistent with the Price Risk Management Policy. The Committee also monitors results of all natural gas purchasing activities to ensure that such activities are effective and conducted in a manner consistent with approved policies and procedures.

As part of the Price Risk Management Policy, SoCalGas has established fixed price and basis position limits. Volumetric limits define the maximum position exposure each management level within SoCalGas is authorized to accept without obtaining higher approval.

In addition to the position limits, internal controls are in place to set individual contract limits, monitor established credit limits, require current reporting of trading activities and ensure proper segregation of duties.

SoCalGas monitors and controls credit exposure through a credit approval process and the assignment and monitoring of credit limits. Credit exposure is defined as the "balance owed" to SoCalGas on current market valuation. Credit exposure represents the positive contract value that might be forfeited in the event of counterparty default. Credit exposure is computed on a daily mark-to-market basis. The current credit exposure and credit limit of each supplier is monitored on an ongoing basis and reported weekly to SoCalGas management and the Company's Treasury Department.

The VaR methodology employed by the Company with respect to natural gas price risk is applied to physical, as well as financial, natural gas positions. The methodology involves determining the fair value impact of the maximum expected adverse price change for the aggregate net position in each forward month, using a 95% confidence level and assuming a one month holding period. The value derived for each forward month is then aggregated to arrive at the total VaR. In making these calculations, volatilities are based upon the respective forward month's implied volatility derived from quoted option prices. As of December 31, 1997, the total VaR of the Company's natural gas positions was not material to the Company's financial position.

SEMPRA ENERGY TRADING CORP.

Sempra Energy Trading Corp. derives a substantial portion of its revenue from trading activities in natural gas, petroleum and electricity. Trading profits are earned as Sempra Energy Trading acts as a dealer in structuring and executing transactions that permit its counterparties to manage their risk profiles. In addition, Sempra Energy Trading takes positions in energy markets based on the expectation of future market conditions. These positions may be offset with similar positions or may be offset in the exchange traded markets. These positions include options, forwards, futures and swaps.

Market risk arises from the potential change in the value of financial instruments and physical commodities based on fluctuations in natural gas, petroleum and electricity commodity exchange prices and basis. Market risk is also affected by changes in volatility and liquidity in markets in which these instruments are traded. A Risk Management Committee, composed of the Company's and Enova's Officers, is responsible for monitoring operating performance and

compliance with established risk management policies. Sempra Energy Trading has established position and stop-loss limits for each line of business to monitor its market risk and traders are required to maintain positions within these market risk limits. The position limits are monitored during the day by Sempra Energy Trading's senior management, who determine whether to adjust the company's market risk profile.

Credit risk is the risk that a counterparty will fail to perform its contractual obligations. Sempra Energy Trading maintains credit policies and systems to minimize overall credit risk. These policies include an evaluation of potential counterparties' financial condition, and the use, when appropriate, of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty and collateral requirements. Sempra Energy Trading monitors credit risk exposure through an approval process and the assignment of credit limits. These credit limits are established based on risk and return considerations under terms customarily available in the industry.

Sempra Energy Trading utilizes financial instruments which include futures, exchange traded and over-the-counter options, and commodity swaps and forwards. The fair values of Sempra Energy Trading's financial instruments and related balance sheet items are subject to change as a result of potential market changes in commodity prices. All of Sempra Energy Trading's market risk sensitive instruments are entered into for trading purposes. The following table provides the potential changes in net principal transaction revenues resulting from hypothetical 10% increases and 10% decreases in the applicable commodity prices for significant commodity market-price sensitive instruments held on December 31, 1997. This quantitative information about market risk is limited because it does not take into account potential hedging transactions or changes to the market risk profile of the portfolio by management in reaction to such changes in market conditions. Additionally, it does not take into account anticipated management reaction to breaches of counterparty credit limitations caused by the shocks within a given risk category. (See the discussion on the management of credit risk above.) Further, inherent limitations arise from assuming that hypothetical 10% increases and 10% decreases in commodity prices move in the same direction and this information does not recognize co-movements in prices.

The following table presents the impact on Sempra Energy Trading's net principal transaction revenues resulting from a 10% increase and a 10% decrease in the respective December 31, 1997 commodity price:

(Dollars in thousands)

Commodity	10% Increase	10% Decrease
Crude oil and derivatives	$ 3,288	$ (3,288)
Natural Gas	(2,441)	2,441
Emission credits	(81)	81
Electricity	(540)	540

YEAR 2000

In 1997, the Company began a multi-year project to modify its computer systems as necessary to ensure continued effective operations in the year 2000 and beyond. The initial focus of the project is on the systems key to customer safety, gas operations, external reporting, and billing and collection processes. The project is expected to be completed in the spring of 1999. During 1997, the Company incurred expenses of $10 million on the project, and expects to spend approximately $30 million over the life of the project.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This Annual Report contains forward-looking statements with respect to matters inherently involving various risks and uncertainties. These statements are identified by the words "estimates," "expects," "anticipates," "plans," "believes," and similar expressions.

These statements are necessarily based upon various assumptions involving judgments with respect to the future including, among other factors, national, regional, and local economic, competitive and regulatory conditions, technological developments, inflation rates, interest rates, energy markets, weather conditions, business and regulatory decisions, and other uncertainties, all of which are difficult to predict, and many of which are beyond the control of the Company. Accordingly, while the Company believes these assumptions are reasonable, there can be no assurance that they will approximate actual experience, or that the expectations will be realized.

CONSOLIDATED STATEMENT OF INCOME

(Dollars in millions, except share and per-share amounts)	Year Ended December 31		
	1997	1996	1995
REVENUES AND OTHER INCOME			
Operating Revenues	$ 2,738	$ 2,563	$ 2,343
Other	39	25	34
Total	2,777	2,588	2,377
EXPENSES			
Cost of Gas Distributed	1,059	866	682
Operating Expenses	918	910	920
Depreciation and Amortization	256	255	243
Franchise Payments and Other Taxes	99	98	98
Preferred Dividends of a Subsidiary	7	8	12
Total	2,339	2,137	1,955
Income from Operations Before Interest and Income Taxes	438	451	422
Interest	103	97	108
Income from Operations Before Income Taxes	335	354	314
Income Taxes	151	151	129
Net Income	184	203	185
Dividends on Preferred Stock	4	5	10
Preferred Stock Original Issue Discount		2	
Net Income Applicable to Common Stock	$ 180	$ 196	$ 175
Net Income Per Share of Common Stock:			
Basic	$ 2.22	$ 2.37	$ 2.12
Diluted	$ 2.21	$ 2.36	$ 2.12
Common Dividends Declared Per Share	$ 1.50	$ 1.42	$ 1.34
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING (IN THOUSANDS)	81,354	82,626	82,265

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEET

(Dollars in millions)	December 31 1997	1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 153	$ 256
Accounts receivable--trade (less allowance for doubtful receivables of $19 in 1997 and 1996)	480	401
Accounts and notes receivable--other	50	80
Income taxes receivable	3	58
Deferred income taxes		9
Gas in storage	25	28
Other inventories	16	22
Regulatory accounts receivable--net	355	285
Prepaid expenses	21	22
Total current assets	1,103	1,161
Investments and Other Assets:		
Other investments	191	115
Other receivables	62	16
Regulatory assets	394	552
Other assets	73	105
Total investments and other assets	720	788
Property, Plant and Equipment	6,097	6,080
Less accumulated depreciation and amortization	2,943	2,843
Total property, plant and equipment--net	3,154	3,237
Total assets	$4,977	$5,186

