PACIFIC ENTERPRISES INC
Form 10-Q
May 05, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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

1-1402	SOUTHERN CALIFORNIA GAS COMPANY 555 West Fifth Street Los Angeles, California 90013 (213)244-1200	California	95-1240705	No change

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 registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes X No

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 registrant was required to submit and post such files).

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 issuer s classes of common stock, as of the latest practicable date.

Common stock outstanding on April 30, 2009:

Sempra Energy	244,291,674 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 10-Q
TABLE OF CONTENTS

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 makes representations only as to itself and makes no other representation whatsoever 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

§

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;

§

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 March 31,			
	2009		2008*	
	(unaudited)			
REVENUES				
Sempra Utilities	$	1,642	$	2,290
Sempra Global and parent		466		980
Total revenues		2,108		3,270
EXPENSES AND OTHER INCOME				
Sempra Utilities:				
Cost of natural gas		(540)		(1,235)
Cost of electric fuel and purchased power		(171)		(163)
Sempra Global and parent:				
Cost of natural gas, electric fuel and purchased power		(268)		(409)
Other cost of sales		(17)		(136)
Operation and maintenance		(516)		(698)
Depreciation and amortization		(183)		(175)
Franchise fees and other taxes		(82)		(83)
Equity earnings:				
RBS Sempra Commodities LLP		153		-
Other		7		6
Other income, net		3		19
Interest income		6		14
Interest expense		(82)		(60)
Income before income taxes and equity earnings of certain unconsolidated subsidiaries		418		350
Income tax expense		(109)		(127)
Equity earnings, net of income tax		16		21
Net income		325		244
Earnings attributable to noncontrolling interests		(7)		-
Preferred dividends of subsidiaries		(2)		(2)
Earnings	$	316	$	242

Basic earnings per common share	$	1.31	$	0.94
Weighted-average number of shares outstanding, basic (thousands)		241,766		258,624
Diluted earnings per common share	$	1.29	$	0.92
Weighted-average number of shares outstanding, diluted (thousands)		245,017		262,671
Dividends declared per share of common stock	$	0.39	$	0.32

** As adjusted for the retrospective adoption of SFAS 160.*

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	March 31, 2009	December 31, 2008
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 720	$ 331
Short-term investments	176	176
Restricted cash	27	27
Trade accounts receivable, net	757	903
Other accounts and notes receivable, net	125	78
Income taxes receivable	2	195
Deferred income taxes	48	31
Inventories	150	320
Regulatory assets	122	121
Fixed-price contracts and other derivatives	123	160
Insurance receivable related to wildfire litigation (Note 10)	900	-
Other	177	134
Total current assets	3,327	2,476
Investments and other assets:		
Regulatory assets arising from fixed-price contracts and other derivatives	263	264
Regulatory assets arising from pension and other postretirement benefit obligations	1,210	1,188
Other regulatory assets	543	534
Nuclear decommissioning trusts	537	577
Investment in RBS Sempra Commodities LLP	1,958	2,082
Other investments	1,228	1,166
Goodwill and other intangible assets	531	539
Sundry	529	709
Total investments and other assets	6,799	7,059
Property, plant and equipment:		
Property, plant and equipment	23,613	23,153
Less accumulated depreciation and amortization	(6,405)	(6,288)

Property, plant and equipment, net		17,208		16,865
Total assets	$	27,334	$	26,400

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	March 31, 2009	December 31, 2008*
	(unaudited)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 426	$ 503
Accounts payable - trade	444	606
Accounts payable - other	178	250
Due to unconsolidated affiliates	31	38
Dividends and interest payable	187	156
Accrued compensation and benefits	146	280
Regulatory balancing accounts, net	609	335
Current portion of long-term debt	921	410
Fixed-price contracts and other derivatives	196	180
Customer deposits	159	170
Reserve for wildfire litigation (Note 10)	900	-
Other	703	684
Total current liabilities	4,900	3,612
Long-term debt	6,044	6,544
Deferred credits and other liabilities:		
Due to unconsolidated affiliate	102	102
Customer advances for construction	153	155
Pension and other postretirement benefit obligations, net of plan assets	1,508	1,487
Deferred income taxes	944	946
Deferred investment tax credits	55	57
Regulatory liabilities arising from removal obligations	2,402	2,430
Asset retirement obligations	1,177	1,159
Other regulatory liabilities	216	219
Fixed-price contracts and other derivatives	366	392
Deferred credits and other	875	909
Total deferred credits and other liabilities	7,798	7,856
Preferred stock of subsidiary	79	79

Commitments and contingencies (Note 10)

Equity:				
Preferred stock (50 million shares authorized; none issued)		-		-
Common stock (750 million shares authorized; 244 million and 243 million				
shares outstanding at March 31, 2009 and December 31, 2008, respectively;				
no par value)		2,281		2,265
Retained earnings		6,456		6,235
Deferred compensation		(16)		(18)
Accumulated other comprehensive income (loss)		(474)		(513)
Total Sempra Energy shareholders' equity		8,247		7,969
Preferred stock of subsidiaries		100		100
Other noncontrolling interests		166		240
Total equity		8,513		8,309
Total liabilities and equity	$	27,334	$	26,400

** As adjusted for the retrospective adoption of SFAS 160.*

See Notes to Condensed Consolidated Financial Statements.

