SOUTHERN CALIFORNIA GAS COMPANY
810 South Flower Street
Los Angeles, California

DIRECTORS
A. C. BALCH
A. B. MACBETH
Stuart O'Melveny
F. M. BANKS
H. L. MASSER
T. J. REYNOLDS
LeRoy M. Edwards
Ben R. Meyer
E. N. Simmons
STANLEY W. GUTHRIE
ROBERT W. MILLER
F. S. WADE
Harold Janss
WM. MOELLER, JR.
GUY W. WADSWORTH, JR.

OFFICERS
F. S. WADE
President and General Manager
H. L. MASSER
Executive Vice President
ROBERT W. MILLER
Vice President
LeROY M. EDWARDS, Vice President and Special Counsel
T. J. REYNOLDS
Vice President and General Counsel
WM. MOELLER, JR.
Vice President
F. M. BANKS
Vice President
GUY W. WADSWORTH, JR.
Vice President
E. N. SIMMONS
Controller
L. D. ROMIG
Assistant Controller
A. B. CATES, JR.
General Auditor
F. E. SEAVER
Secretary
R. R. BLACKBURN
Assistant Secretary
R. D. MCGUIRE
Assistant Secretary
G. A. DETRICK
Treasurer
H. L. PHELPS
Assistant Treasurer
L. B. WILSON
Assistant Treasurer

REGISTRARS OF 6% SERIES A CUMULATIVE PREFERRED STOCK
American Trust Company
San Francisco, California
Irving Trust Company
New York, N. Y.
Security-First National Bank*
Los Angeles, California

TRANSFER AGENTS OF 6% SERIES A CUMULATIVE PREFERRED STOCK
Pacific Lighting Corporation
San Francisco, California
Manufacturers Trust Company
New York, N. Y.
Office of the Company**
Los Angeles, California

*Also Registrar of 6% Cumulative Preferred Stock.
**Also Transfer Agent of 6% Cumulative Preferred Stock.
ANNUAL REPORT
SOUTHERN CALIFORNIA GAS COMPANY

1941

Los Angeles, California
March 20, 1942.

TO THE SHAREHOLDERS:

The following report, including certified financial statements, covers briefly the operations of your Company for 1941, and represents the 75th annual report of the organization and its predecessors.

Net income for the year totaled $4,431,469, which compares with $4,317,628 for 1940, an increase of 2.6%. Reflecting a population increase of some 150,000 persons in Los Angeles County alone, the number of active gas meters in service at the end of the year was 44,373 greater than at the end of 1940. This gain, amounting to 5.8%, is the largest gain since the early 1920’s. The number of meters in service on December 31, 1941, totaled 809,726.

REVENUES AND EXPENSES

Gross revenues amounted to $37,450,967 for 1941, an increase of $2,935,459 over 1940. This was an increase of 8.5%. However, increased operating expenses, higher taxes, and a rate reduction estimated at $500,000 annually, which became effective on February 10, 1941, all tended to cut down the margin of net income to the 2.6% increase noted above.

The year's operating and maintenance expenses totaled $21,208,052, an increase of $1,781,351 over 1940. Larger natural gas purchases, raising of wage levels and more customers to serve were responsible for this increase.

TAXES

Taxes reached a new peak of $6,106,029, caused primarily by higher Federal income taxes. Your Company’s tax outlay, representing 16.3% of gross revenues, showed an increase of 19.8% over 1940.

ADDITIONS, BETTERMENTS AND REPLACEMENTS

The Company’s rate of growth was substantially accelerated during 1941. Gross additions, betterments and replacements amounted to $8,790,324 as compared with the previous year’s total of $5,905,842.

Major projects completed included large size transmission, production and distributing lines aggregating 67.1 miles. Other construction included two 500,000 cubic foot
SOUTHERN CALIFORNIA GAS COMPANY

holders at San Bernardino; one 250,000 cubic foot holder at March Field Army Camp, Riverside; one 200,000 cubic foot holder at Reedley; operating headquarters and office at Taft; a new branch office in Los Angeles; a six-story general office annex and major alterations to the general office building at Los Angeles; and a headquarters office building and other operating structures at Visalia.

Projects in course of construction at year-end included a two-story commercial and distribution building in Compton and a 10,000,000 cubic foot holder in Los Angeles.

