

PACIFIC ENTERPRISES INC  
 Form 10-Q  
 July 31, 2009

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549  
**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No.	Exact Name of Registrants as Specified in their Charters, Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.	Former name, former address and former fiscal year, if changed since last report
1-14201	SEMPRA ENERGY 101 Ash Street San Diego, California 92101 (619)696-2034	California	33-0732627	No change
1-3779	SAN DIEGO GAS & ELECTRIC COMPANY 8326 Century Park Court San Diego, California 92123 (619)696-2000	California	95-1184800	No change
1-40	PACIFIC ENTERPRISES 101 Ash Street San Diego, California 92101 (619)696-2020	California	94-0743670	No change

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1-1402	SOUTHERN CALIFORNIA GAS COMPANY 555 West Fifth Street Los Angeles, California 90013 (213)244-1200	California	95-1240705	No change
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Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes	<input checked="" type="checkbox"/>	No
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Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

Sempra Energy	Yes	X	No
San Diego Gas & Electric Company	Yes		No
Pacific Enterprises	Yes		No
Southern California Gas Company	Yes		No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Sempra Energy	[ X ]	[ ]	[ ]	[ ]
San Diego Gas & Electric Company	[ ]	[ ]	[ X ]	[ ]
Pacific Enterprises	[ ]	[ ]	[ X ]	[ ]
Southern California Gas Company	[ ]	[ ]	[ X ]	[ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Sempra Energy	Yes	No	X
San Diego Gas & Electric Company	Yes	No	X
Pacific Enterprises	Yes	No	X
Southern California Gas Company	Yes	No	X

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

Common stock outstanding on July 24, 2009:

Sempra Energy	245,337,795 shares
San Diego Gas & Electric Company	Wholly owned by Enova Corporation, which is wholly owned by Sempra Energy
Pacific Enterprises	Wholly owned by Sempra Energy
Southern California Gas Company	Wholly owned by Pacific Enterprises, which is wholly owned by Sempra Energy



SEMPRA ENERGY FORM 10-Q  
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**This combined Form 10-Q is separately filed by Sempra Energy, San Diego Gas & Electric Company, Pacific Enterprises and Southern California Gas Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company provides information only as to itself and its consolidated entities and not as to any other company.**

**You should read this report in its entirety as it pertains to each respective reporting company. No one section of the report deals with all aspects of the subject matter. Separate Part I - Item 1 sections are provided for each reporting company, except for the Notes to Condensed Consolidated Financial Statements. The Notes to Condensed Consolidated Financial Statements for all of the reporting companies are combined. All Items other than Part I - Item 1 are combined for the reporting companies.**



INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this report that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are necessarily based upon assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. These forward-looking statements represent our estimates and assumptions only as of the date of this report.

In this report, when we use words such as "believes," "expects," "anticipates," "plans," "estimates," "projects," "contemplates," "intends," "depends," "should," "could," "would," "may," "potential," "target," "goals," or similar expressions, or when we discuss our strategy, plans or intentions, we are making forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in forward-looking statements include

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local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments;

§

actions by the California Public Utilities Commission, the California State Legislature, the California Department of Water Resources, the Federal Energy Regulatory Commission, the Federal Reserve Board, and other regulatory and governmental bodies in the United States, the United Kingdom and other countries;

§

capital markets conditions and inflation, interest and exchange rates;

§

energy and trading markets, including the timing and extent of changes and volatility in commodity prices;

§

the availability of electric power, natural gas and liquefied natural gas;

§

weather conditions and conservation efforts;

§

war and terrorist attacks;

§

business, regulatory, environmental and legal decisions and requirements;

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the status of deregulation of retail natural gas and electricity delivery;

§

the timing and success of business development efforts;

§

the resolution of litigation; and

§

other uncertainties, all of which are difficult to predict and many of which are beyond our control.

We caution you not to rely unduly on any forward-looking statements. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described in this report and other reports that we file with the Securities and Exchange Commission.



## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**SEMPRA ENERGY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(Dollars in millions, except per share amounts)*

	Three months ended June 30,		Six months ended June 30,	
	2009	2008*	2009	2008*
	(unaudited)			
<b>REVENUES</b>				
Sempra Utilities	\$ 1,316	\$ 1,887	\$ 2,958	\$ 4,177
Sempra Global and parent	373	616	839	1,596
Total revenues	1,689	2,503	3,797	5,773
<b>EXPENSES AND OTHER INCOME</b>				
Sempra Utilities:				
Cost of natural gas	(249)	(784)	(789)	(2,019)
Cost of electric fuel and purchased power	(129)	(220)	(300)	(383)
Sempra Global and parent:				
Cost of natural gas, electric fuel and purchased power	(187)	(513)	(455)	(922)
Other cost of sales	(16)	(17)	(33)	(153)
Operation and maintenance	(589)	(549)	(1,105)	(1,252)
Depreciation and amortization	(189)	(171)	(372)	(346)
Franchise fees and other taxes	(69)	(71)	(151)	(154)
Gains on sale of assets	3	109	3	114
Write-off of long-lived assets	(132)	-	(132)	-
Equity earnings:				
RBS Sempra Commodities LLP	126	146	279	146
Other	2	9	9	15
Other income, net	70	32	73	51
Interest income	5	10	11	24
Interest expense	(79)	(38)	(161)	(98)
Income before income taxes and equity earnings				
of certain unconsolidated subsidiaries	256	446	674	796
Income tax expense	(90)	(202)	(199)	(329)
Equity earnings, net of income tax	23	18	39	39

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Net income	189	262	514	506
(Earnings) losses attributable to noncontrolling interests	12	(15)	5	(15)
Preferred dividends of subsidiaries	(3)	(3)	(5)	(5)
Earnings	\$ 198	\$ 244	\$ 514	\$ 486
Basic earnings per common share	\$ 0.82	\$ 0.99	\$ 2.12	\$ 1.93
Weighted-average number of shares outstanding,				
basic (thousands)	242,718	245,576	242,245	252,100
Diluted earnings per common share	\$ 0.80	\$ 0.98	\$ 2.09	\$ 1.90
Weighted-average number of shares outstanding,				
diluted (thousands)	247,090	249,677	246,039	256,169
Dividends declared per share of common stock	\$ 0.39	\$ 0.35	\$ 0.78	\$ 0.67

\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).

See Notes to Condensed Consolidated Financial Statements.



**SEMPRA ENERGY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(Dollars in millions)*

	June 30, 2009	December 31, 2008
		(unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 818	\$ 331
Short-term investments	-	176
Restricted cash	27	27
Trade accounts receivable, net	596	903
Other accounts and notes receivable, net	119	78
Due from unconsolidated affiliates	21	4
Income taxes receivable	114	195
Deferred income taxes	96	31
Inventories	169	320
Regulatory assets	88	121
Fixed-price contracts and other derivatives	100	160
Insurance receivable related to wildfire litigation (Note 10)	940	-
Other	236	130
Total current assets	3,324	2,476
Investments and other assets:		
Regulatory assets arising from fixed-price contracts and other derivatives	252	264
Regulatory assets arising from pension and other postretirement benefit obligations	1,212	1,188
Other regulatory assets	558	534
Nuclear decommissioning trusts	580	577
Investment in RBS Sempra Commodities LLP	2,019	2,082
Other investments	1,470	1,166
Goodwill and other intangible assets	529	539
Sundry	565	709
Total investments and other assets	7,185	7,059
Property, plant and equipment:		
Property, plant and equipment	23,889	23,153

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Less accumulated depreciation and amortization	(6,476)	(6,288)
Property, plant and equipment, net	17,413	16,865
Total assets	\$ 27,922	\$ 26,400

*See Notes to Condensed Consolidated Financial Statements.*

**SEMPRA ENERGY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions)

	June 30, 2009	December 31, 2008*
		(unaudited)
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 291	\$ 503
Accounts payable - trade	478	606
Accounts payable - other	138	250
Due to unconsolidated affiliates	31	38
Dividends and interest payable	183	156
Accrued compensation and benefits	186	280
Regulatory balancing accounts, net	602	335
Current portion of long-term debt	624	410
Fixed-price contracts and other derivatives	115	180
Customer deposits	149	170
Reserve for wildfire litigation (Note 10)	940	-
Other	616	684
Total current liabilities	4,353	3,612
Long-term debt	6,723	6,544
<b>Deferred credits and other liabilities:</b>		
Due to unconsolidated affiliate	102	102
Customer advances for construction	154	155
Pension and other postretirement benefit obligations, net of plan assets	1,512	1,487
Deferred income taxes	1,152	946
Deferred investment tax credits	54	57
Regulatory liabilities arising from removal obligations	2,453	2,430
Asset retirement obligations	1,210	1,159
Other regulatory liabilities	209	219
Fixed-price contracts and other derivatives	347	392
Deferred credits and other	842	909
Total deferred credits and other liabilities	8,035	7,856
Preferred stock of subsidiary	79	79
<b>Commitments and contingencies (Note 10)</b>		

## Equity:

Preferred stock (50 million shares authorized; none issued)	-	-
Common stock (750 million shares authorized; 245 million and 243 million shares outstanding at June 30, 2009 and December 31, 2008, respectively; no par value)	2,328	2,265
Retained earnings	6,559	6,235
Deferred compensation	(15)	(18)
Accumulated other comprehensive income (loss)	(395)	(513)
Total Sempra Energy shareholders' equity	8,477	7,969
Preferred stock of subsidiaries	100	100
Other noncontrolling interests	155	240
Total equity	8,732	8,309
Total liabilities and equity	\$ 27,922	\$ 26,400

\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).