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

	Three months ended March 31,	
	2009	2008*
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 325	$ 244
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	183	175
Deferred income taxes and investment tax credits	(29)	(58)
Equity earnings	(176)	(27)
Other	49	32
Net change in other working capital components	491	390
Distribution from RBS Sempra Commodities LLP	305	-
Changes in other assets	10	(3)
Changes in other liabilities	(19)	(22)
Net cash provided by operating activities	1,139	731
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(492)	(544)
Proceeds from sale of assets	-	10
Expenditures for investments	(25)	(579)
Distributions from investments	5	4
Purchases of nuclear decommissioning and other trust assets	(45)	(134)
Proceeds from sales by nuclear decommissioning and other trusts	42	135
Other	(7)	(1)
Net cash used in investing activities	(522)	(1,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	(86)	(82)
Preferred dividends paid by subsidiaries	(2)	(2)
Issuances of common stock	10	4
Repurchases of common stock	-	(2)

(Decrease) increase in short-term debt, net	(77)	566
Issuances of long-term debt	22	52
Payments on long-term debt	(6)	(10)
Purchase of noncontrolling interest	(94)	-
Other	5	(10)
Net cash (used in) provided by financing activities	(228)	516
Increase in cash and cash equivalents	389	138
Cash and cash equivalents, January 1	331	668
Cash and cash equivalents, March 31	$ 720	$ 806

** As adjusted for the retrospective adoption of SFAS 160.*

See Notes to Condensed Consolidated Financial Statements.

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

	Three months ended March 31,	
	2009	2008
	(unaudited)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 56	$ 50
Income tax (refunds) payments, net	$ (52)	$ 9
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Decrease in accounts payable from investments in property, plant and equipment	$ (117)	$ (62)
Dividends declared but not paid	$ 98	$ 87

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 March 31, 2009		2008*	
	(unaudited)			
Operating revenues				
Electric	$	553	$	501
Natural gas		179		245
Total operating revenues		732		746
Operating expenses				
Cost of electric fuel and purchased power		171		163
Cost of natural gas		87		152
Operation and maintenance		181		187
Depreciation and amortization		77		77
Franchise fees and other taxes		41		38
Total operating expenses		557		617
Operating income		175		129
Other income, net		17		3
Interest income		-		2
Interest expense		(25)		(27)
Income before income taxes		167		107
Income tax expense		60		32
Net income		107		75
Earnings attributable to noncontrolling interest		(7)		-
Earnings		100		75
Preferred dividend requirements		1		1
Earnings attributable to common shares	$	99	$	74

** As adjusted for the retrospective adoption of SFAS 160.*

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	March 31, 2009	December 31, 2008
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40	$ 19
Short-term investments	24	24
Accounts receivable - trade	220	225
Accounts receivable - other	66	30
Due from unconsolidated affiliates	1	29
Income taxes receivable	-	22
Deferred income taxes	33	17
Inventories	64	62
Regulatory assets arising from fixed-price contracts and other derivatives	97	94
Other regulatory assets	7	8
Fixed-price contracts and other derivatives	30	39
Insurance receivable related to wildfire litigation (Note 10)	900	-
Other	11	15
Total current assets	1,493	584
Other assets:		
Due from unconsolidated affiliate	4	4
Deferred taxes recoverable in rates	372	369
Regulatory assets arising from fixed-price contracts and other derivatives	263	264
Regulatory assets arising from pension and other postretirement benefit obligations	402	393
Other regulatory assets	59	59
Nuclear decommissioning trusts	537	577
Sundry	34	154
Total other assets	1,671	1,820
Property, plant and equipment:		
Property, plant and equipment	9,351	9,095

Less accumulated depreciation and amortization		(2,464)		(2,420)
Property, plant and equipment, net		6,887		6,675
Total assets	$	10,051	$	9,079

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	March 31, 2009	December 31, 2008*
	(unaudited)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 98	$ -
Accounts payable	186	261
Income taxes payable	33	-
Due to unconsolidated affiliates	29	1
Regulatory balancing accounts, net	183	114
Customer deposits	52	53
Fixed-price contracts and other derivatives	74	77
Accrued compensation and benefits	49	105
Current portion of long-term debt	5	2
Reserve for wildfire litigation (Note 10)	900	-
Other	185	163
Total current liabilities	1,794	776
Long-term debt	2,161	2,142
Deferred credits and other liabilities:		
Customer advances for construction	22	26
Pension and other postretirement benefit obligations, net of plan assets	427	419
Deferred income taxes	654	628
Deferred investment tax credits	26	26
Regulatory liabilities arising from removal obligations	1,177	1,212
Asset retirement obligations	558	550
Fixed-price contracts and other derivatives	327	347
Deferred credits and other	196	204
Total deferred credits and other liabilities	3,387	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
Retained earnings		1,366		1,417
Accumulated other comprehensive income (loss)		(11)		(13)
Total SDG&E shareholders' equity		2,493		2,542
Noncontrolling interest		137		128
Total equity		2,630		2,670
Total liabilities and equity	$	10,051	$	9,079

