

**SUPERIOR COURT OF THE STATE OF CALIFORNIA, COUNTY OF SAN DIEGO  
Natural Gas Antitrust Cases I-IV J.C.C.P. No. 4221, et al.**

**If You Purchased Natural Gas or Electricity for Your Home or Business a  
Proposed Class Action Settlement May Affect Your Rights**

**Please Read this Legal Notice**

A proposed class action settlement between plaintiffs representing California purchasers and users of natural gas and electricity (“Plaintiffs”) and defendants Sempra Energy, a California corporation, Southern California Gas Company, a California Corporation (“SoCalGas”), San Diego Gas & Electric Company, a California corporation (“SDG&E”), Sempra Generation (f/k/a Sempra Energy Resources), a California corporation (“Sempra Generation”), Sempra Energy Trading Corp., a Delaware corporation (“SET”), Sempra Energy Solutions, a California corporation (“SES”), Sempra Energy Power I, a California corporation (SEP I), and Sempra Energy Sales LLC, a California Limited Liability Company (collectively referred to as, “Sempra Parties”) is pending in the Superior Court of the State of California, County of San Diego. This notice provides information about the litigation, the proposed settlement, your options, and applicable deadlines.

**I. The Litigation**

Beginning in September 2000, class action lawsuits were filed on behalf of purchasers and users of natural gas and electricity in California against certain Sempra Parties and other defendants. The lawsuits have been coordinated in the Superior Court of the County of San Diego (the “Court”), and given the special title Natural Gas Antitrust Cases I-IV, J.C.C.P. No. 4221, *et al.* The Honorable J. Richard Haden, who originally presided over the cases, retired in December 2004 and the cases were transferred to the Honorable Ronald S. Prager.

The Plaintiffs allege that certain Sempra Parties conspired with El Paso Corporation and its subsidiaries and affiliates (“El Paso”) to, among other things, eliminate competing pipeline projects under development which would have increased supplies of natural gas to Southern California and reduced or averted natural gas shortages and high natural gas and electricity prices experienced throughout California in 2000-2001. In addition, this settlement resolves separate lawsuits against certain Sempra Parties concerning natural gas price reporting and trading activities. The lawsuits sought damages and restitution based on higher energy costs.

The Sempra Parties and El Paso have previously denied and continue to deny the allegations in all of the lawsuits. The lawsuit between the Plaintiffs and El Paso was settled in October 2003.

Trial in this action commenced on October 24, 2005 and continued until December 14, 2005, when the jury was dismissed for a two-week holiday recess after hearing evidence

for six weeks. During the two-week recess for the jurors, Plaintiffs' counsel was able to finalize their settlement negotiations with the Sempra Parties and procured a settlement. The terms of the settlement were discussed with the Court. When the jury returned on January 4, 2006, they were informed of the pending settlement, thanked, and dismissed.

## **II. The Settlement With The Sempra Parties**

Plaintiffs and Sempra Parties have agreed to settle the litigation on the terms outlined below. The full text of the settlement agreement is available on the website [www.naturalgasantitrustlitigation.com](http://www.naturalgasantitrustlitigation.com). On January 13, 2006, the Court preliminarily approved the proposed settlement, and provisionally certified a settlement class. The Court's order is available on the website, [www.naturalgasantitrustlitigation.com](http://www.naturalgasantitrustlitigation.com).

### **A. Who Is Included In the Settlement**

The Settlement Class is defined as follows:

All individuals and entities in California that purchased natural gas and/or electricity for use and not for resale or generation of electricity for the purpose of resale, between September 1, 1996 and January 4, 2006, inclusive. Excluded from the Class are Defendants, Defendants' predecessors, affiliates, subsidiaries, officers and directors, any and all judges and justices assigned to hear any aspect of this litigation, along with their spouses and any minor children residing in their households, and any persons within the third degree of relationship of any judge or justice assigned to hear any aspect of this litigation.

**If you or your business or entity paid a gas or electric bill to a California utility during this time period, you and/or your business are members of the Settlement Class.** In addition, the Settlement Class includes large businesses classified as "non-core" customers of one of California's natural gas utilities (described more fully below), or who otherwise purchased natural gas pursuant to contract during this time period.