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEET

(Dollars in millions)	December 31 1997	1996
LIABILITIES		
Current Liabilities:		
Short-term debt	$ 354	$ 262
Accounts payable--trade	133	241
Accounts payable--other	304	336
Other taxes payable	30	29
Deferred income taxes	7	
Long-term debt due within one year	148	149
Accrued interest	52	41
Other	87	80
Total current liabilities	1,115	1,138
Long-Term Debt:		
Long-term debt	988	1,095
Debt of Employee Stock Ownership Plan	130	130
Total long-term debt	1,118	1,225
Deferred Credits and Other Liabilities:		
Long-term liabilities	183	166
Customer advances for construction	34	42
Postretirement benefits other than pensions	217	224
Deferred income taxes	272	321
Deferred investment tax credits	61	64
Other deferred credits	413	471
Commitments and Contingent Liabilities (Note 6)		
Total deferred credits and other liabilities	1,180	1,288
Preferred Stocks of a Subsidiary	95	95
SHAREHOLDERS' EQUITY		
Capital Stock:		
Preferred	80	80
Common	1,064	1,095
Total capital stock	1,144	1,175
Retained earnings, after elimination of accumulated deficit of $452 million against common stock at December 31, 1992 as part of the quasi-reorganization	372	314
Less deferred compensation relating to Employee Stock Ownership Plan	(47)	(49)
Total shareholders' equity	1,469	1,440
Total liabilities and shareholders' equity	$4,977	$5,186

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	1997	1996	1995
	Year Ended December 31		
Cash Flows from Operating Activities			
Net Income	$ 184	$ 203	$ 185
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and amortization	256	255	243
Deferred income taxes	(35)	33	71
Other-net	(15)	13	(3)
Net change in other working capital components	(40)	104	202
Net cash provided by operating activities	350	608	698
Cash Flows from Investing Activities			
Expenditures for Property, Plant and Equipment	(187)	(204)	(240)
Acquisition of Sempra Energy Trading	(112)		
Increase in Foreign Investments	(7)	(50)	
Increase in Other Investments	(19)	(12)	(2)
Proceeds from Disposition of Properties	20		2
(Increase) Decrease in Other Receivables, Regulatory Assets and Other Assets	42	(20)	2
Net cash used in investing activities	(263)	(286)	(238)
Cash Flows from Financing Activities			
Sale of Common Stock	17	8	6
Repurchase of Common Stock	(48)	(24)	
Redemption of Preferred Stock		(110)	(30)
Redemption of Preferred Stock of a Subsidiary		(100)	
Increase in Long-Term Debt	120	75	
Decrease in Long-Term Debt	(245)	(172)	(207)
Increase (Decrease) in Short-Term Debt	92	29	(44)
Common and Preferred Dividends	(126)	(123)	(121)
Net cash used in financing activities	(190)	(417)	(396)
Increase (Decrease) in Cash and Cash Equivalents	(103)	(95)	64
Cash and Cash Equivalents, January 1	256	351	287
Cash and Cash Equivalents, December 31	$ 153	$ 256	$ 351

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	1997	1996	1995
	Year Ended December 31		
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	$ (34)	$ (58)	$ 114
Income taxes receivable	55	12	(30)
Deferred income taxes		11	(42)
Inventories	5	27	22
Regulatory accounts receivable-net	25	46	198
Other	2	16	2
Total	53	54	264
Current Liabilities:			
Accounts payable	(139)	53	7
Deferred income taxes	26		
Other taxes payable	2	(18)	(6)
Other	18	15	(63)
Total	(93)	50	(62)
Net change in other working capital components	$ (40)	$ 104	$ 202
Supplemental Disclosure of Cash Flow Information			
Cash Paid During the Year for:			
Interest (net of amount capitalized)	$ 92	$ 100	$ 101
Income taxes	$ 112	$ 92	$ 129
Supplemental Schedule of Non-Cash Investing and Financing Activities			
The Company sold the assets of several small electric generation plants. In conjunction with the sale, a note receivable was assumed as follows:			
Fair value of the assets sold	$ 77		
Cash received	(20)		
Loss on sale	(6)		
Note receivable	$ 51		

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

Years Ended December 31, 1997, 1996, and 1995 (Dollars in millions)	Preferred Stock Number of shares	Preferred Stock No par value	Common Stock Number of shares	Common Stock No par value	Retained Earnings	Deferred Compensation Relating to Employee Stock Ownership Plan	Total Shareholders' Equity
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
Net Income					203		203
Cash Dividends Declared:							
Preferred stock					(5)		(5)
Common stock					(118)		(118)
Common Stock Sold			292,108	8			8
Common Stock Repurchased			(816,000)	(24)			(24)
Redemption of Preferred Stock	(1,100)	(108)			(2)		(110)
Common Stock Released from ESOP			90,690			3	3
Balances at December 31, 1996	800,253	80	82,013,469	1,095	314	(49)	1,440
Net Income					184		184
Cash Dividends Declared:							
Preferred stock					(4)		(4)
Common stock					(122)		(122)
Common Stock Sold			536,862	17			17
Common Stock Repurchased			(1,539,700)	(48)			(48)
Common Stock Released from ESOP			92,818			2	2
Balances at December 31, 1997	800,253	$ 80	81,103,449	$1,064	$372	$(47)	$1,469

THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED AT DECEMBER 31, 1997 AND 1996 IS 600,000,000. THE NUMBER OF SHARES OF PREFERRED STOCK AND CLASS A PREFERRED STOCK AUTHORIZED AND OUTSTANDING AT DECEMBER 31, 1997 AND 1996 IS SET FORTH IN NOTE 12 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

1. MERGER AGREEMENT WITH ENOVA CORPORATION

On October 14, 1996, Pacific Enterprises (the Company) and Enova Corporation (Enova), the parent company of San Diego Gas & Electric (SDG&E), announced an agreement, which both Boards of Directors unanimously approved, for the combination of the two companies in a tax-free, strategic merger of equals to be accounted for as a pooling of interests. The combination was approved by the shareholders of both companies on March 11, 1997. On December 16, 1997, the Company and Enova announced that the name of the new company will be Sempra Energy.

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

The merger is subject to approval by certain governmental and regulatory agencies including the California Public Utilities Commission (CPUC), the Securities and Exchange Commission and Federal Energy Regulatory Commission (FERC) and the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. Approval of the merger and commencement of operations is expected to occur during the summer of 1998. The merger could result in a net savings of $1.1 billion in synergies and cost avoidances over a 10-year period for Sempra Energy. In the interim, the Company and Enova have formed a joint venture named Sempra Energy Solutions to provide integrated energy and energy-related products and services.

For a portion of 1997, the Company owned indirect interests in several small electric generation facilities considered to be "qualifying facilities" (QF) under the Public Utility Regulatory Policies Act. Qualifying facility status is not available to any facilities that are more than 50% owned by an electric utility or an electric utility holding company.

Because some of the plants already were owned in partnership with an electric utility, they would have lost their QF status upon completion of the merger. In September 1997, the Company sold all its small electric generation plants, resulting in an after-tax loss on the sale of approximately $4 million.

In connection with the merger, costs of $16 million and $4 million, after-tax, for 1997 and 1996 respectively, were incurred and charged to expense. The merger costs and expenses consisted primarily of legal, accounting, and investment banking fees. The merger-related expense for 1997 includes the $4 million after-tax loss on the sale of the qualifying facilities.

Sempra Energy is incorporated in California and, as an intrastate holding company, will be exempt from substantially all of the Public Utility Holding Company Act except for provisions requiring Security and Exchange Commission approval for acquisitions of utility stock of additional utilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries of the Company. Investments in 50%-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 1997 financial statement presentation.

REGULATION

In conformity with generally accepted accounting principles (GAAP), SoCalGas' accounting policies reflect the financial effects of rate regulation authorized by the CPUC. Interstate natural gas transmission subsidiaries follow accounting policies authorized by 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, assets which are being recovered or are probable of recovery through customer rates. As of December 31, 1997, the Company had $394 million of regulatory

assets which included the following: costs of reacquiring debt of $43 million; postretirement benefit costs (See Note 13) of $194 million; deferred income taxes of $66 million (See Note 5); and other costs of $91 million.

Maintenance of the regulatory assets and regulatory accounts receivable represents the only difference in the application of GAAP for the utility versus 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 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 method of accounting for gas in storage inventory had been used by SoCalGas, inventory would have been higher than reported at December 31, 1997 and 1996 by $75 million and $43 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 its cost. Interest expense of $4 million, $6 million, and $9 million in 1997, 1996, and 1995, respectively, 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.