** As adjusted for the retrospective adoption of SFAS 160.*

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Dollars in millions)

	Three months ended March 31, 2009	2008*
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 107	$ 75
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77	77
Deferred income taxes and investment tax credits	5	3
Other	(12)	(3)
Net change in other working capital components	77	134
Changes in other assets	7	2
Changes in other liabilities	(16)	(10)
Net cash provided by operating activities	245	278
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(229)	(235)
Expenditures for short-term investments	-	(236)
Purchases of nuclear decommissioning trust assets	(43)	(134)
Proceeds from sales by nuclear decommissioning trusts	42	134
Decrease in loans to affiliates, net	33	-
Other	-	1
Net cash used in investing activities	(197)	(470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	(150)	-
Preferred dividends paid	(1)	(1)
Redemptions of preferred stock	-	(14)
Issuances of long-term debt	22	47
Increase in short-term debt, net	98	33
Capital contribution received by Otay Mesa VIE	4	-
Net cash (used in) provided by financing activities	(27)	65

Increase (decrease) in cash and cash equivalents		21		(127)
Cash and cash equivalents, January 1		19		158
Cash and cash equivalents, March 31	$	40	$	31
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest payments, net of amounts capitalized	$	14	$	15
Income tax payments (refunds), net	$	1	$	(1)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES				
Decrease in accounts payable from investments in property, plant and equipment	$	(71)	$	(53)
Dividends declared but not paid	$	1	$	1

** As adjusted for the retrospective adoption of SFAS 160.*

See Notes to Condensed Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions)

	Three months ended March 31,			
	2009		2008	
	(unaudited)			
Operating revenues	$	920	$	1,556
Operating expenses				
Cost of natural gas		455		1,087
Operation and maintenance		251		250
Depreciation		72		71
Franchise fees and other taxes		32		39
Total operating expenses		810		1,447
Operating income		110		109
Other income, net		1		-
Interest income		1		7
Interest expense		(17)		(17)
Income before income taxes		95		99
Income tax expense		36		41
Net income/Earnings		59		58
Preferred dividend requirements		1		1
Earnings attributable to common shares	$	58	$	57

See Notes to Condensed Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	March 31, 2009	December 31, 2008
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 593	$ 206
Accounts receivable - trade	455	572
Accounts receivable - other	30	20
Due from unconsolidated affiliates	40	5
Income taxes receivable	-	108
Inventories	39	167
Other regulatory assets	18	18
Other	64	37
Total current assets	1,239	1,133
Other assets:		
Due from unconsolidated affiliates	454	457
Regulatory assets arising from pension and other postretirement benefit obligations	808	795
Other regulatory assets	112	105
Sundry	43	49
Total other assets	1,417	1,406
Property, plant and equipment:		
Property, plant and equipment	8,904	8,816
Less accumulated depreciation and amortization	(3,494)	(3,448)
Property, plant and equipment, net	5,410	5,368
Total assets	$ 8,066	$ 7,907

See Notes to Condensed Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	March 31, 2009 (unaudited)	December 31, 2008*
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable - trade	$ 183	$ 257
Accounts payable - other	125	163
Due to unconsolidated affiliates	84	106
Income taxes payable	12	-
Deferred income taxes	2	6
Regulatory balancing accounts, net	426	221
Customer deposits	105	114
Accrued compensation and benefits	63	92
Current portion of long-term debt	100	100
Other	235	213
Total current liabilities	1,335	1,272
Long-term debt	1,269	1,270
Deferred credits and other liabilities:		
Customer advances for construction	132	131
Pension and other postretirement benefit obligations, net of plan assets	835	823
Deferred income taxes	172	157
Deferred investment tax credits	30	30
Regulatory liabilities arising from removal obligations	1,225	1,218
Asset retirement obligations	590	581
Deferred taxes refundable in rates	210	214
Deferred credits and other	249	251
Total deferred credits and other liabilities	3,443	3,405
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock	80	80
Common stock (600 million shares authorized; 84 million shares outstanding; no par value)	1,462	1,462

Retained earnings		484	426
Accumulated other comprehensive income (loss)		(27)	(28)
Total Pacific Enterprises shareholders' equity		1,999	1,940
Preferred stock of subsidiary		20	20
Total equity		2,019	1,960
Total liabilities and equity	$	8,066 $	7,907

** As adjusted for the retrospective adoption of SFAS 160.*

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,	
	2009	2008
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 59	$ 58
Adjustments to reconcile net income to net cash provided by		
operating activities:		
Depreciation	72	71
Deferred income taxes and investment tax credits	6	(3)
Other	2	1
Net change in other working capital components	357	458
Changes in other assets	7	3
Changes in other liabilities	(6)	(16)
Net cash provided by operating activities	497	572
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(112)	(116)
Decrease (increase) in loans to affiliates, net	3	(13)
Net cash used in investing activities	(109)	(129)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	-	(150)
Preferred dividends paid	(1)	(1)
Net cash used in financing activities	(1)	(151)
Increase in cash and cash equivalents	387	292
Cash and cash equivalents, January 1	206	59
Cash and cash equivalents, March 31	$ 593	$ 351
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 9	$ 9
Income tax refunds	$ (23)	$ -

