

PACIFIC ENTERPRISES INC  
 Form 10-Q  
 May 02, 2008

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549  
 FORM 10-Q  
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
 SECURITIES EXCHANGE ACT OF 1934  
 For the quarterly period ended March 31, 2008

Commission File Number	Name of Registrant as Specified in its Charter, Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.
1-40	PACIFIC ENTERPRISES 101 Ash Street San Diego, California 92101 (619) 696-2020	California	94-0743670
1-1402	SOUTHERN CALIFORNIA GAS COMPANY  555 West Fifth Street Los Angeles, California 90013 (213) 244-1200	California	95-1240705

No Change

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes                      X                      No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Yes No X

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

Common stock outstanding:

Pacific Enterprises

Wholly owned by Sempra Energy

Southern California Gas Company

Wholly owned by Pacific Enterprises

## 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," "could," "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 and national economic, competitive, political, legislative and regulatory conditions and developments; actions by the California Public Utilities Commission, the California State Legislature, the Federal Energy Regulatory Commission and other regulatory bodies in the United States; capital markets conditions, inflation rates, interest rates and exchange rates; energy and trading markets, including the timing and extent of changes in commodity prices; the availability of natural gas and liquefied natural gas; weather conditions and conservation efforts; war and terrorist attacks; business, regulatory, environmental and legal decisions and requirements; 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 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.

## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PACIFIC ENTERPRISES AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions)	2008	Three months ended March 31, (unaudited)	2007
Operating revenues	\$ 1,556		\$ 1,368
Operating expenses			
Cost of natural gas	1,087		912
Other operating expenses	250		243
Depreciation	71		69
Franchise fees and other taxes	39		36
Total operating expenses	1,447		1,260
Operating income	109		108
Other expense, net	--		(2 )
Interest income	7		12
Interest expense	(17 )		(19 )
Income before income taxes	99		99
Income tax expense	41		41
Net income	58		58
Preferred dividend requirements	1		1
Earnings applicable to common shares	\$ 57		\$ 57

See Notes to Condensed Consolidated Financial Statements.



PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	March 31, 2008 (unaudited)	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 351	\$ 59
Accounts receivable - trade	672	671
Accounts receivable - other	51	22
Due from unconsolidated affiliates	93	5
Income taxes receivable	--	37
Deferred income taxes	36	33
Inventories	27	98
Other regulatory assets	41	40
Other	30	23
Total current assets	1,301	988
Other assets:		
Due from unconsolidated affiliates	459	457
Other regulatory assets	102	100
Pension plan assets in excess of benefit obligations	54	62
Sundry	42	39
Total other assets	657	658
Property, plant and equipment:		
Property, plant and equipment	8,530	8,448
Less accumulated depreciation and amortization	(3,332 )	(3,292 )
Property, plant and equipment, net	5,198	5,156
Total assets	\$ 7,156	\$ 6,802

See Notes to Condensed Consolidated Financial Statements.



PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	March 31, 2008 (unaudited)	December 31, 2007
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable - trade	\$ 372	\$ 300
Accounts payable - other	96	130
Due to unconsolidated affiliates	94	125
Income taxes payable	7	--
Regulatory balancing accounts, net	243	183
Customer deposits	93	90
Temporary LIFO liquidation	263	--
Other	328	310
Total current liabilities	1,496	1,138
Long-term debt	1,117	1,113
Deferred credits and other liabilities:		
Customer advances for construction	126	123
Pension and other postretirement benefit obligations, net of plan assets	58	58
Deferred income taxes	96	102
Deferred investment tax credits	32	33
Regulatory liabilities arising from removal obligations	1,193	1,187
Regulatory liabilities arising from pension and other postretirement benefit obligations	26	34
Asset retirement obligations	571	562
Deferred taxes refundable in rates	234	231
Preferred stock of subsidiary	20	20
Deferred credits and other	269	285
	2,625	2,635



Total deferred credits and other liabilities

Commitments and contingencies (Note 6)

Shareholders' equity:

Preferred stock	80	80
Common stock (600 million shares authorized; 84 million shares outstanding; no par value)	1,462	1,462
Retained earnings	385	378
Accumulated other comprehensive income (loss)	(9)	(4)
Total shareholders' equity	1,918	1,916
Total liabilities and shareholders' equity	\$ 7,156	\$ 6,802

See Notes to Condensed Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Three months ended March 31,	
	2008	2007
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 58	\$ 58
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	71	69
Deferred income taxes and investment tax credits	(3 )	(5 )
Other	1	1
Net changes in other working capital components	458	294
Changes in other assets	3	--
Changes in other liabilities	(16 )	(13 )
Net cash provided by operating activities	572	404
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(116 )	(86 )
Increase in loans to affiliates, net	(13 )	(20 )
Other	--	(3 )
Net cash used in investing activities	(129 )	(109 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	(150 )	(100 )
Preferred dividends paid	(1 )	(1 )
Net cash used in financing activities	(151 )	(101 )
Increase in cash and cash equivalents	292	194
Cash and cash equivalents, January 1	59	211
Cash and cash equivalents, March 31	\$ 351	\$ 405

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest payments, net of amounts capitalized	\$ 9	\$ 11
Income tax payments, net of refunds	\$ --	\$ 18

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING  
ACTIVITY

Decrease in accounts payable from investments in property, plant and equipment	\$ (16 )	\$ (3 )
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See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions)	2008	Three months ended March 31, (unaudited)	2007
Operating revenues	\$ 1,556		\$ 1,368
Operating expenses			
Cost of natural gas	1,087		912
Other operating expenses	249		243
Depreciation	71		69
Franchise fees and other taxes	39		36
Total operating expenses	1,446		1,260
Operating income	110		108
Other expense, net	--		(2 )
Interest income	3		6
Interest expense	(16 )		(18 )
Income before income taxes	97		94
Income tax expense	40		39
Net income/earnings applicable to common shares	\$ 57		\$ 55

See Notes to Condensed Consolidated Financial Statements.



SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	March 31, 2008 (unaudited)	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 351	\$ 59
Accounts receivable - trade	672	671
Accounts receivable - other	51	22
Due from unconsolidated affiliates	138	129
Deferred income taxes	36	33
Inventories	27	98
Other regulatory assets	41	40
Other	30	22
Total current assets	1,346	1,074
Other assets:		
Other regulatory assets	102	100
Pension plan assets in excess of benefit obligations	54	62
Sundry	19	16
Total other assets	175	178
Property, plant and equipment:		
Property, plant and equipment	8,528	8,446
Less accumulated depreciation and amortization	(3,332 )	(3,292 )
Property, plant and equipment, net	5,196	5,154
<b>Total assets</b>	<b>\$ 6,717</b>	<b>\$ 6,406</b>