NEW FINANCING

Under date of April 10, 1941, additional 3⅓% first mortgage bonds due in 1970 in the amount of $5,000,000 were issued. A portion of the net proceeds was used to reimburse the Company for past capital expenditures, and the remainder is expected to be used for similar capital outlays.

CALIFORNIA RAILROAD COMMISSION REGULATION

Anticipating priority problems in the supply of surplus gas to industrial customers in the event of a cold winter, the California Railroad Commission held hearings in Los Angeles and San Francisco late in October and early in November, 1941.

The result of these hearings was the issuance of an Interim Order which confirmed the Commission’s prior regulations with respect to the service of gas to industrial customers under surplus gas contracts. The Commission also ordered gas companies not to take on new “surplus” customers unless standby fuel facilities using other fuels were provided. Further, the Commission ruled any industrial plant using “surplus” gas insisting on service when the full load is required for residential and commercial customers, after being ordered to shut off, must be cut off entirely, and may not again be served by the companies until it provides standby facilities or obtains special approval from the regulatory body.

It was shown at the Commission’s hearings that the natural gas supply was sufficient to take care of demands in Southern California under the terms and conditions of the Commission’s order.

WAR PRODUCTION BOARD ORDER L-31

When the declaration of war made it imperative to increase the nation’s productive effort to the maximum in the shortest possible time, the War Production Board made a survey of available natural gas supply throughout the entire country and on the basis of this survey issued its order L-31 on February 16, 1942.

The aim of the order is to insure a continuous supply of natural gas for defense industries and essential civilian uses. Insofar as California is concerned, there are now greater known natural gas reserves than at any other time in history. The critical materials required for the construction of transmission lines, compressor stations and similar facilities are not only very difficult to obtain, but the government will divert them from armament only under imperative conditions.
ANNUAL REPORT FOR 1941

The effect of the order on our business as this report is being written is: (1) Present residential customers are not affected for their present uses and for minor additions to gas heating equipment. (2) New residential customers will be able to use gas for cooking and water heating and will be able to use gas for auxiliary heating, providing non-gas burning equipment supplying the major heating needs is installed and in operation. (3) Any new non-residential customer is entitled to receive, and existing non-residential customers may add gas burning equipment using, up to 10,000 cubic feet average daily for purposes other than space heating.

GENERAL

A phase of your Company's activities directly affected by the war is the promotion and sale of modern gas appliances.

Sales of gas appliances, by the Company and by independent retailers in the area served, were greater during 1941 than in any other year of the Company's history, the increases, in the case of appliances of certain types, running up to as much as 25% over the preceding year. However, the immediate future of gas appliance sales, like that of all home appliances, is extremely uncertain.

An indication of what may be expected this year is the order issued by the War Production Board in February, 1942, limiting the sale of all mechanical refrigerators. It is possible some rationing program may be adopted by the government releasing limited quantities of refrigerators for essential uses. Curtailment of the production of other types of gas appliances may be anticipated.

The steady loss of personnel into the armed forces may have a tendency to impair manpower, particularly in the Service and Operating Departments of the Company. Up to the end of 1941, regular Company employees numbering 127 had entered military service and had been granted leaves of absence. The rate at which our people are being called to the colors in the first two months of this year is being rapidly accelerated. Up to March 1st of this year, this number had been increased by 43.

THE COMPANY IN THE WAR

The impact of the war on our business is just now being acutely felt. Priorities, the induction of personnel into service, tire rationing, higher taxes, rising costs, and restrictive legislation naturally are having an increasingly greater effect. So many are the ramifications of the elements in the situation that no one can profess to see any distance into the future.

Of only one thing can we be certain; the future of our business and of all our American way of life hangs on the winning or losing of battles along our distant battle lines. Your management recognizes its responsibility, and the responsibility of the Company, in throwing its resources and energy into the battle of production behind those lines. Whatever we can do to help win this war we will do.

For the Board of Directors,
F. S. WADE, President and General Manager.