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES				
Decrease in accounts payable from investments in property, plant and equipment	$	(15)	$	(16)
Dividends declared but not paid	$	1	$	51

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions)

	Three months ended March 31,	
	2009	2008
	(unaudited)	
Operating revenues	$ 920	$ 1,556
Operating expenses		
Cost of natural gas	455	1,087
Operation and maintenance	251	249
Depreciation	72	71
Franchise fees and other taxes	32	39
Total operating expenses	810	1,446
Operating income	110	110
Other income, net	1	-
Interest income	1	3
Interest expense	(17)	(16)
Income before income taxes	95	97
Income tax expense	36	40
Net income/Earnings attributable to common shares	$ 59	$ 57

See Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 593	$ 206
Accounts receivable - trade	455	572
Accounts receivable - other	30	20
Due from unconsolidated affiliates	4	-
Income taxes receivable	-	41
Inventories	39	167
Other regulatory assets	18	18
Other	64	37
Total current assets	1,203	1,061
Other assets:		
Regulatory assets arising from pension and other postretirement benefit obligations	808	795
Other regulatory assets	112	105
Sundry	17	24
Total other assets	937	924
Property, plant and equipment:		
Property, plant and equipment	8,903	8,814
Less accumulated depreciation and amortization	(3,494)	(3,448)
Property, plant and equipment, net	5,409	5,366
Total assets	$ 7,549	$ 7,351

See Notes to Condensed Consolidated Financial Statements.

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

	March 31, 2009 (unaudited)	December 31, 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	$ 183	$ 257
Accounts payable - other	125	163
Due to unconsolidated affiliates	34	23
Income taxes payable	15	-
Deferred income taxes	2	6
Regulatory balancing accounts, net	426	221
Customer deposits	105	114
Accrued compensation and benefits	63	92
Current portion of long-term debt	100	100
Other	233	211
Total current liabilities	1,286	1,187
Long-term debt	1,269	1,270
Deferred credits and other liabilities:		
Customer advances for construction	132	131
Pension and other postretirement benefit obligations, net of plan assets	835	823
Deferred income taxes	182	167
Deferred investment tax credits	30	30
Regulatory liabilities arising from removal obligations	1,225	1,218
Asset retirement obligations	590	581
Deferred taxes refundable in rates	210	214
Deferred credits and other	240	240
Total deferred credits and other liabilities	3,444	3,404
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock	22	22
Common stock (100 million shares authorized; 91 million shares outstanding; no par value)	866	866

Retained earnings		689		630
Accumulated other comprehensive income (loss)		(27)		(28)
Total shareholders' equity		1,550		1,490
Total liabilities and shareholders' equity	$	7,549	$	7,351

See Notes to Condensed Consolidated Financial Statements.

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

	Three months ended March 31,	
	2009	2008
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 59	$ 57
Adjustments to reconcile net income to net cash provided by		
operating activities:		
Depreciation	72	71
Deferred income taxes and investment tax credits	6	(3)
Other	2	1
Net change in other working capital components	357	456
Changes in other assets	7	2
Changes in other liabilities	(4)	(15)
Net cash provided by operating activities	499	569
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(112)	(116)
Increase in loans to affiliates, net	-	(11)
Net cash used in investing activities	(112)	(127)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	-	(150)
Net cash used in financing activities	-	(150)
Increase in cash and cash equivalents	387	292
Cash and cash equivalents, January 1	206	59
Cash and cash equivalents, March 31	$ 593	$ 351
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 8	$ 8
Income tax refunds	$ (23)	$ -

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Decrease in accounts payable from investments in property, plant and equipment	$ (15)	$ (16)
Dividends declared but not paid	$ -	$ 50

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL

PRINCIPLES OF CONSOLIDATION

Sempra Energy

Sempra Energy's Condensed Consolidated Financial Statements include the accounts of Sempra Energy, a California-based Fortune 500 holding company, its consolidated subsidiaries, and a variable interest entity. Sempra Energy s principal subsidiaries are the following:

§

San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas), which we collectively refer to as the Sempra Utilities; and

§

Sempra Global, which is the holding company for Sempra Commodities, Sempra Generation, Sempra Pipelines & Storage, Sempra LNG and other, smaller businesses.

Sempra Energy uses the equity method to account for investments in affiliated companies over which we have the ability to exercise significant influence, but not control.

SDG&E

SDG&E's Condensed Consolidated Financial Statements include its accounts, the accounts of its sole subsidiary, SDG&E Funding LLC, and the accounts of Otay Mesa Energy Center LLC (Otay Mesa VIE), a variable interest entity of which SDG&E is the primary beneficiary, as discussed in Note 5 under "Variable Interest Entities." SDG&E s common stock is wholly owned by Enova Corporation, which is a wholly owned subsidiary of Sempra Energy. The activities of SDG&E Funding LLC were substantially complete in 2007, and the entity was dissolved in 2008.