See Notes to Condensed Consolidated Financial Statements.





**SEMPRA ENERGY****CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS***(Dollars in millions)*

	Six months ended June 30,	
	2009	2008*
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 514	\$ 506
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	372	346
Deferred income taxes and investment tax credits	90	51
Equity earnings	(327)	(200)
Gains on sale of assets	(3)	(114)
Write-off of long-lived assets	132	-
Fixed-price contracts and other derivatives	(38)	47
Other	51	40
Net change in other working capital components	364	226
Distributions from RBS Sempra Commodities LLP	375	-
Changes in other assets	21	(10)
Changes in other liabilities	(26)	(27)
Net cash provided by operating activities	1,525	865
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(938)	(1,114)
Proceeds from sale of assets, net of cash sold	179	2,071
Expenditures for investments	(217)	(2,180)
Distributions from investments	9	16
Purchases of nuclear decommissioning and other trust assets	(99)	(173)
Proceeds from sales by nuclear decommissioning and other trusts	93	177
Decrease in notes receivable from unconsolidated affiliate	-	60
Other	(14)	(15)
Net cash used in investing activities	(987)	(1,158)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		

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Common dividends paid	(170)	(166)
Preferred dividends paid by subsidiaries	(5)	(5)
Issuances of common stock	28	11
Repurchases of common stock	-	(1,002)
(Decrease) increase in short-term debt, net	(612)	496
Issuances of long-term debt	1,108	593
Payments on long-term debt	(311)	(73)
Purchase of noncontrolling interest	(94)	-
Other	5	1
Net cash used in financing activities	(51)	(145)
Increase (decrease) in cash and cash equivalents	487	(438)
Cash and cash equivalents, January 1	331	668
Cash and cash equivalents, June 30	\$ 818	\$ 230

\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).

See Notes to Condensed Consolidated Financial Statements.



**SEMPRA ENERGY****CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS***(Dollars in millions)*

		Six months ended June 30,	
		2009	2008
		(unaudited)	
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Interest payments, net of amounts capitalized	\$	141 \$	157
Income tax payments, net	\$	36 \$	140
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>			
Decrease in accounts payable from investments in property, plant and equipment	\$	(103) \$	(62)
Dividends declared but not paid	\$	98 \$	89

*See Notes to Condensed Consolidated Financial Statements.*

**SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(Dollars in millions)*

	Three months ended June 30,		Six months ended June 30,	
	2009	2008*	2009	2008*
			(unaudited)	
Operating revenues				
Electric	\$ 535	\$ 583	\$ 1,088	\$ 1,084
Natural gas	96	171	275	416
Total operating revenues	631	754	1,363	1,500
Operating expenses				
Cost of electric fuel and purchased power	129	220	300	383
Cost of natural gas	37	113	124	265
Operation and maintenance	232	195	413	382
Depreciation and amortization	81	78	158	155
Franchise fees and other taxes	39	36	80	74
Total operating expenses	518	642	1,075	1,259
Operating income	113	112	288	241
Other income, net	27	20	44	23
Interest income	-	2	-	4
Interest expense	(21)	(22)	(46)	(49)
Income before income taxes	119	112	286	219
Income tax expense	(28)	(35)	(88)	(67)
Net income	91	77	198	152
Earnings attributable to noncontrolling interest	(20)	(15)	(27)	(15)
Earnings	71	62	171	137
Preferred dividend requirements	(1)	(1)	(2)	(2)
Earnings attributable to common shares	\$ 70	\$ 61	\$ 169	\$ 135

\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).

See Notes to Condensed Consolidated Financial Statements.



**SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions)

	June 30, 2009	December 31, 2008
		(unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 187	\$ 19
Short-term investments	-	24
Accounts receivable - trade	221	225
Accounts receivable - other	69	30
Due from unconsolidated affiliates	1	29
Income taxes receivable	26	22
Deferred income taxes	37	17
Inventories	63	62
Regulatory assets arising from fixed-price contracts and other derivatives	68	94
Other regulatory assets	6	8
Fixed-price contracts and other derivatives	35	39
Insurance receivable related to wildfire litigation (Note 10)	940	-
Other	62	15
Total current assets	1,715	584
Other assets:		
Due from unconsolidated affiliate	3	4
Deferred taxes recoverable in rates	388	369
Regulatory assets arising from fixed-price contracts and other derivatives	252	264
Regulatory assets arising from pension and other postretirement benefit obligations	397	393
Other regulatory assets	56	59
Nuclear decommissioning trusts	580	577
Sundry	41	154
Total other assets	1,717	1,820
Property, plant and equipment:		
Property, plant and equipment	9,526	9,095

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Less accumulated depreciation and amortization	(2,489)	(2,420)
Property, plant and equipment, net	7,037	6,675
Total assets	\$ 10,469	\$ 9,079

*See Notes to Condensed Consolidated Financial Statements.*



**SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions)

	June 30, 2009	December 31, 2008*
		(unaudited)
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 196	\$ 261
Due to unconsolidated affiliates	55	1
Regulatory balancing accounts, net	232	114
Customer deposits	54	53
Fixed-price contracts and other derivatives	57	77
Accrued compensation and benefits	67	105
Current portion of long-term debt	7	2
Reserve for wildfire litigation (Note 10)	940	-
Other	152	163
Total current liabilities	1,760	776
Long-term debt	2,495	2,142
Deferred credits and other liabilities:		
Customer advances for construction	21	26
Pension and other postretirement benefit obligations, net of plan assets	422	419
Deferred income taxes	686	628
Deferred investment tax credits	25	26
Regulatory liabilities arising from removal obligations	1,222	1,212
Asset retirement obligations	566	550
Fixed-price contracts and other derivatives	291	347
Deferred credits and other	180	204
Total deferred credits and other liabilities	3,413	3,412
Contingently redeemable preferred stock	79	79
Commitments and contingencies (Note 10)		
Equity:		
Common stock (255 million shares authorized; 117 million shares outstanding; no par value)	1,138	1,138

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Retained earnings	1,436	1,417
Accumulated other comprehensive income (loss)	(10)	(13)
Total SDG&E shareholders' equity	2,564	2,542
Noncontrolling interest	158	128
Total equity	2,722	2,670
Total liabilities and equity	\$ 10,469	\$ 9,079

*\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).*

*See Notes to Condensed Consolidated Financial Statements.*

**SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY**  
**CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS**

*(Dollars in millions)*

	Six months ended June 30,	
	2009	2008*
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 198	\$ 152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	158	155
Deferred income taxes and investment tax credits	15	41
Fixed-price contracts and other derivatives	(34)	(15)
Other	(9)	(3)
Net change in other working capital components	30	108
Changes in other assets	13	(2)
Changes in other liabilities	(23)	(15)
Net cash provided by operating activities	348	421
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(443)	(428)
Expenditures for short-term investments	(152)	(236)
Proceeds from sale of short-term investments	176	75
Purchases of nuclear decommissioning trust assets	(95)	(173)
Proceeds from sales by nuclear decommissioning trusts	93	175
Decrease (increase) in loans to affiliates, net	33	(24)
Other	1	-
Net cash used in investing activities	(387)	(611)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	(150)	-
Preferred dividends paid	(2)	(2)
Redemptions of preferred stock	-	(14)
Issuances of long-term debt	358	84
Other	1	8
Net cash provided by financing activities	207	76

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Increase (decrease) in cash and cash equivalents		168	(114)
Cash and cash equivalents, January 1		19	158
Cash and cash equivalents, June 30	\$	187 \$	44

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest payments, net of amounts capitalized	\$	50 \$	47
Income tax payments (refunds), net	\$	86 \$	(17)

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

Decrease in accounts payable from investments in property, plant and equipment	\$	(61) \$	(35)
Dividends declared but not paid	\$	1 \$	1

\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).

See Notes to Condensed Consolidated Financial Statements.

**PACIFIC ENTERPRISES AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(Dollars in millions)*

	Three months ended June 30,		Six months ended June 30,	
	2009	2008*	2009	2008*
	(unaudited)			
Operating revenues	\$ 694	\$ 1,143	\$ 1,614	\$ 2,699
Operating expenses				
Cost of natural gas	214	673	669	1,760
Operation and maintenance	266	265	517	515
Depreciation	75	71	147	142
Franchise fees and other taxes	24	32	56	71
Total operating expenses	579	1,041	1,389	2,488
Operating income	115	102	225	211
Other income, net	4	1	5	1
Interest income	2	6	3	13
Interest expense	(18)	(15)	(35)	(32)
Income before income taxes	103	94	198	193
Income tax expense	(40)	(36)	(76)	(77)
Net income	63	58	122	116
Preferred dividends of subsidiary	(1)	(1)	(1)	(1)
Earnings	62	57	121	115
Preferred dividend requirements	(1)	(1)	(2)	(2)
Earnings attributable to common shares	\$ 61	\$ 56	\$ 119	\$ 113

\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).

