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|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2002                            | 2001     |
| Operating Revenues                                       | \$ 722                          | \$ 1,548 |
| Operating Expenses                                       |                                 |          |
| Cost of natural gas distributed                          | 347                             | 1,151    |
| Other operating expenses                                 | 171                             | 188      |
| Depreciation   | 68                              | 65       |
| Income taxes   | 47                              | 42       |
| Other taxes and franchise payments                       | 24                              | 34       |
| Total operating expenses                                 | 657                             | 1,480    |
| Operating Income   | 65                              | 68       |
| Other Income and (Deductions)                            |                                 |          |
| Interest income  | 2                               | 17       |
| Regulatory interest - net                                | 1                               | (5)      |
| Allowance for equity funds used<br>during construction   | 2                               | 1        |
| Taxes on non-operating income                            | 3                               | (2)      |
| Other - net  | 3                               | (4)      |
| Total  | 11                              | 7        |
| Interest Charges   |                                 |          |
| Long-term debt   | 9                               | 17       |
| Other  | 9                               | 9        |
| Allowance for borrowed funds used<br>during construction | (1)                             | (1)      |
| Total  | 17                              | 25       |
| Net Income   | 59                              | 50       |
| Preferred Dividend Requirements                          | 1                               | 1        |
| Earnings Applicable to Common Shares                     | \$ 58                           | \$ 49    |

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

|                                     | Balance at        |                      |
|-------------------------------------|-------------------|----------------------|
|                                     | March 31,<br>2002 | December 31,<br>2001 |
| ASSETS                              |                   |                      |
| Property, plant and equipment       | \$6,655           | \$6,590              |
| Accumulated depreciation            | (3,853)           | (3,793)              |
| Property, plant and equipment - net | 2,802             | 2,797                |

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|  |         |         |
|--|---------|---------|
| Current assets:  |         |         |
| Cash and cash equivalents  | 66      | 13      |
| Accounts receivable - trade  | 320     | 415     |
| Accounts receivable - other  | 43      | 14      |
| Due from unconsolidated affiliates   | 181     | --      |
| Income taxes receivable  | --      | 20      |
| Deferred income taxes  | 44      | 33      |
| Regulatory assets arising from fixed-price contracts and other derivatives | 94      | 103     |
| Fixed-price contracts and other derivatives                                | 12      | 59      |
| Inventories  | 13      | 42      |
| Other  | 3       | 4       |
|  | -----   | -----   |
| Total current assets   | 776     | 703     |
|  | -----   | -----   |
| Other assets:  |         |         |
| Due from unconsolidated affiliates   | 423     | 409     |
| Regulatory assets arising from fixed-price contracts and other derivatives | 342     | 157     |
| Sundry   | 131     | 125     |
|  | -----   | -----   |
| Total other assets   | 896     | 691     |
|  | -----   | -----   |
| Total assets   | \$4,474 | \$4,191 |
|  | =====   | =====   |

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

|  | Balance at        |                      |
|--|-------------------|----------------------|
|  | March 31,<br>2002 | December 31,<br>2001 |
|  | -----             | -----                |
| CAPITALIZATION AND LIABILITIES   |                   |                      |
| Capitalization:  |                   |                      |
| Common Stock (600,000,000 shares authorized;<br>83,917,664 shares outstanding) | \$1,317           | \$1,317              |
| Retained earnings  | 234               | 177                  |
|  | -----             | -----                |
| Total common equity  | 1,551             | 1,494                |
| Preferred stock  | 80                | 80                   |
|  | -----             | -----                |
| Total shareholders' equity   | 1,631             | 1,574                |
| Long-term debt   | 506               | 579                  |
|  | -----             | -----                |
| Total capitalization   | 2,137             | 2,153                |
|  | -----             | -----                |
| Current liabilities:   |                   |                      |
| Short-term debt  | --                | 50                   |
| Current portion of long-term debt  | 175               | 100                  |
| Accounts payable - trade   | 195               | 160                  |
| Accounts payable - other   | 111               | 81                   |
| Due to unconsolidated affiliates   | 60                | 168                  |
| Regulatory balancing accounts - net  | 166               | 85                   |