Pacific Enterprises and SoCalGas

The Condensed Consolidated Financial Statements of Pacific Enterprises include the accounts of Pacific Enterprises (PE) and its subsidiary, SoCalGas. Sempra Energy owns all of PE s common stock and PE owns all of SoCalGas common stock. SoCalGas Condensed Consolidated Financial Statements include its subsidiaries, which comprise less than one percent of its consolidated financial position and results of operations.

PE's operations consist solely of those of SoCalGas and additional items (e.g., cash, intercompany accounts and equity) attributable to being a holding company for SoCalGas.

BASIS OF PRESENTATION

This is a combined report of Sempra Energy, SDG&E, PE and SoCalGas. We provide separate information for SDG&E, PE and SoCalGas as required. When only information for SoCalGas is provided, it is the same for PE.

References in this report to "we," "our" and "Sempra Energy Consolidated" are to Sempra Energy and its consolidated entities, unless otherwise indicated by the context. We have eliminated intercompany accounts and transactions within each set of consolidated financial statements.

We have prepared the Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and 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 accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal, recurring nature, except as we discuss below in "Presentation of Preferred Securities" and in Note 2.

You should read the information in this Quarterly Report in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2008 (the Annual Report), which is a combined report for Sempra Energy, SDG&E, PE and SoCalGas.

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report. We follow the same accounting policies for interim reporting purposes, except for the adoption of new accounting standards as we discuss in Note 2.

The Sempra Utilities account for the economic effects of regulation on utility operations in accordance with SFAS 71, *Accounting for the Effects of Certain Types of Regulation*.

Presentation of Preferred Securities

In connection with the adoption of Statement of Financial Accounting Standards (SFAS) 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160), as we discuss in Note 2, we evaluated the requirements of Emerging Issues Task Force (EITF) Topic No. 98, *Classification and Measurement of Redeemable Securities* (Topic D-98), with respect to the presentation of preferred securities. In previously issued financial statements, SDG&E classified certain preferred securities within the shareholders' equity section of the balance sheet. These preferred securities contain a contingent redemption feature that allows the holder to elect a majority of SDG&E's board of directors if dividends are not paid for eight consecutive quarters. Because such a redemption triggering event is not solely within the control of SDG&E, SDG&E has concluded that these preferred securities should have been presented separate from and outside of shareholders' equity in a manner consistent with temporary equity defined in Topic D-98. Although SDG&E believes that the effects are not material to the previously issued balance sheets, SDG&E has corrected the classification of these amounts as of December 31, 2008 for comparability purposes. This change, which affects preferred securities totaling $79 million at December 31, 2008 and March 31, 2009, affects only the balance sheet presentation of equity accounts and has no impact on earnings or on cash flows for any period presented.

NOTE 2. NEW ACCOUNTING STANDARDS

We describe below recent pronouncements that have had or may have a significant effect on our financial statements. We do not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to our financial condition, results of operations, or disclosures.

SEMPRA ENERGY, SDG&E, PE AND SOCALGAS

SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51" (SFAS 160): SFAS 160 amends Accounting Research Bulletin (ARB) No. 51, *Consolidated Financial Statements*, to establish accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent.

SFAS 160 provides guidance on the following:

§

how to report noncontrolling interests in a subsidiary in consolidated financial statements;

§

the amount of consolidated net income attributable to the parent and to the noncontrolling interest; and

§

changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated.

We adopted SFAS 160 on January 1, 2009, and the presentation and disclosure requirements must be applied retrospectively. Accordingly, Sempra Energy s, SDG&E s and PE's condensed consolidated financial statements at December 31, 2008 and for the three months ended March 31, 2008 have been reclassified to conform to the new presentation. The adoption of SFAS 160 had no impact on SoCalGas financial statements. The pronouncement also requires disclosures that clearly identify and distinguish between the interest of the parent and the interests of the noncontrolling owners. We provide the required disclosure in Note 5.

SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133" (SFAS 161): SFAS 161 expands the disclosure requirements in SFAS 133, *Accounting for Derivative Instruments and Hedging Activities (SFAS 133).*

SFAS 161 requires disclosures about the following:

§

qualitative objectives and strategies for using derivatives;

§

quantitative disclosures of fair value amounts, and gains and losses on derivative instruments and related hedged items; and

§

credit-risk-related contingent features in derivative agreements.

We adopted SFAS 161 on January 1, 2009 and it is not required to be applied retrospectively. We provide the required disclosure in Note 7.

FASB Staff Position (FSP) FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That are Not Orderly (FSP FAS 157-4): FSP FAS 157-4 concerns the determination of fair values for assets and liabilities when there is no active market or where the prices used might represent distressed sales. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. The FSP also outlines factors to be used to determine whether there has been a significant decrease in the volume and level of activity for the assets and liabilities when compared with normal market activity.