Certified to by,
E. N. SIMMONS, Controller.
### ASSETS

**PLANT PROPERTY** (including $968,156.84 franchises and intangibles) $142,518,521.28

**INVESTMENTS IN SECURITIES** (at cost) 3,032.00

**DUE FROM PACIFIC LIGHTING CORPORATION** 1,424,991.79

**FUNDS ON DEPOSIT WITH TRUSTEE OF BOND ISSUE, TO BE RELEASED FOR NEW CONSTRUCTION** 1,668,000.00

**CURRENT ASSETS:**

- **Cash** $2,684,974.52

  - Accounts and notes receivable:
    - **Regular** $3,429,981.21
    - **Instalment** 1,314,385.01
    - **Total** 4,744,366.22
    - **Less reserve** 395,052.14 4,349,314.08

- **Materials and supplies (including construction materials) – at cost** 1,761,791.32 8,796,079.92

**DEFERRED CHARGES:**

- **Net discount on preferred capital stock** $1,702,187.14
- **Miscellaneous** 144,342.38 1,846,529.52

**TOTAL** $156,257,154.51
### Liabilities

**Capital Stock:**
- Preferred:
  - 6% cumulative—Old series (authorized, 160,000 shares of $25.00 each; outstanding, 159,956 shares) $3,998,000.00
  - 6% cumulative—Series A (authorized, 2,240,000 shares of $25.00 each; outstanding, 1,830,032 shares) 19,575,800.00
- Common (authorized, 1,600,000 shares of $25.00 each; outstanding, 1,152,000 shares) 28,800,000.00

**Total Liabilities:** $52,374,700.00

**Funded Debt—First Mortgage Bonds, 3 1/4% series due October 1, 1970:** 35,000,000.00

**Current Liabilities:**
- Accounts payable $1,762,160.47
- Accrued bond interest 284,375.01
- Taxes payable and accrued 3,997,892.27
- Dividends payable 353,623.22
- Customers' deposits and construction advances 617,100.70

**Deferred Credit—Unearned carrying charges on installment accounts:** 163,771.67

**Reserves:**
- Retirements $47,661,283.72
- Insurance 1,867,886.76
- Contingencies 1,420,233.10

**Capital Surplus:**
- Premium on common capital stock $2,400,000.00
- Donations in aid of construction 2,492,939.83

**Earned Surplus:** 5,861,187.76

**Total:** $156,257,154.51

**Notes:**
- Installment accounts receivable include approximately $500,000 due subsequent to 1942.
- At December 31, 1941, the Company had a contingent liability of approximately $520,000 as guarantor on installment accounts financed by bank.
- There are various suits and claims pending against the Company; in the opinion of counsel adequate provision has been made for any liability that may result therefrom.
## SOUTHERN CALIFORNIA GAS COMPANY

### STATEMENT OF INCOME AND EARNED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1941

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Operating Revenue</strong></td>
<td>$37,450,966.50</td>
</tr>
<tr>
<td><strong>Deduct:</strong></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$19,693,490.50</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>1,514,561.13</td>
</tr>
<tr>
<td>Taxes (including Federal taxes on income—see note)</td>
<td>6,106,028.51</td>
</tr>
<tr>
<td>Provision for retirements</td>
<td>4,661,748.56</td>
</tr>
<tr>
<td><strong>Net Operating Revenue</strong></td>
<td>$5,475,137.80</td>
</tr>
<tr>
<td><strong>Other Income</strong> (net)</td>
<td>10,273.42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,485,411.22</td>
</tr>
<tr>
<td><strong>Deduct:</strong></td>
<td></td>
</tr>
<tr>
<td>Bond interest</td>
<td>$1,092,812.51</td>
</tr>
<tr>
<td>Other interest</td>
<td>8,270.14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,101,082.65</td>
</tr>
<tr>
<td>Less interest charged to construction</td>
<td>47,140.28</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$4,431,468.85</td>
</tr>
<tr>
<td><strong>Earned Surplus, January 1</strong></td>
<td>5,838,171.69</td>
</tr>
<tr>
<td><strong>Surplus Credits:</strong></td>
<td></td>
</tr>
<tr>
<td>Premium, less expense, on bonds issued</td>
<td>81,673.49</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,034.33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10,355,348.36</td>
</tr>
<tr>
<td><strong>Surplus Charges:</strong></td>
<td></td>
</tr>
<tr>
<td>Dividends—Cash:</td>
<td></td>
</tr>
<tr>
<td>Preferred (6% cumulative):</td>
<td></td>
</tr>
<tr>
<td>Old series</td>
<td>$239,936.24</td>
</tr>
<tr>
<td>Series A</td>
<td>1,174,556.04</td>
</tr>
<tr>
<td>Common</td>
<td>3,052,800.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>26,868.32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,494,160.60</td>
</tr>
<tr>
<td><strong>Earned Surplus, December 31</strong></td>
<td>$5,861,187.76</td>
</tr>
</tbody>
</table>