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|  |         |         |
|--|---------|---------|
| Income taxes payable                         | 8       | --      |
| Dividends and interest payable               | 37      | 31      |
| Regulatory liabilities                       | 12      | 18      |
| Fixed-price contracts and other derivatives  | 103     | 103     |
| Other  | 409     | 390     |
|  | -----   | -----   |
| Total current liabilities                    | 1,276   | 1,186   |
|  | -----   | -----   |
| Deferred credits and other liabilities:      |         |         |
| Customer advances for construction           | 28      | 24      |
| Post-retirement benefits other than pensions | 86      | 88      |
| Deferred income taxes                        | 138     | 110     |
| Deferred investment tax credits              | 49      | 50      |
| Regulatory liabilities                       | 99      | 86      |
| Fixed-price contracts and other derivatives  | 344     | 162     |
| Deferred credits and other liabilities       | 297     | 312     |
| Preferred stock of subsidiary                | 20      | 20      |
|  | -----   | -----   |
| Total deferred credits and other liabilities | 1,061   | 852     |
|  | -----   | -----   |
| Contingencies and commitments (Note 2)       |         |         |
| Total liabilities and shareholders' equity   | \$4,474 | \$4,191 |
|  | =====   | =====   |

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS  
Dollars in millions

|   | Three Months Ended<br>March 31, |       |
|---|---------------------------------|-------|
|   | 2002                            | 2001  |
|   | -----                           | ----- |
| Cash Flows from Operating Activities  |                                 |       |
| Net Income  | \$ 59                           | \$ 50 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |       |
| Depreciation  | 68                              | 65    |
| Deferred income taxes and investment tax credits                                  | 16                              | 9     |
| Changes in other assets   | --                              | 13    |
| Changes in other liabilities  | (12)                            | (3)   |
| Net changes in other working capital components                                   | 343                             | 132   |
|   | -----                           | ----- |
| Net cash provided by operating activities   | 474                             | 266   |
|   | -----                           | ----- |
| Cash Flows from Investing Activities  |                                 |       |
| Capital expenditures  | (70)                            | (46)  |
| Loans repaid by (paid to) affiliates  | (200)                           | 190   |
|   | -----                           | ----- |
| Net cash provided by (used in) investing activities                               | (270)                           | 144   |
|   | -----                           | ----- |

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|   |       |        |
|---|-------|--------|
| Cash Flows from Financing Activities              |       |        |
| Common dividends paid                             | (100) | (140)  |
| Preferred dividends paid                          | (1)   | (1)    |
| Decrease in short-term debt                       | (50)  | --     |
|   | ----- | -----  |
| Net cash used in financing activities             | (151) | (141)  |
|   | ----- | -----  |
| Increase in cash and cash equivalents             | 53    | 269    |
| Cash and cash equivalents, January 1              | 13    | 205    |
|   | ----- | -----  |
| Cash and cash equivalents, March 31               | \$ 66 | \$ 474 |
|   | ===== | =====  |
| Supplemental Disclosure of Cash Flow Information: |       |        |
| Interest payments, net of amounts capitalized     | \$ 13 | \$ 21  |
|   | ===== | =====  |
| Income tax payments, net of refunds               | \$ -- | \$ 102 |
|   | ===== | =====  |

See notes to Consolidated Financial Statements.

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

|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2002                            | 2001     |
|  | -----                           | -----    |
| Operating Revenues                                     | \$ 722                          | \$ 1,548 |
|  | -----                           | -----    |
| Operating Expenses                                     |                                 |          |
| Cost of natural gas distributed                        | 347                             | 1,151    |
| Other operating expenses                               | 168                             | 186      |
| Depreciation   | 68                              | 65       |
| Income taxes   | 48                              | 44       |
| Other taxes and franchise payments                     | 24                              | 34       |
|  | -----                           | -----    |
| Total operating expenses                               | 655                             | 1,480    |
|  | -----                           | -----    |
| Operating Income                                       | 67                              | 68       |
|  | -----                           | -----    |
| Other Income and (Deductions)                          |                                 |          |
| Interest income  | 1                               | 9        |
| Regulatory interest - net                              | 1                               | (5)      |
| Allowance for equity funds used<br>during construction | 2                               | 1        |
| Taxes on non-operating income                          | 4                               | (2)      |
| Other - net  | -                               | (1)      |
|  | -----                           | -----    |
| Total  | 8                               | 2        |
|  | -----                           | -----    |
| Interest Charges                                       |                                 |          |