3. ACQUISITION OF AIG TRADING CORPORATION

On December 31, 1997, the Company and Enova jointly completed their acquisition, with each acquiring a 50% interest, of Sempra Energy Trading Corp. (formerly AIG Trading Corporation), a leading natural gas and power marketing firm headquartered in Greenwich, Connecticut, for a total cost of $225 million.

Sempra Energy Trading's primary business focus is wholesale trading and marketing of natural gas, power and oil to customers primarily in North America. Sempra Energy Trading had net assets of $30 million at December 31, 1997.

An allocation of the purchase price has not yet been completed. Any difference between the cost and underlying equity in the net assets will be amortized over a period of not more than 15 years.

As of December 31, 1997, Sempra Energy Trading's trading assets and trading liabilities approximate the following:

(Dollars in millions)	1997
Trading Assets:	
Unrealized gains on swaps and forwards	$ 497
Due from commodity clearing organization and clearing brokers	41
OTC commodity options purchased	33
Due from trading counterparties	16
Total	$ 587
Trading Liabilities:	
Unrealized losses on swaps and forwards	$ 487
Due to trading counterparties	41
OTC commodity options written	29
Total	$ 557

The notional amounts of the financial instruments are provided below and include a maturity profile as of December 31, 1997 based upon the expected timing of the future cash flows. The notional amounts do not necessarily represent the amounts exchanged by parties to the financial instruments and do not measure Sempra Energy Trading's exposure to credit or market risks. The notional or contractual amounts are used to summarize the volume of financial instruments but do not reflect the extent to which positions may offset one another. Accordingly, Sempra Energy Trading is exposed to much smaller amounts potentially subject to risk.

The Company and Enova have jointly and severally guaranteed certain trade obligations of Sempra Energy Trading with credit-worthy counterparties in connection with authorized transactions and in connection with funding. The total obligations guaranteed by the Company as of December 31, 1997 are $190 million.

4. REGULATORY MATTERS

SoCalGas is regulated by the CPUC. It is the responsibility of the CPUC to determine that utilities operate in the best interest of their customers while providing utilities with the opportunity to earn a reasonable return on investment.

PERFORMANCE BASED REGULATION

On July 16, 1997, the CPUC issued its final decision on SoCalGas' application for performance based regulation (PBR), which was filed with the CPUC in 1995.

PBR replaces the general rate case and certain other regulatory proceedings through December 31, 2002. Under PBR, regulators allow future income potential to be tied to achieving or exceeding specific performance and productivity measures, rather than relying solely on expanding utility rate base in a market where the Company already has a highly developed infrastructure. Key elements of the PBR include a reduction in base rates, an indexing mechanism that limits future rate increases to the inflation rate less a productivity factor, a sharing mechanism with customers if earnings exceed the authorized rate of

Notional Amount by Maturity (Dollars in millions)	Within One Year	One to Five Years	Five to Ten Years	After Ten Years	Total
Forwards and commodity swaps	$ 3,175	$ 458	$ 90	$ 74	$ 3,797
Futures	856	189			1,045
Options purchased	704	52			756
Options written	592	62			654
Total	$ 5,327	$ 761	$ 90	$ 74	$ 6,252

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return on ratebase, and rate refunds to customers if service quality deteriorates. Specifically, the key elements of PBR include the following:

* The decision required a net rate reduction of $164 million for an initial base margin of $1.3 billion. The $164 million is comprised of a rate reduction of $191 million, effective August 1, 1997, which is partially offset by an estimated $27 million rate increase reflecting inflation and customer growth, effective January 1, 1998.

* Earnings up to 25 basis points exceeding the authorized rate of return on ratebase are retained 100% by shareholders. Earnings that exceed the authorized rate of return on rate base by greater than 25 basis points are shared between customers and shareholders on a sliding scale that begins with 75% of earnings being given back to customers and declining to 0% as earned returns approach 300 basis points above authorized amounts. However, the decision rejects sharing of any amount by which actual earnings fall below the authorized rate of return. In 1998, SoCalGas is authorized to earn a 9.49% return on rate base.

* Revenue or margin per customer is indexed based on inflation less an estimated productivity factor of 2.1% in the first year, increasing 0.1% per year up to 2.5% in the fifth year. This factor includes 1% to approximate the projected impact of a declining rate base.

* The CPUC decision allows for pricing flexibility for residential and small commercial customers, with any shortfalls being borne by shareholders and with any gains shared between shareholders and customers.

* The decision allows SoCalGas to continue offering some types of products and services it currently offers (e.g. contract meter reading) but the issue of other new product and service offerings was addressed in the CPUC's Affiliate Transaction Decision.

SoCalGas implemented the base margin reduction effective August 1, 1997, and all other PBR elements on January 1, 1998. The CPUC intends the PBR decision to be in effect for five years; however, the CPUC decision allows for the possibility that changes to the PBR mechanism could be adopted in a decision to be issued in the Company's 1998 Biennial Cost Allocation Proceedings (BCAP) application which is anticipated to become effective on August 1, 1999.

Under PBR, annual cost of capital proceedings are replaced by an automatic adjustment mechanism if changes in certain indices exceed established tolerances. The mechanism is triggered if actual interest rates increase or decrease by more than 150 basis points and are forecasted to continue to vary by at least 150 basis points for the next year. If this occurs, there would be an automatic adjustment of rates for the change in the cost of capital according to a pre-established formula which applies a percentage of the change to various capital components.

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 result of the Comprehensive Settlement.

* 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. 0n April 1, 1994, SoCalGas implemented a new process for evaluating SoCalGas' gas purchases, substantially replacing the previous process of reasonableness reviews. Initially a three-year pilot program, the CPUC recently extended the Gas Cost Incentive Mechanism (GCIM) program through March 31, 1999.

GCIM compares SoCalGas' cost of gas with a benchmark level, which is the average price of 30-day firm spot supplies delivered to SoCalGas' market area. 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 of purchases or savings outside the "tolerance band" are shared equally between customers and shareholders.

The CPUC approved the use of gas futures for managing risk associated with the GCIM. The Company enters into gas futures contracts in the open market on a limited basis to mitigate risk and better manage gas costs.

Since SoCalGas' purchased gas costs were below the specified GCIM benchmark for the annual period ended March 1996, the CPUC, in June 1997, approved a $3.2 million pre-tax award to shareholders under the procurement portion of the incentive mechanism. This $3.2 million award was recognized as income in the second quarter 1997.

In June 1997, the Company filed its annual GCIM application with the CPUC requesting an award of $10.8 million, pre-tax, for the annual period ended March 31, 1997. The CPUC is expected to issue a final decision on this matter by mid-1998, at which time the approved award will be recognized as income.

* ATTRITION ALLOWANCES. The Comprehensive Settlement authorized SoCalGas an annual allowance for increases in operating and maintenance expenses. In 1996, attrition was calculated on the inflation rate in excess of 3% authorizing SoCalGas to collect $12 million in rates. No attrition allowance was authorized for 1997 based on an agreement reached as part of the PBR application.

The Company recorded the impact of the Comprehensive Settlement in 1993. Upon giving effect to liabilities previously recognized by 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.

BCAP

In the second quarter of 1997, the CPUC issued a decision on the Company's 1996 BCAP filing. The CPUC decision extends the recovery period of approximately $20 million in noncore costs, resulting in a noncore rate decrease and leaves in place the existing residential rate structure. The decision did not adopt the Company's proposal to increase flexibility in offering discounts to utility electric generating customers to retain load or prevent bypass. The Company implemented the new rates and core residential monthly gas pricing on June 1, 1997.

The BCAP substantially eliminates the effect on core income of variances in core market demand and gas costs subject to the limitations of the GCIM and the Comprehensive Settlement. The CPUC's PBR decision indicates that it will address issues such as throughput forecast, cost allocation, rate design and other matters which may arise from the Company's PBR experience during the 1998 BCAP.

TRANSACTIONS BETWEEN UTILITY AND AFFILIATED COMPANIES

On December 16, 1997, the CPUC adopted rules, effective January 1, 1998, establishing uniform standards of conduct governing the manner in which California investor-owned utilities conduct business with their energy-related affiliates (Energy Affiliates). The objective of the Affiliate Transaction rules is to ensure that utility affiliates do not gain an unfair advantage over other competitors in the marketplace and that utility customers do not subsidize affiliate activities. The rules establish standards relating to non-discrimination, disclosure and information exchange and separation of activities.