FSP FAS 157-4 applies to us prospectively for interim and annual periods ending after June 15, 2009. We are in the process of evaluating the effects of this statement on our financial position and results of operations.

FSP FAS 107-1 and APB 28-1, "Interim Disclosures About Fair Value of Financial Instruments" (FSP FAS 107-1 and APB 28-1): FSP FAS 107-1 and APB 28-1 requires disclosure about the carrying amount and fair value of financial instruments for interim periods. Prior to the issuance of this FSP, this disclosure was required only for annual periods.

FSP FAS 107-1 and APB 28-1 applies to us prospectively for interim and annual periods ending after June 15, 2009. Our second quarter 2009 financial statements will include the additional disclosure.

FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" (FSP FAS 115-2 and FAS 124-2): FSP FAS 115-2 and FAS 124-2 establishes a new model for determining and recording other-than-temporary impairment for debt securities.

FSP FAS 115-2 and FAS 124-2 applies to us prospectively for interim and annual periods ending after June 15, 2009. We do not expect the effects of adopting this statement to have a material impact on our financial position or results of operations.

FSP FAS 132(R)-1, "Employers Disclosures about Postretirement Benefit Plan Assets" (FSP FAS 132(R)-1): FSP FAS 132(R)-1 requires annual disclosure about the assets held in postretirement benefit plans, including a breakdown by the level of the assets and a reconciliation of any change in Level 3 assets during the year. It requires that disclosures include information about the following:

§

valuation inputs, with detailed disclosure required about Level 3 assets

§

asset categories, broken down to relevant detail

§

concentration of risk in plan assets

FSP FAS 132(R)-1 applies to us prospectively for fiscal years ending after December 15, 2009. Early application is permitted. We are in the process of evaluating the effect of this statement on our financial statement disclosures.

SEMPRA ENERGY

FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (FSP EITF 03-6-1): FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities. As such, they are required to be included when computing earnings per share (EPS) under the two-class method described in SFAS 128, *Earnings per Share*. All prior-period EPS data are to be adjusted retrospectively to conform with the provisions of this FSP. We adopted FSP EITF 03-6-1 on January 1, 2009 and it did not have a material impact on our EPS.

EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations" (EITF 08-6): EITF 08-6 clarifies accounting and impairment considerations involving equity method investments. We adopted EITF 08-6 on January 1, 2009 and it did not have a material impact on our financial position and results of operations.

EITF Issue No. 08-5, "Issuer s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement" (EITF 08-5): EITF 08-5 provides that an issuer of a liability with a third-party credit enhancement that is inseparable from the liability may not include the effect of the credit enhancement in the fair value measurement of the liability. We adopted EITF 08-5 on January 1, 2009 and it did not have a material impact on our financial position or results of operations.

NOTE 3. RECENT EQUITY TRANSACTION

SEMPRA PIPELINES & STORAGE

Sempra Midstream, a subsidiary of Sempra Pipelines & Storage, owned 60 percent of Mississippi Hub, LLC (Mississippi Hub) at December 31, 2008. On January 16, 2009, Sempra Midstream purchased the remaining 40-percent ownership interest of Mississippi Hub for $94 million in cash.

NOTE 4. INVESTMENTS IN UNCONSOLIDATED ENTITIES

SEMPRA ENERGY AND SDG&E

Available-for-Sale Securities

In March 2008, Sempra Energy and SDG&E purchased $177 million and $236 million, respectively, of industrial development bonds. In December 2008, SDG&E remarketed $237 million of these industrial development bonds. The remaining $176 million of industrial development bonds, $24 million of which are held by SDG&E, are classified as available-for-sale securities and included in Short-Term Investments on the Condensed Consolidated Balance Sheets at March 31, 2009 and December 31, 2008. Sempra Energy and SDG&E intend to remarket the bonds by the end of 2009 and will make any necessary modifications to the bonds' credit and liquidity support at the time of their remarketing to investors. We discuss the bonds further in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

SEMPRA COMMODITIES

On April 1, 2008, Sempra Energy and The Royal Bank of Scotland (RBS) completed the formation of RBS Sempra Commodities LLP (RBS Sempra Commodities), a United Kingdom limited liability partnership formed to own and operate the commodities-marketing businesses previously operated through wholly owned subsidiaries of Sempra Energy. We account for our investment in RBS Sempra Commodities under the equity method, and our share of partnership earnings is reported in the Sempra Commodities segment.

For the three months ended March 31, 2009, we had $153 million of pretax equity earnings from RBS Sempra Commodities. The partnership income that is distributable to us on an annual basis is computed on the partnership's basis of accounting, International Financial Reporting Standards (IFRS) as adopted by the European Union. For the three months ended March 31, 2009, this distributable income, on an IFRS basis, is $114 million. In the first quarter of 2009, we received the remaining distribution of 2008 partnership income of $305 million.

We have indemnified the partnership for certain litigation and tax liabilities related to the businesses purchased by the partnership. We recorded these obligations at a fair value of $5 million on April 1, 2008, the date we formed the partnership, and they are being amortized over 4 years.

We provide information regarding the Sempra Commodities segment in Note 11.