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|   |       |       |
|---|-------|-------|
| Long-term debt  | 9     | 17    |
| Other   | 7     | 3     |
| Allowance for borrowed funds used during construction | (1)   | (1)   |
|   | ----- | ----- |
| Total   | 15    | 19    |
|   | ----- | ----- |
| Earnings Applicable to Common Shares                  | \$ 60 | \$ 51 |
|   | ===== | ===== |

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

|  | Balance at        |                      |
|--|-------------------|----------------------|
|  | March 31,<br>2002 | December 31,<br>2001 |
|  | -----             | -----                |
| <b>ASSETS</b>  |                   |                      |
| Utility plant - at original cost   | \$6,531           | \$6,467              |
| Accumulated depreciation   | (3,769)           | (3,710)              |
|  | -----             | -----                |
| Utility plant - net  | 2,762             | 2,757                |
|  | -----             | -----                |
| <b>Current assets:</b>   |                   |                      |
| Cash and cash equivalents  | 66                | 13                   |
| Accounts receivable - trade  | 320               | 415                  |
| Accounts receivable - other  | 43                | 14                   |
| Due from unconsolidated affiliates   | 181               | --                   |
| Deferred income taxes  | 73                | 62                   |
| Regulatory assets arising from fixed-price contracts and other derivatives | 94                | 103                  |
| Fixed-price contracts and other derivatives                                | 12                | 59                   |
| Inventories  | 13                | 42                   |
| Other  | 3                 | 4                    |
|  | -----             | -----                |
| Total current assets   | 805               | 712                  |
|  | -----             | -----                |
| <b>Other assets:</b>   |                   |                      |
| Regulatory assets arising from fixed-price contracts and other derivatives | 342               | 157                  |
| Sundry   | 144               | 136                  |
|  | -----             | -----                |
| Total other assets   | 486               | 293                  |
|  | -----             | -----                |
| Total assets   | \$4,053           | \$3,762              |
|  | =====             | =====                |

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

Balance at

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|  | March 31,<br>2002 | December 31,<br>2001 |
|--|-------------------|----------------------|
|  | -----             | -----                |
| CAPITALIZATION AND LIABILITIES   |                   |                      |
| Capitalization:  |                   |                      |
| Common Stock (100,000,000 shares authorized;<br>91,300,000 shares outstanding) | \$ 835            | \$ 835               |
| Retained earnings  | 430               | 470                  |
|  | -----             | -----                |
| Total common equity  | 1,265             | 1,305                |
| Preferred stock  | 22                | 22                   |
|  | -----             | -----                |
| Total shareholders' equity   | 1,287             | 1,327                |
| Long-term debt   | 506               | 579                  |
|  | -----             | -----                |
| Total capitalization   | 1,793             | 1,906                |
|  | -----             | -----                |
| Current liabilities:   |                   |                      |
| Short-term debt  | --                | 50                   |
| Current portion of long-term debt  | 175               | 100                  |
| Accounts payable - trade   | 195               | 160                  |
| Accounts payable - other   | 111               | 81                   |
| Due to unconsolidated affiliates   | --                | 24                   |
| Regulatory balancing accounts - net  | 166               | 85                   |
| Income taxes payable   | 63                | 32                   |
| Interest payable   | 33                | 29                   |
| Regulatory liabilities   | 12                | 18                   |
| Fixed-price contracts and other derivatives                                    | 103               | 103                  |
| Other  | 408               | 390                  |
|  | -----             | -----                |
| Total current liabilities  | 1,266             | 1,072                |
|  | -----             | -----                |
| Deferred credits and other liabilities:  |                   |                      |
| Customer advances for construction   | 28                | 24                   |
| Deferred income taxes  | 209               | 183                  |
| Deferred investment tax credits  | 49                | 50                   |
| Regulatory liabilities   | 185               | 174                  |
| Fixed-price contracts and other derivatives                                    | 344               | 162                  |
| Deferred credits and other liabilities   | 179               | 191                  |
|  | -----             | -----                |
| Total deferred credits and other liabilities                                   | 994               | 784                  |
|  | -----             | -----                |
| Contingencies and commitments (Note 2)   |                   |                      |
| Total liabilities and shareholders' equity                                     | \$4,053           | \$3,762              |
|  | =====             | =====                |