The Court has appointed Doug and Valerie Welch, Frank and Kathleen Stella, United Church Retirement Homes, Long Beach Brethren Manor, Robert Lamond, John and Jennifer Frazee; Continental Forge Company; Andrew and Andrea Berg, John C. Molony, Gerald Marcil, and SierraPine, Ltd. as representatives of the Settlement Class. The Court has appointed the law firms of O'Donnell Shaeffer Mortimer, Girardi & Keese, and Engstrom, Lipscomb & Lack as lead counsel for the Settlement Class.

On August 6, 2003, the Court certified a class consisting of five subclasses, which are described more fully below (collectively, the "Existing Subclasses"). On January 13, 2006, the Court certified the Settlement Class, which includes the Existing Subclasses as well as

three new subclasses certified for settlement purposes only. The new subclasses certified by the Court on January 13, 2006 are described more fully below (collectively, the “New Settlement Subclasses”).

Each Settlement Class member is a member of at least one of eight subclasses, described below, which have also been provisionally certified by the Court. Settlement Class members can be members of more than one subclass. Membership in the eight subclasses is subject to the same limitations and exclusions as membership in the Settlement Class, meaning that subclass members’ gas and electricity purchases must have been made between September 1, 1996 and January 4, 2006, and must have been made for consumption and not for resale or for generation of electricity for the purpose of resale.

#### **i. The Core Natural Gas Subclass**

The **Core Natural Gas Subclass** is an Existing Subclass and includes all core natural gas customers in Northern and Southern California, excluding Southwest Gas customers located in Southeastern California, but including the retail customers of SoCalGas, SDG&E, or PG&E who purchased natural gas during the class period from July 1, 2000 to July 31, 2001.

**If you are a homeowner, renter, entity, or business that paid a gas bill to a utility during this time period, you are a member of this subclass.** If you are a large business classified as a “non-core” gas customer of a gas utility, but you purchased your gas from the utility as a “core subscription” or “core elect” customer, you are a member of this subclass. If you are a large business that purchased your gas from a third party supplier instead of a utility, you are not a member of this subclass, even if you paid the utility a transportation charge to deliver the gas to your facilities.

The Court has appointed Frank and Kathleen Stella as representatives of the Core Natural Gas Subclass, and the law firm of Astrella & Rice, P.C. as lead counsel for the Core Natural Gas Subclass.

#### **ii. Non-Core Natural Gas Subclass**

The **Non-Core Natural Gas Subclass** is an Existing Subclass and includes all non-core public utility customers of the SoCal Gas, SDG&E, Sempra and PG&E in California who, for the period July 1, 2000 to July 31, 2001: (i) purchased natural gas supplies in the Southern California border market; (ii) purchased gas supplies under price formulas that incorporate, in whole or in part, published index prices for natural gas supplies at the Southern California border; or (iii) purchased natural gas supplies in California (including at point where gas is received into the SoCal Gas or PG&E systems, or in the PG&E city-gate market where gas is delivered from PG&E's main pipelines into its local transmission and distribution pipelines) at prices determined by or linked to published index prices for natural gas supplies at the Southern California border. Excluded from the class are marketers of

natural gas and purchasers of natural gas for generation of electricity for the sole purpose of resale.

Non-core customers who purchased gas from a third party supplier instead of a utility are members of this subclass, even if they paid the utility a transportation charge to deliver the gas to their facilities. Non-Core customers who elected to purchase gas from a utility are called “core subscription” or “core elect” customers, and are members of the Core Natural Gas Subclass, not the Non-Core Natural Gas Subclass. Non-Core customers who purchased gas from a third party during part of the relevant time period and who were “core subscription” or “core elect” customers of a utility during part of the relevant time period are members of both the Core Natural Gas Subclass and the Non-Core Natural Gas Subclass. If you are a member of the Non-Core Natural Gas Subclass, you should have received a copy of this notice by mail.

The Court has appointed Continental Forge Company as the representative of the Non-Core Natural Gas Subclass, and the law firm of Engstrom, Lipscomb & Lack as lead counsel for the Non-Core Natural Gas Subclass.