Key elements of the Affiliate Transaction Decision are as follows:

* Allows unregulated affiliates to operate within the utility's service territory.

* Requires non-discriminatory pricing which mandates that all transactions between the utility and its Energy Affiliates be tariffed or competitively bid, excluding permitted corporate support services and certain joint purchases.

* Allows utilities to share logos with their parent company and their Energy Affiliates; however, in California, the relationship of the affiliated companies to the utility must be clearly communicated.

* Prohibits joint marketing activities and joint use of call centers by utilities and their Energy Affiliates.

* Permits corporate support services (such as corporate oversight, government support systems, and personnel) to be provided by the utility, its holding company or a separate affiliate created solely to provide such services.

* Prohibits utilities from sharing office space,.computers and office equipment with Energy Affiliates, except in connection with providing corporate support services.

* Eliminates a parent company from the definition of an "affiliate" unless it is directly involved in marketing energy products or services.

Utility-to-utility transactions are also included under the definition of an affiliate transaction unless the rules are modified in a subsequent merger or other regulatory proceeding. On January 23, 1998, at the request of the Administrative Law Judge presiding over the PE/Enova merger proceeding, the Company and Enova jointly filed their comments regarding the impact of the Affiliate Transaction Decision on the original estimate of merger synergies. The filing indicated that the Affiliate Transaction rules, if applied to utility-to-utility transactions, would significantly reduce anticipated synergy savings previously discussed in Note 1.

As required by the decision, SoCalGas has filed compliance plans with the CPUC addressing the Company's implementation of the new rules. In addition, SoCalGas has filed for exemptions on certain rules as well as petitions for rehearing which seek revision and clarification on certain aspects of the rules.

5. INCOME TAXES

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

(Dollars in millions)	Year Ended December 31 1997	1996	1995
Computed statutory federal income tax expense	$117	$124	$110
Increases (reductions) resulting from:			
Depreciation and other items not deferred --SoCalGas	23	23	20
Capitalized expenses not deferred --SoCalGas	(3)	(11)	(10)
State income taxes --net of federal income tax benefit	23	20	20
Investment tax credits	(3)	(3)	(3)
Other--net	(6)	(2)	(8)
Income tax expense from operations	$151	$151	$129

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

(Dollars in millions)	Year Ended December 31 1997	1996	1995
Federal:			
Current	$143	$ 68	$ 70
Deferred	(22)	51	28
	121	119	98
State:			
Current	25	25	32
Deferred	5	7	(1)
	30	32	31
Total:			
Current	168	93	102
Deferred	(17)	58	27
	$151	$151	$129

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

(Dollars in millions)	December 31, 1997 Assets	Liabilities	Total
Accelerated depreciation for tax purposes		$(495)	$(495)
Comprehensive Settlement	$117		117
Regulatory accounts receivable		(161)	(161)

Postretirement benefits	81		81
Restructuring costs deferred for tax purposes	54		54
Deferred investment tax credits	27		27
Customer advances for construction		(14)	(14)
Regulatory asset		(90)	(90)
Other regulatory	157	(47)	110
Other	92		92
Total deferred income tax assets (liabilities)	$528	$(807)	$(279)

(Dollars in millions)	December 31, 1996 Assets	Liabilities	Total
Accelerated depreciation for tax purposes		$(541)	$(541)
Comprehensive Settlement	$137	(47)	90
Regulatory accounts receivable		(132)	(132)
Postretirement benefits	87		87
Restructuring costs deferred for tax purposes	46		46
Deferred investment tax credits	28		28
Partnership income		(35)	(35)
Customer advances for construction	20		20
Regulatory asset		(109)	(109)
Other regulatory	143	(50)	93
AMT carryforward	24		24
Other	123	(6)	117
Total deferred income tax assets (liabilities)	$608	$(920)	$(312)

Income tax expense recognized for a period is the amount of tax currently payable adjusted by the change in aggregate deferred tax assets and liabilities. Deferred taxes are recorded to recognize the future tax consequences of events that have been recognized in the financial statements or tax returns. 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, 1997 and 1996, $66 million and $93 million, respectively, of deferred income taxes have been offset by an equivalent amount in regulatory assets.

6. 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, 1997, ten of these sites have been remediated, of which seven have received certification from the California Environmental Protection Agency. Two sites are in the process of being remediated. 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 two industrial waste disposal sites.

In 1994, the CPUC approved a collaborative settlement which provides for rate recovery of 90% of environmental investigation and remediation costs without reasonableness reviews. In addition, SoCalGas has the opportunity to retain a percentage of any insurance recoveries to offset the 10% of costs not recovered in rates.

At December 31, 1997, SoCalGas' estimated remaining investigation and remediation liability was $72 million, of which 90% is authorized to be recovered through the mechanism discussed above. 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 consolidated results of operations or financial position.

Estimated liabilities for environmental remediation are recorded when amounts are probable and estimable. Amounts authorized to be recovered in rates under the mechanism described above are recorded as a regulatory asset. Possible recoveries of environmental remediation liabilities from third parties are not deducted from the liability.

LITIGATION

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

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 reservation charge. The Company recovers such fixed charges in rates. Estimated minimum commitments as of December 31, 1997 are as follows:
1998 -- $179 million, 1999 -- $182 million,
2000 -- $184 million, 2001 -- $186 million,
2002 -- $186 million, after 2002 -- $635 million.

OTHER COMMITMENTS AND CONTINGENCIES

At December 31, 1997 commitments for capital expenditures were approximately $16 million.

7. LEASES

The Company and its subsidiaries have leases on real and personal property expiring at various dates from 1998 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 $56 million, $58 million and $66 million in 1997, 1996 and 1995, respectively.

The following is a schedule of future minimum operating lease commitments as of December 31, 1997:

(Dollars in millions)	Future Minimum Lease Payments
Year Ended December 31:	
1998	$ 37
1999	37
2000	37
2001	34
2002	35
Later years	263
Total	$443

In connection with the quasi-reorganization and loss on disposal of discontinued operations (see Note 16), the Company established reserves of $102 million to fairly value operating leases related to its headquarters and other leases at December 31, 1992. The remaining amount of these reserves was $79 million at December 31, 1997.

8. COMPENSATING BALANCES AND SHORT-TERM BORROWING ARRANGEMENTS

The Company has a $300 million multi-year credit agreement requiring annual fees of .07%. SoCalGas has an additional $650 million multi-year credit agreement requiring annual fees of .07%. 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, 1997, all bank lines of credit were unused. SoCalGas' lines of credit provide backing for its commercial paper program.

At December 31, 1997 and 1996, SoCalGas had $351 million and $358 million, respectively, of commercial paper obligations outstanding. Approximately $94 million of the outstanding commercial paper in 1997 relates to the restructuring costs associated with certain long-term gas supply contracts under the Comprehensive Settlement (see Note 4). The weighted average annual interest rate of commercial paper obligations outstanding was 5.78% and 5.36% at December 31, 1997 and 1996, respectively.

At December 31, 1996, the Company classified $96 million of commercial paper as long-term debt, since it was the Company's intent to continue to refinance that portion of the debt on a long-term basis. No commercial paper was reclassified as long-term debt at December 31, 1997.

9. LONG-TERM DEBT

December 31

(Dollars in millions)	1997	1996
Southern California Gas Company		
FIRST MORTGAGE BONDS:		
6 1/2% December 15, 1997		$ 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
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:		
5.98% Notes, August 28, 1997		22
6.21% Notes, November 7, 1999	75	75
6 3/8% Notes, October 29, 2001	120	
8 3/4% Notes, July 6, 2000	30	30
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
5.33% Commercial Paper, February 8, 2001		96
Other, 6 3/8%, May 14, 2006	8	8
	1,130	1,253
OTHER		
8% - 9.5% 1998-2002	21	7
Total	1,151	1,260
Less:		
Long-term debt due within one year	148	149
Unamortized debt discount less premium	15	16
	163	165
Long-term debt	$ 988	$1,095

The annual principal payment requirements of long-term debt, including debt of the Employee Stock Ownership Plan (ESOP), for the years 1998 through 2002 are $148 million, $207 million, $31 million, $121 million, and $101 million, respectively. Substantially all of utility plant serves as collateral for the First Mortgage Bonds, and certain assets of the non-utility subsidiaries are pledged as collateral for their obligations.