The following table shows summarized financial information for RBS Sempra Commodities (on a GAAP basis):

		Three months ended
(Dollars in millions)		March 31, 2009
Gross revenues and fee income	$	509
Gross profit		486
Income from continuing operations		236
Partnership net income		236

Available-for-Sale Securities

Sempra Commodities recorded purchases of available-for-sale securities of $1 million in the first quarter of 2008. Sempra Commodities had no sales and no impairment of available-for-sale securities in 2008 prior to the formation of RBS Sempra Commodities.

SEMPRA PIPELINES & STORAGE

Sempra Pipelines & Storage owns 43 percent of two Argentine natural gas utility holding companies, Sodigas Pampeana and Sodigas Sur. The Argentine economic decline and government responses (including Argentina s unilateral, retroactive abrogation of utility agreements early in 2002) continue to adversely affect the operations of these Argentine utilities. In 2002, Sempra Pipelines & Storage initiated arbitration proceedings at the International Center for the Settlement of Investment Disputes (ICSID) under the 1994 Bilateral Investment Treaty between the United States and Argentina for recovery of the diminution of the value of its investments that has resulted from Argentine governmental actions. In September 2007, the tribunal officially closed the arbitration proceedings and awarded us compensation of $172 million, which includes interest up to the award date. In January 2008, Argentina filed an action at the ICSID seeking to annul the award. On March 5, 2009, the ICSID ordered Argentina to place $75 million in escrow within 120 days, as tangible evidence of its preparedness to comply in good faith, as a condition of a continued stay in the annulment case. We will not recognize the award until collectibility is assured.

NOTE 5. OTHER FINANCIAL DATA

VARIABLE INTEREST ENTITIES

Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (revised December 2003), *Consolidation of Variable Interest Entities - an interpretation* of *ARB No. 51* (FIN 46(R)), requires an enterprise to consolidate a variable interest entity (VIE), as defined in FIN 46(R), if the company is the primary beneficiary of the VIE s activities. Our determination of whether we are the primary beneficiary is based upon qualitative and quantitative analyses, which assess

§

the purpose and design of the VIE;

§

the nature of the VIE's risks and the risks we absorb; and

§

whether the variable interest holders will absorb a majority of the VIE's expected losses or receive a majority of its expected residual returns (or both).

SDG&E has a 10-year agreement to purchase power to be generated at the Otay Mesa Energy Center (OMEC), a 573-megawatt (MW) generating facility currently under construction and expected to be in commercial operation in the fourth quarter of 2009.

As defined in FIN 46(R), the facility owner, Otay Mesa Energy Center LLC (OMEC LLC), is a VIE (Otay Mesa VIE), of which SDG&E is the primary beneficiary. SDG&E has no OMEC LLC voting rights and does not operate OMEC. We provide additional information about Otay Mesa VIE in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

Accordingly, Sempra Energy and SDG&E have consolidated Otay Mesa VIE. Otay Mesa VIE's equity of $137 million at March 31, 2009 and $128 million at December 31, 2008 is included in Noncontrolling Interest on the Sempra Energy and SDG&E Condensed Consolidated Balance Sheets.

OMEC LLC has a project finance credit facility with third party lenders, secured by its assets, that provides for up to $377 million for the construction of OMEC. SDG&E is not a party to the credit agreement and does not have any additional implicit or explicit financial responsibility to Otay Mesa VIE. The loan matures in April 2019. Borrowings under the facility bear interest at rates varying with market rates. OMEC LLC had $278 million of outstanding borrowings under this facility at March 31, 2009. In addition, OMEC LLC has entered into interest-rate swap agreements to moderate its exposure to interest-rate changes on this facility. We provide additional information concerning the interest-rate swaps in Note 7.

Contracts, under which SDG&E acquires power from generation facilities otherwise unrelated to SDG&E, could result in a requirement for SDG&E to consolidate the entity that owns the facility. In accordance with FIN 46(R), SDG&E continues the process of determining if it has any such situations and, if so, gathering the information that would be needed to perform the consolidation. However, such information has not been made available to us and an evaluation of variable interests has not been completed for these entities that are grandfathered pursuant to FIN 46(R). The effects of any required consolidation are not expected to significantly affect the financial position, results of operations or liquidity of SDG&E.

PENSION AND OTHER POSTRETIREMENT BENEFITS

Net Periodic Benefit Cost

The following three tables provide the components of net periodic benefit cost:

NET PERIODIC BENEFIT COST -- SEMPRA ENERGY CONSOLIDATED

(Dollars in millions)

	Pension Benefits		Other Postretirement Benefits	
	Three months ended March 31,		Three months ended March 31,	
	2009	2008	2009	2008
Service cost	$ 19	$ 18	$ 7	$ 6
Interest cost	43	42	14	14
Expected return on assets	(35)	(40)	(12)	(12)
Amortization of:				
Prior service cost (credit)	1	1	-	(1)
Actuarial loss	6	2	1	-
Regulatory adjustment	(26)	(15)	(1)	1
Total net periodic benefit cost	$ 8	$ 8	$ 9	$ 8