### **iii. Electricity Subclass**

The **Electricity Subclass** is an Existing Subclass and includes all residential, business, and wholesale purchasers of electricity from July 1, 2000 to August 6, 2003 in California from either San Diego Gas and Electric, Edison, and/or Pacific Gas and Electric who were not protected by the rate freeze describes in CPUC Decision No. 001-01-018 dated January 4, 2001, as well as those purchasers of electricity who were surcharged through CPUC Decision No. 001-01-018 dated January 4, 2001. The Electricity Subclass does not include any California municipalities or utility districts and/or the ratepayers served by those municipalities or utility districts.

**If you paid an electric bill to PG&E, Edison, SDG&E, or any other California electric utility during this time period, you are a member of this subclass.**

The Court has appointed John C. Molony and Gerald Marcil as the representatives of the Electricity Subclass, and the law firm of O’Donnell Shaeffer Mortimer, LLP as lead counsel for the Electricity Subclass.

### **iv. The Direct Access Subclass**

The **Direct Access Subclass** is an Existing Subclass and includes all residential, commercial, industrial, and wholesale purchasers of electricity who purchased through a direct access electric market other than through the California Power Exchange from July 1, 2000 to August 6, 2003.

The Court has appointed SierraPine, Ltd. as the representative of the Direct Access Subclass, and the law firm of Baker, Burton & Lundy as lead counsel for the Direct Access

Subclass.

**v. The Long Beach Subclass**

The **Long Beach Subclass** is an Existing Subclass and includes all customers, residential and business, of Long Beach's gas utility from July 1, 2000 to July 31, 2001.

The Court has appointed United Church Retirement Homes, Long Beach Brethren Manor, and Robert Lamond as representatives of the Long Beach Subclass, and M. Brian McMahon as lead counsel for the Long Beach Subclass.

**vi. Municipality Ratepayer Settlement Subclass**

The **Municipality Ratepayer Settlement Subclass** is a New Settlement Subclass and includes all individuals and entities who purchased electricity in California, for their own use and not for resale between July 1, 2000 to August 6, 2003, from a municipality or a utility district.

The Court has appointed Doug and Valerie Welch as representatives of the Municipality Ratepayer Settlement Subclass, and Douglas Stacey as lead counsel for the Municipality Ratepayer Settlement Subclass.

**vii. Southwest Gas Settlement Subclass**

The **Southwest Gas Settlement Subclass** is a New Settlement Subclass and includes all individuals and entities who purchased natural gas in California, for their own use and not for resale and not for generation of electricity between July 1, 2000 and July 31, 2001 and are customers of Southwest Gas Company in the Southeast portion of California.

The Court has appointed John and Jennifer Frazee as representatives of the Southwest Gas Settlement Subclass, and Michael J. Ponce as lead counsel for the Southwest Gas Settlement Subclass.

**viii. Natural Gas and Electricity Settlement Subclass**

The **Core Natural Gas and Electricity Settlement Subclass** is a New Settlement Subclass and includes individuals and entities who purchased natural gas and/or electricity in California for their own use and not for resale, and, with respect to natural gas, not for generation of electricity, from 1996 through January 4, 2006.

The Court has appointed Andrew and Andrea Berg as representatives of the Core Natural Gas And Electricity Subclass, and Girardi & Keese as lead counsel for the Core Natural Gas and Electricity Subclass.

## **B. What the Settlement Provides**

In exchange for a release of all claims arising out of alleged misconduct relating to the California energy crisis (the release is described more fully below), the Plaintiffs and the Sempra Parties reached an agreement which the Plaintiffs value at approximately \$1.7 billion, consisting of:

- \$325 million in cash payments to be paid in eight annual installments.
- \$300 million in savings associated with price reductions on a power contract with the California Department of Water Resources (“CDWR”) through September 2011, the cost of which would otherwise be passed on to class members, subject to offset from other pending or future litigation or prepayment.
- Change in energy delivery locations. Plaintiffs place a value of \$270 million in savings caused by a change in energy delivery locations.
- Up to \$ 73 million in discounts for natural gas from a Sempra facility in Mexico.
- Structural changes to utility operations of certain Sempra Parties, subject to review and approval by the California Public Utilities Commission (“CPUC”). Plaintiffs place a value of \$745 million in structural changes to utility operations.