See notes to Consolidated Financial Statements.

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

| Three Months Ended<br>March 31, |      |
|---------------------------------|------|
| -----                           |      |
| 2002                            | 2001 |

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|   |       |        |
|---|-------|--------|
|   | ----- | -----  |
| Cash Flows from Operating Activities  |       |        |
| Net income  | \$ 60 | \$ 51  |
| Adjustments to reconcile net income to net cash provided by operating activities: |       |        |
| Depreciation  | 68    | 65     |
| Deferred income taxes and investment tax credits                                  | 13    | 8      |
| Changes in other assets   | --    | 13     |
| Changes in other liabilities  | (10)  | --     |
| Net changes in other working capital components                                   | 342   | 135    |
|   | ----- | -----  |
| Net cash provided by operating activities   | 473   | 272    |
|   | ----- | -----  |
| Cash Flows from Investing Activities  |       |        |
| Capital expenditures  | (70)  | (46)   |
| Loan repaid by (paid to) affiliate  | (200) | 183    |
|   | ----- | -----  |
| Net cash provided by (used in) investing activities                               | (270) | 137    |
|   | ----- | -----  |
| Cash Flows from Financing Activities  |       |        |
| Dividends paid  | (100) | (140)  |
| Decrease in short-term debt   | (50)  | --     |
|   | ----- | -----  |
| Net cash used in financing activities   | (150) | (140)  |
| Increase in cash and cash equivalents   | 53    | 269    |
| Cash and cash equivalents, January 1  | 13    | 205    |
|   | ----- | -----  |
| Cash and cash equivalents, March 31   | \$ 66 | \$ 474 |
|   | ===== | =====  |
| Supplemental Disclosure of Cash Flow Information:                                 |       |        |
| Interest payments, net of amounts capitalized                                     | \$ 11 | \$ 15  |
|   | ===== | =====  |
| Income tax payments, net of refunds   | \$ -- | \$ 90  |
|   | ===== | =====  |

See notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The accompanying Consolidated Financial Statements have been prepared in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year. In the opinion of management, the



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accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal recurring nature. Certain changes in classification have been made to prior presentations to conform to the current financial statement presentation.

The companies' significant accounting policies are described in the notes to Consolidated Financial Statements in the companies' Annual Report on Form 10-K for the year ended December 31, 2001 (Annual Report). The same accounting policies are followed for interim reporting purposes.

Information in this Quarterly Report is unaudited and should be read in conjunction with the companies' Annual Report.

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

### NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board (FASB) issued two statements, SFAS 142 "Goodwill and Other Intangible Assets" and SFAS 143 "Accounting for Asset Retirement Obligations." The former is not presently relevant to the companies.

SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This applies to legal obligations associated with the retirement of long-lived assets. It requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity increases the carrying amount of the related long-lived asset to reflect the future retirement cost. Over time, the liability is accreted to its present value and paid, and the capitalized cost is depreciated over the useful life of the related asset. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The companies have not yet determined the precise effect of SFAS 143 on their Consolidated Balance Sheets, but have determined that it will not have a material impact on their Statements of Consolidated Income.

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

### 2. MATERIAL CONTINGENCIES

#### LITIGATION

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Lawsuits filed in 2000 and currently consolidated in San Diego Superior Court seek class-action certification and allege that Sempra Energy, SoCalGas, SDG&E and El Paso Energy Corp. acted to drive up the price of natural gas for Californians by agreeing to restrict pipeline capacity into California. Management believes the allegations are without merit.