DEBT OF EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST (TRUST) (SEE NOTE 13)

The TRUST covers substantially all employees and is used to partially fund the Company's retirement savings program. It has an ESOP feature and holds approximately 2.1 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. 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 $6 million in 1997 and 1996, and $7 million in 1995. Dividends used for debt service amounted to $3 million in each of the years ended 1997, 1996 and 1995, and are deductible for federal income tax purposes.

CURRENCY RATE SWAP

In February 1986, SoCalGas issued SFr. 100 million of 5 1/8% bonds maturing on February 6, 1998. SoCalGas hedged the currency exposure by entering into a swap transaction with a major international bank. As a result, the bond issue, interest payments, and other ongoing costs were swapped for fixed annual payments. The terms of the swap result in a U.S. dollar liability of $47 million at an interest rate of 9.725%.

10. FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The amounts disclosed represent management's best estimates of fair value.

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of December 31, 1997 and 1996 because of the relatively short maturity of these instruments. The debt of the ESOP approximated fair market value as of December 31, 1997 and 1996, based upon the variable interest rate feature of the debt outstanding.

The fair value of SoCalGas' long-term debt, 6% preferred, and 7 3/4% 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.

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
1997:		
Long-Term Debt of SoCalGas	$1,115	$1,159
Preferred Stocks of SoCalGas	$ 95	$ 94
1996:		
Long-Term Debt of SoCalGas	$1,237	$1,248
Preferred Stocks of SoCalGas	$ 95	$ 92

As a result of the GCIM (See Note 4), 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, 1997, gains or losses from gas futures contracts are not material to the Company's financial statements.

11. 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
1997:		
6%, $25 par value	28,664	$ 1
6% Series A, $25 par value	783,032	19
Series Preferred, no par value		
7 3/4%, $25 Stated Value	3,000,000	75
		$ 95
1996:		
6%, $25 par value	29,361	$ 1
6% Series A, $25 par value	783,032	19
Series Preferred, no par value		
7 3/4%, $25 Stated Value	3,000,000	75
		$ 95

On February 2, 1998, SoCalGas redeemed all outstanding shares of 73/4% Series Preferred Stock at a total price per share of $25.09. This total price per share consisted of a redemption price of $25 and $0.09 of unpaid dividends accruing to the date of redemption. The total cost to SoCalGas was approximately $75.3 million.

12. PREFERRED STOCK
The number of shares of preferred stock and class A authorized and outstanding are shown in the table below:

	Redemption	December 31, 1997		December 31, 1996	
	Price Per Share	Shares Authorized	Shares Outstanding	Shares Authorized	Shares Outstanding
Preferred stock -- cumulative, no par value:					
$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	253	253	253	253
Unclassified		9,199,747		9,199,747	
Total		10,000,000	800,253	10,000,000	800,253
Class A preferred stock -- cumulative, no par value		5,000,000		5,000,000	

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 series of preferred stock has any conversion rights.

At December 31, 1995, the Company had 1,100 shares of Remarketed Preferred, Series A Stock (RP) outstanding with a liquidation preference of $100,000 per share. In April 1996, the Company exercised its option to redeem the RP shares, in whole, at $100,000 per share plus accumulated dividends. In connection with the redemption of the RP, the Company recorded a $2.4 million nonrecurring deduction to income applicable to common stock to reflect the write-off of the original issuance underwriting discount.

13. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Pension expense was as follows:

(Dollars in millions)	Year Ended December 31 1997	1996	1995
Service cost on benefits earned during the period	$ 35	$ 39	$ 27
Interest cost on projected benefit obligation	104	103	91
Actual return on plan assets	(287)	(220)	(333)
Net amortization and deferral	153	107	223
Net periodic pension cost	5	29	8
Special early retirement program	13		18
Regulatory adjustment		3	2
Total pension expense	$ 18	$ 32	$ 28

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

(Dollars in millions)	December 31 1997	1996
Actuarial present value of pension benefit obligations:		
Accumulated benefit obligation, including $1,176 and $1,168 in vested benefits at December 31, 1997 and 1996, respectively	$ 1,227	$ 1,205
Effect of future salary increases	285	231
Projected benefit obligation	1,512	1,436
Less: Plan assets at fair value, primarily publicly traded common stocks and pooled equity funds	(1,954)	(1,774)
Unrecognized net gain	533	415
Unrecognized prior service cost	(32)	(35)
Unrecognized transition obligation	(4)	(5)
Accrued pension liability included in the Consolidated Balance Sheet	$ 55	$ 37

The plans' major actuarial assumptions include:

	1997	1996
Weighted average discount rate	7.00%	7.50%
Rate of increase in future compensation levels	5.00%	5.00%
Expected long-term rate of return on plan asset	8.00%	8.00%

Postretirement Benefit Plan

The Company's postretirement benefit plan currently provides 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 may occur in the future. The Company's policy is to fund these benefits at a level which is fully 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:

(Dollars in millions)	Year Ended December 31 1997	1996	1995
Service cost on benefits earned during the period	$ 14	$ 17	$ 13
Interest cost on projected benefit obligation	32	33	31

Actual return on plan assets	(57)	(32)	(37)
Net amortization and deferral	36	13	23
Net periodic postretirement benefit cost	25	31	30
Special early retirement program	2		
Regulatory adjustment	13	13	13
Net postretirement benefit expense	$ 40	$ 44	$ 43

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

(Dollars in millions)	December 31 1997	1996
Accumulated postretirement benefit obligation:		
Retirees	$ 214	$ 209
Fully eligible active plan participants	246	171
Other active plan participants	28	21
	488	401
Less: plan assets at fair value, primarily publicly traded common stocks and pooled equity funds	(349)	(274)
Unrecognized prior service cost	15	78
Unrecognized net gain	63	19
Net postretirement benefit liability included in the Consolidated Balance Sheet	$ 217	$ 224

The plan's major actuarial assumptions include:

Health care cost trend rate	7.00%	7.00%
Weighted average discount rate	7.00%	7.50%
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 and ultimate health care cost trend rate is 6.5% for 1998 and thereafter. The effect of a one-percentage-point increase in the assumed health care cost trend rate for each future year is $9.8 million on the aggregate of the service and interest cost components of net periodic postretirement cost for 1997 and $72.5 million on the accumulated postretirement benefit obligation at December 31, 1997. 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

The Company accrues its 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, 1997 and 1996 the liability was $39 million and $41 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 1995, 1996 and 1997 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 1997, 1996, and 1995.

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 9 and 16). The TRUST covers substantially all employees and is used to partially 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. 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 2.1 million and 2.2 million shares of common stock with fair values of $80.3 million and $67.6 million at December 31, 1997 and 1996, respectively.

14. STOCK BASED COMPENSATION

The Company accounts for stock options issued to employees under the provisions described in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). In 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123) was issued. This statement established a fair-value-based method of accounting for employee stock options or similar equity instruments and encourages, but does not require, 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 intrinsic value method of accounting described in APB 25. The Company has elected to remain with this method and is required to make pro forma disclosures of net income and earnings per share as if SFAS 123 accounting had been applied.

The Company's Employee Stock Option Plan provides for the granting of stock options to officers and other employees of the Company and its subsidiaries. The option price is equal to the market price of the Company's stock at the date of grant. The stock options expire in ten years from the date of grant. All options granted prior to 1997 became immediately exercisable upon approval of the business combination with Enova by the Company's shareholders. The options were originally scheduled to vest annually over a service period ranging from three to five years. The authorized number of options granted each year may not exceed 1% of the outstanding common stock at the beginning of the year. Any grant of options in the future, as well as those granted in 1997, will continue to vest annually over a service period ranging from three to five years.