**Note:** So far as can be determined, the Company had no income subject to Federal excess profits tax.
SOUTHERN CALIFORNIA GAS COMPANY

STATEMENT OF CAPITAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1941

PREMIUM ON COMMON CAPITAL STOCK - Balance, January 1 and December 31
(no change during the year) .................................................. $2,400,000.00

DONATIONS IN AID OF CONSTRUCTION:

Balance, January 1 ......................................................... $2,446,159.53
Advances for main extensions forfeited during the year, and
advances for service installations, etc .................................... 46,780.30
Balance, December 31 ...................................................... 2,492,939.83

TOTAL CAPITAL SURPLUS, DECEMBER 31 .............................. $4,892,939.83

ACCOUNTANTS' CERTIFICATE

SOUTHERN CALIFORNIA GAS COMPANY:

We have examined the balance sheet of Southern California Gas Company as of December 31, 1941 and the related statements of income and surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and statements of income and surplus fairly present the financial condition of the Company at December 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

Los Angeles,
March 10, 1942.

HASKINS & SELLS,
Certified Public Accountants.

Southern California Gas Company has made generally available to its security holders an earnings statement for the period January 1, 1941 to December 31, 1941, such period beginning on the first day of the semi-annual period immediately following the effective date of the Company's registration statement for $30,000,000, principal amount, of First Mortgage Bonds, 3 1/2% Series due 1970 filed on September 16, 1940, with the Securities and Exchange Commission, pursuant to the Securities Act of 1933, as amended, which became effective on September 24, 1940. Copies of this earnings statement (as shown on page 8) will be mailed on request to all of the Company's security holders and other interested parties. This earnings statement is made generally available to security holders in accordance with the provisions of Section 11 (d) of the Securities Act of 1933, as amended.
SOUTHERN CALIFORNIA GAS COMPANY

STATISTICS

GAS METERS (INDEPENDENT ACTIVE):

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1941</td>
</tr>
<tr>
<td>Domestic and Commercial</td>
<td>807,255</td>
</tr>
<tr>
<td>Industrial and Gas Engine</td>
<td>2,471</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>809,726</strong></td>
</tr>
</tbody>
</table>

Year Ended December 31, 1941 1940

NATURAL GAS SALES (THOUSAND CUBIC FEET):

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1941</td>
</tr>
<tr>
<td>Domestic and Commercial</td>
<td>44,058,316</td>
</tr>
<tr>
<td>Industrial and Gas Engine</td>
<td>44,391,026</td>
</tr>
<tr>
<td>Wholesale</td>
<td>1,972,734</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90,422,076</strong></td>
</tr>
</tbody>
</table>

GAS MAINS (MILES):

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1941</td>
</tr>
<tr>
<td>Production and Gathering</td>
<td>199.14</td>
</tr>
<tr>
<td>Transmission</td>
<td>839.00</td>
</tr>
<tr>
<td>Distribution</td>
<td>8,606.23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,644.37</strong></td>
</tr>
</tbody>
</table>

GAS STORAGE (RATED CAPACITY CUBIC FEET):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>28 Low pressure holders</td>
<td>97,970,000</td>
</tr>
<tr>
<td>23 High pressure holders</td>
<td>3,512,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>101,482,140</strong></td>
</tr>
</tbody>
</table>

COMPRESSOR STATIONS (RATED HORSEPOWER):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Field stations</td>
<td>14,644</td>
</tr>
<tr>
<td>14 Transmission and Distribution stations</td>
<td>47,902</td>
</tr>
</tbody>
</table>

GAS PLANTS (RATED DAILY CAPACITY – CUBIC FEET):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas manufacturing plants (950 Btu. gas)</td>
<td>105,032,600</td>
</tr>
<tr>
<td>Butane gasifying plants (1100 Btu. natural gas equivalent)</td>
<td>232,500</td>
</tr>
</tbody>
</table>

NUMBER OF REGULAR EMPLOYEES.......................... 4,639

AREA SERVED:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of cities, towns and communities</td>
<td>135</td>
</tr>
<tr>
<td>Estimated population</td>
<td>2,850,000</td>
</tr>
</tbody>
</table>

The sole purpose of this report is to give present shareholders information about their Company. This report is not a representation or prospectus or circular in respect of any stock or bond of this corporation, and it is not transmitted either in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued, or in connection with any preliminary negotiation for such sale or purchase.