Except for the matter referred to above, neither the companies nor their subsidiaries are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses. Management believes that these matters will not have a material adverse effect on the companies' financial condition or results of operations.

### QUASI-REORGANIZATION

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

### 3. COMPREHENSIVE INCOME

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

| (Dollars in millions)             | Pacific Enterprises                    |       | SoCalGas                               |       |
|-----------------------------------|--|-------|--|-------|
|                                   | Three-month periods<br>ended March 31, |       | Three-month periods<br>ended March 31, |       |
|                                   | 2002                                   | 2001  | 2002                                   | 2001  |
| Net income                        | \$ 59                                  | \$ 50 | \$ 60                                  | \$ 51 |
| Financial instruments<br>(Note 4) | (1)*                                   | --    | (1)*                                   | --    |
| Comprehensive income              | \$ 58                                  | \$ 50 | \$ 59                                  | \$ 51 |

\* This did not affect the reported balance of accumulated other comprehensive income (\$0 at the beginning and end of the period) due to rounding.

### 4. FINANCIAL INSTRUMENTS

Note 8 of the notes to Consolidated Financial Statements in the companies' Annual Report discusses the companies' financial instruments, including the adoption of SFAS 133, accounting for derivative instruments and hedging activities, market risk, interest-rate risk management, energy derivatives and contracts, and fair value. Additional activity and information since January 1, 2002 related to financial instruments are described herein.

At March 31, 2002, \$12 million in current assets, \$103 million in current liabilities and \$344 million in noncurrent liabilities were recorded in the Consolidated Balance Sheets for fixed-priced contracts

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and other derivatives. Regulatory assets and liabilities were established to the extent that derivative gains and losses are recoverable or payable through future rates. As such, \$94 million in current regulatory assets, \$342 million in noncurrent regulatory assets, \$2 million in regulatory balancing account liabilities and \$1 million in other current liabilities were recorded in the Consolidated Balance Sheets as of March 31, 2002. For the three months ended March 31, 2002, \$2 million in other operating losses were recorded in "Other - net" in the Statements of Consolidated Income. Additionally, \$2 million was a market value adjustment to long-term debt related to a fixed-to-floating interest rate swap agreement.

### ITEM 2.

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

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

#### INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

See also "Factors Influencing Future Performance" below.

#### CAPITAL RESOURCES AND LIQUIDITY

The companies' California utility operations have historically been a major source of liquidity. See further discussion in the companies' Annual Report.

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### CASH FLOWS FROM OPERATING ACTIVITIES

For the three-month period ended March 31, 2002, the increase in cash flows from operations compared to the corresponding period in 2001 is primarily due to greater income tax payments made during the first quarter of 2001 compared to none made during the same period in 2002, and the increase in overcollected regulatory balancing accounts resulting from increased natural gas usage due to cooler winter weather.

### CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures for property, plant and equipment are estimated to be \$300 million for the full year 2002 and are being financed primarily by internally generated funds and security issuances. Construction, investment and financing programs are continuously reviewed and revised in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements.

### CASH FLOWS FROM FINANCING ACTIVITIES

For the three-month period ended March 31, 2002, cash flows used in financing activities increased from the corresponding period in 2001 due primarily to the repayment of short-term debt, partially offset by the decrease in common dividends paid.

In April 2002, Fitch, Inc. confirmed its prior credit ratings of the companies' debt; Standard & Poor's reduced its ratings of SoCalGas' secured debt one notch from AA- with a negative outlook to A+ with a stable outlook and made corresponding adjustments in the ratings and outlook of the companies' other debt, including reducing PE's preferred stock from A- to BBB+; and Moody's Investors Service, Inc., confirmed its prior ratings of the debt of SoCalGas.

### RESULTS OF OPERATIONS

The companies' net income increased for the three-month period ended March 31, 2002, compared to the corresponding period in 2001 primarily due to lower operating and interest expenses in 2002.

The table below summarizes natural gas volumes and revenues by customer class for the three-month periods ended March 31, 2002 and 2001.