The plan allows for the granting of dividend equivalents based upon performance goals. This feature provides grantees, upon exercise of the option, with the opportunity to receive all or a portion of the cash dividends that would have been paid on the shares if the shares had been outstanding since the grant date. Dividend equivalents are not payable if the Company does not meet the established performance goal, or if the exercise price exceeds the market value of the shares purchased. The percentage of dividends paid as dividend equivalents will depend upon the extent to which the performance goals are met.

Stock option activity for the years ended December 31, 1995, 1996, and 1997 is summarized in the following tables:

Options with Performance Features

	Shares Under Option	Wtd. Avg Exercise Prices	Exercisable at Year-End
December 31, 1994	1,002,060	$ 26.59	412,160
Granted	562,700	24.40	
Exercised	(227,400)	20.21	
Canceled	(66,560)	41.51	
December 31, 1995	1,270,800	$ 25.98	366,900
Granted	685,200	27.00	
Exercised	(62,500)	21.46	
Canceled	(51,400)	39.46	
December 31, 1996	1,842,100	$ 26.14	588,067
Granted	691,650	30.63	
Exercised	(238,920)	24.86	
Canceled	(47,340)	30.63	
December 31, 1997	2,247,490	$ 27.56	1,600,680

OPTIONS WITHOUT PERFORMANCE FEATURES

	Shares Under Option	Wtd. Avg Exercise Prices	Exercisable at Year-End
December 31, 1994	1,102,550	$ 26.64	413,950
Granted	0	0.00	
Exercised	(160,080)	22.49	
Canceled	(119,770)	27.63	
December 31, 1995	822,700	$ 27.30	431,200
Granted	0	0.00	
Exercised	(140,000)	23.04	
Canceled	(32,000)	38.72	
December 31, 1996	650,700	$ 27.66	395,940
Granted	0	0.00	
Exercised	(328,400)	22.47	
Canceled	(9,800)	53.00	
December 31, 1997	312,500	$ 32.29	312,500

As mentioned above, all options granted prior to 1997 became exercisable upon approval of the business combination with Enova by the Company's shareholders. Information on options outstanding at December 31, 1997 is as follows:

OUTSTANDING OPTIONS

Range of Exercise Prices	Number of Shares	Wtd. Average Remaining Life	Wtd. Average Exercise Price
$ 19.25-24.25	902,900	6.19	$ 22.50
$ 25.25-30.63	1,330,990	8.43	$ 28.64
$ 36.25-47.25	326,100	2.27	$ 41.72
	2,559,990	6.85	$ 28.14

EXERCISABLE OPTIONS

Range of Exercise Prices	Number of Shares	Wtd. Average Exercise Price
$ 19.25-24.25	900,400	$ 22.50
$ 25.25-30.63	686,680	$ 26.77
$ 36.25-47.25	326,100	$ 41.72
	1,913,180	$ 27.31

The fair value of each option grant (including the dividend equivalent) was estimated on the date of grant using the Black-Scholes option-pricing model. Weighted average fair values for options granted in 1997, 1996 and 1995 were $7.87, $7.52 and $7.32, respectively.

The assumptions that were used to determine these fair values are as follows:

	Year Ended December 31		
	1997	1996	1995
Stock price volatility	18%	19%	19%
Risk-free rate of return	6.4%	6.1%	7.1%
Annual dividend yield	0%	0%	0%
Expected Life	3.8 Years	4.3 Years	4.3 Years

No compensation expense has been recognized for the Company's stock based compensation plans except for the dividend equivalent performance based options. The Company recorded compensation expense of $16.9 million, $5.5 million and $3.4 million in 1997, 1996 and 1995, respectively.

If compensation expense for the Company's stock based compensation plans had been determined based on the fair value of the stock options at the grant dates consistent with the method outlined in SFAS 123, net income and earnings per share would have been adjusted to the pro forma amounts indicated below:

(Dollars in millions, except per share data)	Year Ended December 31		
	1997	1996	1995
Net Income:			
As Reported	$ 184	$ 203	$ 185
Pro Forma	$ 187	$ 203	$ 185
Earnings Per Share - Basic:			
As Reported	$ 2.22	$ 2.37	$ 2.12
Pro Forma	$ 2.25	$ 2.38	$ 2.13
Earnings Per Share - Diluted:			
As Reported	$ 2.21	$ 2.36	$ 2.12
Pro Forma	$ 2.24	$ 2.37	$ 2.13

15. EARNINGS PER SHARE

Prior to 1997, the Company reported earnings per share (EPS) in accordance with Accounting Principles Board Opinion No. 15, "Earnings per Share" (APB 15). In February 1997, Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128) was issued.

SFAS 128 established standards for computing and presenting EPS and applies to entities with publicly held common stock or potential common stock. This statement simplifies the standards for computing EPS previously found in APB 15, and makes them comparable to international EPS standards.

SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS based upon the weighted average number of common shares for the period. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. SFAS 128 was adopted by the Company at the end of 1997 and EPS for all prior periods was restated.

The Company has stock options outstanding which represent the only forms of potential common stock at December 31, 1997. Dilutive options or warrants that are issued during a period or that expire or are canceled during a period are included in the denominator of diluted EPS for the period that they were outstanding.

The reconciliation between the numerator and denominator for basic and diluted EPS is as follows:

(Dollars in millions, except per-share amounts)	Income (Numerator)	Shares (Denominator)	Per-Share Amount
December 31, 1997:			
Net Income	$ 184		
Less: Dividends on Preferred Stock	(4)		
Basic EPS:			
Net Income Applicable to Common Stock	$ 180	81,354	$ 2.22
Effect of Dilutive Securities:			
Stock Options		390	
Diluted EPS:			
Net Income Applicable to Common Stock	$ 180	81,744	$ 2.21
December 31, 1996:			
Net Income	$ 203		
Less: Dividends on Preferred Stock	(5)		
Preferred Stock Original Issue Discount	(2)		
Basic EPS:			
Net Income Applicable to Common Stock	$ 196	82,626	$ 2.37
Effect of Dilutive Securities:			
Stock Options		221	
Diluted EPS:			
Net Income Applicable to Common Stock	$ 196	82,847	$ 2.36
December 31, 1995:			
Net Income	$ 185		
Less: Dividends on Preferred Stock	(10)		
Basic EPS:			
Net Income Applicable to Common Stock	$ 175	82,265	$ 2.12
Effect of Dilutive Securities:			
Stock Options		73	
Diluted EPS:			
Net Income Applicable to Common Stock	$ 175	82,338	$ 2.12

16. 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 9 and 13). 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.

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, 1997, the provisions for these matters are adequate.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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 55. 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 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 it 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/ Neal E. Schmale
Neal E. Schmale
Executive Vice President and Chief Financial Officer

January 27, 1998

INDEPENDENT AUDITORS' REPORT

Pacific Enterprises:

We have audited the consolidated financial statements of Pacific Enterprises and subsidiaries (pages 31 to 53) as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997. 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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Los Angeles, California
January 27, 1998

