

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
JUNE 30, 2006**

1. UTILITY PLANT		<u>2006</u>
101	UTILITY PLANT IN SERVICE	\$7,568,432,725
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	179,552,673
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(3,297,165,109)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(15,983,622)
117	GAS STORED-UNDERGROUND	<u>56,274,255</u>
	TOTAL NET UTILITY PLANT	<u>4,491,110,922</u>

2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	120,725,817
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(97,419,364)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	162,399
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	<u>4,800,650</u>
	TOTAL OTHER PROPERTY AND INVESTMENTS	<u>28,269,502</u>

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3. CURRENT AND ACCRUED ASSETS		2006
131	CASH	22,976,070
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	98,839
136	TEMPORARY CASH INVESTMENTS	364,861,593
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	366,006,771
143	OTHER ACCOUNTS RECEIVABLE	2,115,063
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(6,818,051)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	95,004,904
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	15,183,573
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	15,317,862
155	MERCHANDISE	35,364
156	OTHER MATERIALS AND SUPPLIES	-
163	STORES EXPENSE UNDISTRIBUTED	-
164	GAS STORED	28,056,939
165	PREPAYMENTS	15,148,080
171	INTEREST AND DIVIDENDS RECEIVABLE	10,199,317
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	14,537,908
175	DERIVATIVE INSTRUMENT ASSETS	293,284
176	LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES	-
TOTAL CURRENT AND ACCRUED ASSETS		943,017,516
4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	6,216,445
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	192,463,545
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	1,550,768
184	CLEARING ACCOUNTS	35,945
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	19,334,707
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	38,631,426
190	ACCUMULATED DEFERRED INCOME TAXES	18,450,763
191	UNRECOVERED PURCHASED GAS COSTS	-
TOTAL DEFERRED DEBITS		276,683,599
TOTAL ASSETS AND OTHER DEBITS		\$5,739,081,539

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
JUNE 30, 2006**

5 PROPRIETARY CAPITAL		2006
201	COMMON STOCK ISSUED	\$834,888,907
204	PREFERRED STOCK ISSUED	21,551,075
207	PREMIUM ON CAPITAL STOCK	-
208	OTHER PAID-IN CAPITAL	-
210	GAIN ON RETIRED CAPITAL STOCK	9,722
211	MISCELLANEOUS PAID-IN CAPITAL	31,306,680
214	CAPITAL STOCK EXPENSE	(143,261)
216	UNAPPROPRIATED RETAINED EARNINGS	541,309,964
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	(5,306,488)
TOTAL PROPRIETARY CAPITAL		1,423,616,599
6. LONGTERM DEBT		
221	BONDS	1,100,000,000
224	OTHER LONG-TERM DEBT	12,475,533
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	(2,442,815)
TOTAL LONG-TERM DEBT		1,110,032,718
7 OTHER NONCURRENT LIABILITIES		
227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	-
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	72,477,360
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	20,612,636
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230	ASSET RETIREMENT OBLIGATIONS	521,125,421
TOTAL OTHER NONCURRENT LIABILITIES		614,215,417

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8 CURRENT AND ACCRUED LIABILITIES

		2006
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	283,382,713
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	50,357,952
235	CUSTOMER DEPOSITS	84,516,767
236	TAXES ACCRUED	11,381
237	INTEREST ACCRUED	15,507,583
238	DIVIDENDS DECLARED	50,323,266
241	TAX COLLECTIONS PAYABLE	16,885,966
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	178,823,691
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	-
244	DERIVATIVE INSTRUMENT LIABILITIES	13,156,469
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	692,965,788

9 DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	52,263,827
253	OTHER DEFERRED CREDITS	372,765,824
254	OTHER REGULATORY LIABILITIES	1,305,073,204
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	37,109,775
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	131,038,387
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	-
	TOTAL DEFERRED CREDITS	1,898,251,017

TOTAL LIABILITIES AND OTHER CREDITS

	\$5,739,081,539		
	\$	-	\$
		-	-

**SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
SIX MONTHS ENDED JUNE 30, 2006**

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		\$2,338,480,431
401	OPERATING EXPENSES	\$1,915,352,510	
402	MAINTENANCE EXPENSES	53,578,029	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	133,290,440	
408.1	TAXES OTHER THAN INCOME TAXES	30,875,656	
409.1	INCOME TAXES	87,244,365	
410.1	PROVISION FOR DEFERRED INCOME TAXES	2,048,254	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(9,129,380)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(1,271,238)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	<u>(916,106)</u>	
	TOTAL OPERATING REVENUE DEDUCTIONS		<u>2,211,072,530</u>
	NET OPERATING INCOME		127,407,901

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(55,434)	
418	NONOPERATING RENTAL INCOME	158,498	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	13,122,018	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	3,097,409	
421	MISCELLANEOUS NONOPERATING INCOME	344,202	
421.1	GAIN ON DISPOSITION OF PROPERTY	<u>0</u>	
	TOTAL OTHER INCOME	<u>16,666,693</u>	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	<u>1,181,458</u>	
		1,181,458	
408.2	TAXES OTHER THAN INCOME TAXES	103,483	
409.2	INCOME TAXES	1,251,187	
410.2	PROVISION FOR DEFERRED INCOME TAXES	813,823	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(662,643)	
420	INVESTMENT TAX CREDITS	<u>(56,426)</u>	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	<u>1,449,424</u>	
	TOTAL OTHER INCOME AND DEDUCTIONS		<u>14,035,811</u>
	INCOME BEFORE INTEREST CHARGES		141,443,712
	NET INTEREST CHARGES*		<u>34,248,156</u>
	NET INCOME		<u><u>\$107,195,556</u></u>

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. (\$1,308,291).

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SIX MONTHS ENDED JUNE 30, 2006**

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$534,760,940
NET INCOME (FROM PRECEDING PAGE)	107,195,556
DIVIDEND TO PARENT COMPANY	(100,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(646,532)
OTHER RETAINED EARNINGS ADJUSTMENT	<u>-</u>
RETAINED EARNINGS AT END OF PERIOD	<u><u>\$541,309,964</u></u>