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

|                            | Gas Sales |         | Transportation & Exchange |         | Total   |         |
|----------------------------|-----------|---------|---------------------------|---------|---------|---------|
|                            | Volumes   | Revenue | Volumes                   | Revenue | Volumes | Revenue |
| 2002:                      |           |         |                           |         |         |         |
| Residential                | 95        | \$ 586  | 1                         | \$ 2    | 96      | \$ 588  |
| Commercial and industrial  | 29        | 145     | 71                        | 31      | 100     | 176     |
| Electric generation plants | --        | --      | 43                        | 7       | 43      | 7       |
| Wholesale                  | --        | --      | 45                        | 3       | 45      | 3       |
|                            | 124       | \$ 731  | 160                       | \$ 43   | 284     | \$ 774  |

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|                              |     |         |     |       |     |         |
|------------------------------|-----|---------|-----|-------|-----|---------|
| Balancing accounts and other |     |         |     |       |     | (52)    |
|                              |     |         |     |       |     | -----   |
| Total                        |     |         |     |       |     | \$ 722  |
| -----                        |     |         |     |       |     |         |
| 2001:                        |     |         |     |       |     |         |
| Residential                  | 104 | \$1,096 | 1   | \$ 2  | 105 | \$1,098 |
| Commercial and industrial    | 28  | 265     | 60  | 56    | 88  | 321     |
| Electric generation plants   | --  | --      | 100 | 26    | 100 | 26      |
| Wholesale                    | --  | --      | 52  | 9     | 52  | 9       |
|                              |     |         |     |       |     | -----   |
|                              | 132 | \$1,361 | 213 | \$ 93 | 345 | 1,454   |
| Balancing accounts and other |     |         |     |       |     | 94      |
|                              |     |         |     |       |     | -----   |
| Total                        |     |         |     |       |     | \$1,548 |
| -----                        |     |         |     |       |     |         |

The decrease in natural gas revenues was primarily due to lower natural gas prices and decreased transportation for electric generation plants.

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

FACTORS INFLUENCING FUTURE PERFORMANCE

Performance of the companies will depend primarily on the ratemaking and regulatory process, electric and natural gas industry restructuring, and the changing energy marketplace. These factors are discussed in the companies' Annual Report.

NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board (FASB) issued two statements, SFAS 142 "Goodwill and Other Intangible Assets" and SFAS 143 "Accounting for Asset Retirement Obligations." The former is not presently relevant to the companies. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In August 2001, the FASB issued SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" that replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 applies to all long-lived assets, including discontinued operations.

See further discussion in Note 1 of the notes to Consolidated Financial Statements.

ITEM 3. MARKET RISK

There have been no significant changes in the risk issues affecting the companies subsequent to those discussed in the Annual Report. As noted in that report, SoCalGas may, at times, be exposed to limited market risk in its natural gas purchase and sale activities as a result of activities under SoCalGas' Gas Cost Incentive Mechanism.

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The risk is managed within the parameters of the companies' market-risk management and trading framework. As of March 31, 2002, the total Value at Risk of SoCalGas' natural gas positions was not material.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

Except as otherwise described in this report, neither the companies nor their subsidiaries are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.

#### ITEM 5. OTHER INFORMATION

A new collective bargaining agreement for field, technical and most clerical employees at SoCalGas represented by the Utility Workers' Union of America or the International Chemical Workers' Council has been negotiated. The new agreement on wages, hours and working conditions is in effect through December 31, 2004.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) Exhibits

Exhibit 12 - Computation of ratios

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

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

##### (b) Reports on Form 8-K

There were no reports on Form 8-K filed after December 31, 2001.

### SIGNATURE

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

PACIFIC ENTERPRISES

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(Registrant)

Date: May 9, 2002

By: /s/ F. H. Ault

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F. H. Ault  
Sr. Vice President and Controller

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SOUTHERN CALIFORNIA GAS COMPANY

-----  
(Registrant)

By: /s/ D.L. Reed

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D.L. Reed  
President and  
Chief Financial Officer