SELECTED FINANCIAL DATA AND COMPARATIVE STATISTICS 1987-1997

(Dollars in millions, except per share amounts)	1997	1996	1995	1994
Consolidated:				
Operating revenues from continuing operations	$2,738	$2,563	$2,343	$2,664
Income from continuing operations	$ 184	$ 203	$ 185	$ 172
Income (loss) from discontinued operations				
Net income (loss)	184	203	185	172
Dividends on preferred stock	4	5	10	12
Preferred stock original issue discount		2		
Net income (loss) applicable to common stock	$ 180	$ 196	$ 175	$ 160
Net income (loss) per share of common stock:				
Basic:				
Continuing operations	$ 2.22	$ 2.37	$ 2.12	$ 1.95
Discontinued operations	$ 2.22	$ 2.37	$ 2.12	$ 1.95
Diluted:				
Continuing operations	$ 2.21	$ 2.36	$ 2.12	$ 1.95
Discontinued operations	$ 2.21	$ 2.36	$ 2.12	$ 1.95
Cash dividends per share of common stock	$ 1.50	$ 1.42	$ 1.34	$ 1.26
Book value per share	$17.13	$16.58	$15.71	$14.74
Capital expenditures of continuing operations	$ 187	$ 204	$ 240	$ 249
Total assets	$4,977	$5,186	$5,259	$5,445
Capitalization:				
Short-term debt	$ 354	$ 262	$ 234	$ 278
Long-term debt due within one year	148	149	100	128
Long-term debt	988	1,095	1,241	1,420
Long-term debt of ESOP	130	130	130	130
Obligations under capital leases				
Preferred stocks of a subsidiary:				
Redeemable				
Nonredeemable	95	95	195	195
Preferred stock	80	80	188	218
Common stock	1,064	1,095	1,111	1,092
Retained earnings	372	314	236	172
Less deferred compensation relating to esop	(47)	(49)	(52)	(54)
Total capitalization	$3,184	$3,171	$3,383	$3,579
Number of employees	7,215	7,643	7,860	8,484
SoCalGas:				
Gas revenues:				
Residential	$1,736	$1,613	$1,554	$1,713
Commercial/industrial	756	708	751	798
Utility electric generation	76	70	104	118
Wholesale	67	70	62	98
Exchange	1	1	1	1
Gas revenues in rates	2,636	2,462	2,472	2,728
Regulatory balancing accounts and other	5	(40)	(193)	(141)
Total operating revenue	$2,641	$2,422	$2,279	$ 2,587
Gas volumes delivered (billion cubic feet):				
Residential	240	236	239	256
Commercial/industrial	388	374	351	348
Utility electric generation	158	139	205	260
Wholesale	138	130	129	146
Exchange	6	5	13	10
Total throughput	930	884	937	1,020
Core	323	314	325	341
Noncore	607	570	612	679
Total throughput	930	884	937	1,020
Gas volumes sold	317	315	338	362
Gas volumes transported or exchanged	613	569	599	658
Total throughput	930	884	937	1,020
Number of customers:				

Residential	4,624,279	4,582,553	4,526,150	4,483,324
Commercial	183,146	184,425	184,470	187,518
Industrial	22,642	22,952	22,976	23,505
Utility electric generation/wholesale	12	12	11	11
Total number of customers	4,830,079	4,789,942	4,733,607	4,694,358
Gas purchased (billion cubic feet):				
Market gas	229	226	206	247
Affiliates	95	96	99	101
Other long-term supplies	5	12	29	36
Total gas purchased	329	334	334	384
Average cost of gas purchased excluding fixed costs (per thousand cubic feet)	$ 2.58	$ 1.88	$ 1.42	$ 1.68
Weighted average rate base	$2,734	$ 2,777	$ 2,766	$ 2,862
Authorized rate of return on:				
Rate base	9.49%	9.42%	9.67%	9.22%
Common equity	11.60%	11.60%	12.00%	11.00%
Degree days	1,126	1,195	1,241	1,459

(Dollars in millions, except per share amounts)	1993	1992	1991	1990	1989	1988	1987
Consolidated:							
Operating revenues from continuing operations	$2,899	$2,900	$3,007	$3,376	$3,344	$3,301	$3,385
Income from continuing operations	$ 181	$ 136	$ 167	$ 142	142	$ 142	$ 148
Income (loss) from discontinued operations		(686)	(255)	(201)	64	75	101
Net income (loss)	181	(550)	(88)	(59)	206	217	249
Dividends on preferred stock	15	16	16	17	13	6	6
Preferred stock original issue discount							
Net income (loss) applicable to common stock	$ 166	$ (566)	$(104)	$ (76)	$ 193	$ 211	$ 243
Net income (loss) per share of common stock:							
Basic:							
Continuing operations	$ 2.06	$ 1.60	$ 2.09	$ 1.78	$ 1.98	$ 2.20	$ 2.40
Discontinued operations		(9.17)	(3.54)	(2.87)	.99	1.23	1.70
	$ 2.06	(7.57)	$(1.45)	$(1.09)	$ 2.97	$ 3.43	$ 4.10
Diluted:							
Continuing operations	$ 2.06	$ 1.60	$ 2.09	$ 1.78	$ 1.98	$ 2.20	$ 2.40
Discontinued operations		(9.16)	(3.54)	(2.87)	.99	1.22	1.70
	$ 2.06	$(7.56)	$(1.45)	$(1.09)	$ 2.97	$ 3.42	$ 4.10
Cash dividends per share of common stock	$ .60	$ .44	$ 2.62	$ 3.48	$ 3.48	$ 3.48	$ 3.48
Book value per share	$12.19	$ 9.44	$19.74	$23.07	$27.10	$28.26	$27.05
Capital expenditures of continuing operations	$ 331	$ 329	$ 335	$ 386	$ 340	$ 351	$ 328
Total assets	$5,596	$5,414	$5,462	$5,702	$5,874	$5,496	$4,374
Capitalization:							
Short-term debt	$ 267	$ 215	$ 123	$ 491	$ 637	$ 572	$ 128
Long-term debt due within one year	58	217	25	30	30	65	72
Long-term debt	1,262	1,774	1,776	1,161	1,045	1,220	1,067
Long-term debt of ESOP	132	141	149	163	173	31	38
Obligations under capital leases						25	26
Preferred stocks of a subsidiary:							
Redeemable					60	60	60
Nonredeemable	195	195	195	145	70	20	20
Preferred stock	258	258	258	258	258	110	110
Common stock	1,048	859	1,458	1,385	1,331	1,066	875
Retained earnings	116		146	419	738	770	771
Less deferred compensation relating to esop	(138)	(148)	(163)	(173)	(189)	(31)	(38)
Total capitalization	$3,198	$3,511	$3,967	$3,879	$4,153	$3,908	$3,129
Number of employees	9,200	9,884	40,953	42,370	43,891	40,538	27,928
SoCalGas:							
Gas revenues:							
Residential	$1,653	$1,484	$1,674	$1,548	$1,484	1,482	$1,496
Commercial/industrial	853	836	977	1,057	1,016	1,008	1,059
Utility electric generation	147	195	149	235	483	554	662
Wholesale	117	129	145	165	192	252	302
Exchange	4	6	7	8	8	12	18
Gas revenues in rates	2,774	2,650	2,952	3,013	3,183	3,308	3,537
Regulatory balancing accounts and other	37	190	(22)	200	92	(86)	(225)
Total operating revenue	$2,811	$2,840	$2,930	$3,213	$3,275	$3,222	$3,312
Gas volumes delivered (billion cubic feet):							
Residential	248	244	249	262	255	253	259
Commercial/industrial	339	363	460	436	400	344	269
Utility electric generation	213	221	170	159	202	199	309
Wholesale	148	149	142	139	146	144	159
Exchange	17	24	26	30	30	39	55
Total throughput	965	1,001	1,047	1,026	1,033	979	1,051
Core	339	335	351	372	364	n/a	n/a
Noncore	626	666	696	654	669	n/a	n/a
Total throughput	965	1,001	1,047	1,026	1,033	979	1,051
Gas volumes sold	352	355	411	515	594	654	759
Gas volumes transported or exchanged	613	646	636	511	439	325	292
Total throughput	965	1,001	1,047	1,026	1,033	979	1,051
Number of customers:							
Residential	4,459,250	4,445,500	4,429,896	4,381,563	4,295,838	4,196,010	4,086,365
Commercial	187,602	189,364	193,051	193,409	192,269	190,908	189,611
Industrial	23,924	24,419	25,642	26,530	26,957	27,133	27,227

Utility electric generation/wholesale	11	10	10	10	9	9	8
Total number of customers	4,670,787	4,659,293	4,648,599	4,601,512	4,515,073	4,414,060	4,303,211
Gas purchased (billion cubic feet):							
Market gas	244	219	308	375	363	306	319
Affiliates	97	99	99	103	104	118	113
Other long-term supplies	28	42	39	53	149	247	343
Total gas purchased	369	360	446	531	616	671	775
Average cost of gas purchased excluding fixed costs (per thousand cubic feet)	$ 2.21	$ 2.24	$ 2.40	$ 2.59	$ 2.46	$ 2.39	$ 2.20
Weighted average rate base	$2,769	$2,720	$2,663	$2,549	$ 2,386	$2,268	$2,167
Authorized rate of return on:							
Rate base	9.99%	10.49%	10.79%	10.75%	10.96%	10.93%	11.51%
Common equity	11.90%	12.65%	13.00%	13.00%	13.00%	12.75%	13.90%
Degree days	1,203	1,258	1,409	1,432	1,344	1,354	1,498