See Notes to Condensed Consolidated Financial Statements.



**PACIFIC ENTERPRISES AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in millions)

	June 30, 2009	December 31, 2008
		(unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 538	\$ 206
Accounts receivable - trade	294	572
Accounts receivable - other	13	20
Due from unconsolidated affiliates	12	5
Income taxes receivable	11	108
Deferred income taxes	1	-
Inventories	57	167
Other regulatory assets	14	18
Other	87	37
Total current assets	1,027	1,133
Other assets:		
Due from unconsolidated affiliate	517	457
Regulatory assets arising from pension and other postretirement		
benefit obligations	816	795
Other regulatory assets	114	105
Sundry	42	49
Total other assets	1,489	1,406
Property, plant and equipment:		
Property, plant and equipment	8,975	8,816
Less accumulated depreciation and amortization	(3,509)	(3,448)
Property, plant and equipment, net	5,466	5,368
Total assets	\$ 7,982	\$ 7,907

See Notes to Condensed Consolidated Financial Statements.





**PACIFIC ENTERPRISES AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(Dollars in millions)*

	June 30, 2009	December 31, 2008*
		(unaudited)
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable - trade	\$ 142	\$ 257
Accounts payable - other	91	163
Due to unconsolidated affiliates	111	106
Deferred income taxes	-	6
Regulatory balancing accounts, net	370	221
Customer deposits	94	114
Accrued compensation and benefits	80	92
Current portion of long-term debt	100	100
Other	165	213
<b>Total current liabilities</b>	<b>1,153</b>	<b>1,272</b>
Long-term debt	1,269	1,270
<b>Deferred credits and other liabilities:</b>		
Customer advances for construction	132	131
Pension and other postretirement benefit obligations, net of plan assets	842	823
Deferred income taxes	197	157
Deferred investment tax credits	29	30
Regulatory liabilities arising from removal obligations	1,230	1,218
Asset retirement obligations	599	581
Deferred taxes refundable in rates	203	214
Deferred credits and other	247	251
<b>Total deferred credits and other liabilities</b>	<b>3,479</b>	<b>3,405</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Equity:</b>		
Preferred stock	80	80
Common stock (600 million shares authorized; 84 million shares outstanding; no par value)	1,462	1,462
Retained earnings	545	426

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Accumulated other comprehensive income (loss)	(26)	(28)
Total Pacific Enterprises shareholders' equity	2,061	1,940
Preferred stock of subsidiary	20	20
Total equity	2,081	1,960
Total liabilities and equity	\$ 7,982	\$ 7,907

\* As adjusted for the retrospective adoption of SFAS 160 (ASC 810).

See Notes to Condensed Consolidated Financial Statements.

**PACIFIC ENTERPRISES AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS**

*(Dollars in millions)*

	Six months ended June 30,	
	2009	2008*
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 122	\$ 116
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	147	142
Deferred income taxes and investment tax credits	20	21
Other	4	1
Net change in other working capital components	266	315
Changes in other assets	7	5
Changes in other liabilities	(9)	(20)
Net cash provided by operating activities	557	580
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(227)	(242)
Decrease (increase) in loans to affiliates, net	5	(59)
Net cash used in investing activities	(222)	(301)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	-	(200)
Preferred dividends paid	(2)	(2)
Preferred dividends paid by subsidiary	(1)	(1)
Net cash used in financing activities	(3)	(203)
Increase in cash and cash equivalents	332	76
Cash and cash equivalents, January 1	206	59
Cash and cash equivalents, June 30	\$ 538	\$ 135
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest payments, net of amounts capitalized	\$ 30	\$ 31
Income tax payments, net	\$ 29	\$ 104

SUPPLEMENTAL DISCLOSURE OF NONCASH  
ACTIVITIES

Decrease in accounts payable from investments in  
property, plant

and equipment	\$	(16) \$	(31)
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Dividends declared but not paid	\$	1 \$	1
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\* *As adjusted for the retrospective adoption of SFAS 160 (ASC 810).*

*See Notes to Condensed Consolidated Financial Statements.*

**SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(Dollars in millions)*

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	(unaudited)			
Operating revenues	\$ 694	\$ 1,143	\$ 1,614	\$ 2,699
Operating expenses				
Cost of natural gas	214	673	669	1,760
Operation and maintenance	265	266		