NET PERIODIC BENEFIT COST -- SDG&E

(Dollars in millions)

	Pension Benefits		Other Postretirement Benefits	
	Three months ended March 31,		Three months ended March 31,	
	2009	2008	2009	2008
Service cost	$ 6	$ 6	$ 2	$ 2
Interest cost	12	12	2	2
Expected return on assets	(8)	(12)	(1)	(1)
Amortization of:				
Prior service cost	1	-	1	1
Actuarial loss	4	1	-	-
Regulatory adjustment	(14)	(6)	-	(1)
Total net periodic benefit cost	$ 1	$ 1	$ 4	$ 3

NET PERIODIC BENEFIT COST -- SOCALGAS

(Dollars in millions)

	Pension Benefits		Other Postretirement Benefits	
	Three months ended March 31,		Three months ended March 31,	
	2009	2008	2009	2008
Service cost	$ 11	$ 10	$ 5	$ 4
Interest cost	25	25	11	11
Expected return on assets	(24)	(26)	(11)	(11)
Amortization of:				
Prior service cost (credit)	1	1	(1)	(1)
Actuarial loss	-	-	1	-
Regulatory adjustment	(12)	(9)	(1)	2
Total net periodic benefit cost	$ 1	$ 1	$ 4	$ 5

Future Payments

The following table shows our year-to-date contributions to our pension and other postretirement benefit plans and the amounts we expect to contribute in 2009:

(Dollars in millions)	Sempra Energy Consolidated	SDG&E	SoCalGas
Contributions through March 31, 2009:			
Pension plans	$ 14	$ -	$ -

Other postretirement benefit plans	9	4	5
Total expected contributions in 2009:			
Pension plans	$ 161	$ 57	$ 74
Other postretirement benefit plans	48	17	29

EARNINGS PER SHARE

The following table provides the per share computations for our earnings for the three months ended March 31, 2009 and 2008. Basic EPS is calculated by dividing earnings attributable to common stock by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the potential dilution of common stock equivalent shares that would occur if securities or other contracts to issue common stock were exercised or converted into common stock.

EARNINGS PER SHARE COMPUTATIONS

(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended March 31,	
	2009	2008
Numerator:		
Earnings	$ 316	$ 242
Denominator:		
Weighted-average common shares outstanding for basic EPS	241,766	258,624
Dilutive effect of stock options, restricted stock awards and restricted stock units	3,251	4,047
Weighted-average common shares outstanding for diluted EPS	245,017	262,671
Earnings per share:		
Basic	$ 1.31	$ 0.94
Diluted	$ 1.29	$ 0.92

The dilution from common stock options is based on the treasury stock method. Under this method, proceeds based on the exercise price plus unearned compensation and windfall tax benefits or tax shortfalls, as defined by SFAS 123 (revised 2004), *Share-Based Payment (SFAS 123(R))*, are assumed to be used to repurchase shares on the open market at the average market price for the period. The windfall tax benefits are tax deductions we would receive upon the assumed exercise of stock options in excess of the deferred income taxes we recorded related to the compensation expense on the stock options. Tax shortfalls occur when the assumed tax deductions are less than recorded deferred income taxes. The calculation excludes options for which the exercise price for common stock was greater than the average market price during the period. We had 3,153,534 and 1,474,287 of such stock options outstanding during the three months ended March 31, 2009 and 2008, respectively.

During the three months ended March 31, 2008, we had 2,500 stock options outstanding that were antidilutive because of the unearned compensation and windfall tax benefits included in the assumed proceeds under the treasury stock method. We had no such antidilutive stock options outstanding during the three months ended March 31, 2009.

The dilution from unvested restricted stock awards and units is also based on the treasury stock method. Assumed proceeds equal to the unearned compensation and windfall tax benefits or tax shortfalls related to the awards, as defined by SFAS 123(R), are assumed to be used to repurchase shares on the open market at the average market price for the period. The windfall tax benefits or tax shortfalls are the difference between tax deductions we would receive upon the assumed vesting of restricted stock awards and units and the deferred income taxes we recorded related to the compensation expense on the restricted stock awards and units. We had 544,399 restricted stock units outstanding that were antidilutive during the three months ended March 31, 2008. There were no restricted stock awards or units outstanding that were antidilutive during the three months ended March 31, 2009.

SHARE-BASED COMPENSATION

We discuss our share-based compensation plans in Note 10 of the Notes to Consolidated Financial Statements in the Annual Report. We recorded share-based compensation expense, net of income taxes, of $6 million and $8 million for the three months ended March 31, 2009 and 2008, respectively. Pursuant to our share-based compensation plans, we granted 868,200 non-qualified stock options, 37,200 restricted stock awards and 907,700 restricted stock units during the three months ended March 31, 2009, primarily in January 2009.

CAPITALIZED FINANCING COSTS

Capitalized financing costs include capitalized interest costs and, at the Sempra Utilities, an allowance for funds used during construction (AFUDC) related to both debt and equity financing of construction projects. The following table shows capitalized financing costs for the three months ended March 31, 2009 and 2008.