QUARTERLY FINANCIAL DATA (UNAUDITED)

(Dollars are in millions, except per-share amounts)	Three Months Ended 1997 Mar 31	Jun 30	Sep 30	Dec 31	Total
Operating revenues	$ 794	$ 592	$ 609	$ 743	$ 2,738
Net income	$ 50	$ 57	$ 37	$ 40	$ 184
Net income per share of common stock-basic	$ .60	$ .70	$ .44	$ .47	$ 2.22
Dividends declared per share of common stock	$ .36	$ .76	$	$ .38	$ 1.50
Dividends paid per share of common stock	$ .36	$ .38	$ .38	$ .38	$ 1.50
Weighted average number of shares of common stock outstanding (in thousands)	81,936	81,192	81,142	81,158	81,354

(Dollars are in millions, except per-share amounts)	Three Months Ended 1996 Mar 31	Jun 30	Sep 30	Dec 31	Total
Operating revenues	$ 631	$ 560	$ 596	$ 776	$ 2,563
Net income	$ 51	$ 56	$ 48	$ 48	$ 203
Net income per share of common stock-basic	$ .57	$ .67	$ .57	$ .56	$ 2.37
Dividends declared per share of common stock	$ .34	$ .72	$	$ .36	$ 1.42
Dividends paid per share of common stock	$ .34	$ .36	$ .36	$ .36	$ 1.42
Weighted average number of shares of common stock outstanding (in thousands)	82,430	82,605	82,758	82,652	82,626

RANGE OF MARKET PRICES OF CAPITAL STOCK

Three Months Ended	1997 Mar 31	Jun 30	Sep 30	Dec 31
Common Stock	$31 3/8 - 29 5/8	$33 7/8 - 29 3/4	$34 13/16 - 31 9/16	$37 5/8 - 30 5/8
Preferred Stock:				
$4.75	$73 1/8 - 70 1/2	$77 - 69 1/2	$81 - 72 3/4	$82 7/8 - 74
$4.50	$72 - 66	$71 7/32 - 65 3/8	$75 - 67 5/8	$80 5/16 - 64
$4.40	$67 3/4 - 63	$70 1/4 - 63 5/8	$71 1/2 - 65 1/8	$77 - 65 5/8
$4.36	$69 - 63 1/2	$70 1/2 - 63	$72 3/4 - 66 1/2	$77 25/32 - 64 1/2

Three Months Ended	1996 Mar 31	Jun 30	Sep 30	Dec 31
Common Stock	$29 5/8 - 25 1/4	$29 5/8 - 24 1/2	$31 3/8 - 28 1/2	$32 1/2 - 28 3/4
Preferred Stock:				
$4.75	$75 1/2 - 64 1/4	$67 - 63 3/8	$70 - 61	$74 - 66 1/4
$4.50	$73 - 63 1/4	$65 5/8 - 58 1/8	$66 5/16 - 58 7/8	$70 - 64 3/8
$4.40	$69 7/8 - 58 7/8	$67 1/2 - 61	$64 3/4 - 59 7/8	$67 3/4 - 61 1/4
$4.36	$68 - 58 1/4	$61 1/2 - 58 3/4	$64 3/8 - 58 5/8	$71 - 60 5/8

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, 1997 IS 34,542.

Exhibit 21.01

List of Subsidiaries of Pacific Enterprises

Atlantic-Pacific Glendale, L.L.C.
Argelec Holdco
Arggas Holdco
Arggen Holdco
Argentina Gas & Electric Company
Atlantic-Pacific Las Vegas, L.L.C.
Bangor Gas Company, L.L.C.
Bangor Pacific Corporation
Central Plants, Inc.
CES/Way Holding Company
CES/Way International, Inc.
EcoTrans OEM Corporation
ElecArg Holdco
Energy Alliance I
Energy Pacific, LLC
Energy Pacific Glendale
Energy Pacific Las Vegas
Ensource
ESHold, Inc.
Frontier Pacific
Frontier Energy, L.L.C.
FTM Sports Corporation
GSHold, Inc.
Mexico City Disco Holding, Ltd.
Pacific Enerchange
Pacific Energy Leasing
Pacific Enterprises ABC Corporation
Pacific Enterprises Commercial Loans, Inc.
Pacific Enterprises Energy Management Services
Pacific Enterprises Energy Services
Pacific Enterprises International
Pacific Enterprises International (Cayman I)
Pacific Enterprises International (Cayman II)
Pacific Enterprises International Argentina I
Pacific Enterprises International Argentina II
Pacific Enterprises International Brazil Holding I, Ltd.
Pacific Enterprises International Brazil Holding II, Ltd.
Pacific Enterprises International Holdings I
Pacific Enterprises International Holdings II
Pacific Enterprises International Indonesia
Pacific Enterprises International Latin America
Pacific Enterprises International Mexico I
Pacific Enterprises International River Plate Holdings
Pacific Enterprises International River Plate Operations
Pacific Enterprises Leasing Company
Pacific Enterprises LNG Company
Pacific Enterprises Oil Company
Pacific Enterprises Oil Company (USA)

Pacific Enterprises Oil Company (Western)
Pacific Interstate Company
Pacific Interstate Mojave Company
Pacific Interstate Offshore Company
Pacific Interstate Transmission Company
Pacific Interstate Transmission Company (Arctic)
Pacific Lighting Corporation
Pacific Lighting Gas Development Company
Pacific Lighting Land Company
Pacific Lighting Real Estate Group
Pacific Offshore Pipeline Company
Pacific Enterprises LNG Company
Pacific Synthetic Fuel Company
Pacific Western Resources Company
Pay'n Save Drug Stores, Incorporated
PEI Brazil Service Corporation
PEI Mexico Service Corporation
PEI Uruguay Holdings I, Ltd.
PEI Uruguay Holdings II, Ltd.
PEI Uruguay Operator I, Ltd.
PEI Uruguay Operator II, Ltd.
Presley RAC Finance Co., Inc.
Presley-Home Mac Finance Co., Inc.
Sempra
Sempra Corporation
Sempra Energy
Sempra Energy Holding Co.
Sempra Energy Trading
Southern California Gas Company
Southern California Gas Tower
Rosarito PowerCo Holding, Ltd.
Rosarito Transco Holding, Ltd.
Toluca Disco Holding, Ltd.

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 27, 1998, appearing in and incorporated by reference in this Annual Report on Form 10-K of Pacific Enterprises for the year ended December 31, 1997.

DELOITTE & TOUCHE LLP

Los Angeles, California
March 23, 1998

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED STATEMENT OF CONSOLIDATED INCOME, BALANCE SHEET, AND CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000075527
PACIFIC ENTERPRISES
1,000,000

12-MOS
DEC-31-1997
DEC-31-1997
PER-BOOK
3,074
271
1,103
394
135
4,977
1,064
0
372
1,389
0
80
988
354
0
0
148
0
0
0
2,018
4,977
2,738
151
0
2,339
438
39
438
103
184
4
180
122
0
350
2.22
2.21

UT
1,000,000

3-MOS	12-MOS	6-MOS
DEC-31-1996	DEC-31-1996	DEC-31-1997
MAR-31-1996	DEC-31-1996	JUN-30-1997
PER-BOOK	PER-BOOK	PER-BOOK
3,262	3,167	3,207
54	185	96
855	1,161	880
632	552	490
111	121	148
4,914	5,186	4,833
1,112	1,095	1,061
0	0	0
255	314	328
1,316	1,360	1,341
0	0	0
80	80	80
1,206	1,095	1,052
84	262	116
0	0	0
0	0	0
97	149	296
0	0	0
0	0	0
0	0	0
2,131	2,240	1,948
4,914	5,186	4,833
631	2,563	1,386
40	151	86
0	0	0
519	2,137	1,157
118	451	244
6	25	15
0	0	0
27	97	51
51	203	107
4	7	2
47	196	105
28	118	94
0	0	0
301	608	360
.57	2.37	1.30
.57	2.36	1.29