The details of terms of the CDWR contract price reduction, the changes in the energy delivery locations, the discounted rates of natural gas received from Sempra’s facility in Mexico, and the structural changes are set forth in the Settlement Agreement which is posted on the website, [www.naturalgasantitrustlitigation.com](http://www.naturalgasantitrustlitigation.com).

The Settlement Agreement itself does not ascribe a monetary value to the structural relief. Plaintiffs’ class counsel have worked with experts retained in this case to value the Structural Relief. Based upon expert analyses, the Structural Relief will significantly reduce upward pressures on the California border price for natural gas. Based upon a seven year analysis, experts retained by Plaintiffs’ class counsel have calculated that it is economically rational to value the Structural Relief at \$745 million.

Elements of the consideration being offered by the Sempra Parties in connection with this settlement can be adversely impacted by other pending litigation, administrative proceedings, and other future events.

## **C. Releases**

If the settlement is approved, Class members will broadly release the Sempra Parties from any and all claims and liabilities of any nature whatsoever arising out of or related to natural gas, natural gas pipeline capacity and/or electric power, the price or supply of natural gas, natural gas pipeline capacity and/or electric power, and/or any act, omission,

or transaction concerning or relating to natural gas, natural gas pipeline capacity and/or electric power, including without limitation, the purchase, sale, contracting for, scheduling, allocation, transportation, bidding, trading, price reporting, marketing, transmission, generation, production, and withholding of natural gas, natural gas pipeline capacity and/or electric power, based in whole or in part on any alleged act, omission, fact, matter, transaction or occurrence from September 1, 1996 through January 4, 2006.

The settlement does not release claims that any member of the Class may have against the Sempra Parties for bodily injuries or physical damage to real or personal property. With limited exceptions, the settlement does not release claims that any Class member may have against any of the Sempra Parties based solely on the performance or non-performance of the parties under a contract between the Class member and any of the Sempra Parties. This is only a summary of the release provisions of the settlement agreement. The full text of the settlement agreement, including the release provisions, is available at the website [www.naturalgasantitrustlitigation.com](http://www.naturalgasantitrustlitigation.com).

#### **D. Allocation of the Settlement**

Subject to Court approval, the financial benefits of the settlement will be allocated approximately as follows, by subclass and ratepayer service territory (where applicable):

##### **i. Natural Gas Subclasses**

Five of the proposed eight sub-classes to the settlement class include persons and entities who purchased natural gas for their own use and not for resale or the generation of electricity. Of the \$325 million in cash payments made by the Sempra Parties pursuant to the terms of the Settlement Agreement, approximately \$146 million will be allocated to the Non-Core Natural Gas Subclass. The remaining approximately \$179 million will be allocated to the residential and small business consumers of natural gas (the Core Natural Gas Subclass, the Long Beach Subclass, the Southwest Gas Subclass, and the Core Natural Gas and Electricity Subclass).

The portion of the monetary benefit assigned to the Long Beach Subclass will be allocated to the City of Long Beach for distribution as it sees fit. Plaintiffs currently intend to provide the remainder of the monetary benefit assigned to the core customers to the CPUC for the benefit of the ratepayers of the regulated natural gas utilities with a suggested distribution among each of the investor owned natural gas utilities that is consistent with the distributions negotiated with the settlement with the El Paso Defendants to reduce core natural gas rates among the ratepayers of such investor owned utilities.

In addition to the monetary consideration, each and every member of each subclass that includes natural gas consumers who purchased natural gas will benefit directly from the structural relief contemplated by this settlement, which is expected to reduce the price of natural gas within California.

## **ii. Electricity Allocation**

Electricity ratepayers other than ratepayers who purchase electricity from a municipality will also receive additional benefits in the form of a unilateral \$300 million price reduction to the electricity contract between the CDWR and an affiliate of the Sempra Parties. Furthermore, every electricity ratepayer could benefit from the reduced cost of producing electricity available in California resulting from the reduced cost of generating electricity attributable to the reduced natural gas costs that will result from the structural relief contemplated by the settlement.

The Municipality Ratepayer Subclass, however, may receive no direct benefit from any reduction in the CDWR contract because they have no interest in the electricity purchased under that contract. Nonetheless, the Municipality Ratepayer Subclass will benefit from the reduction in electricity prices resulting from the reduction in the price of natural gas used to generate electricity that serves California.

Customers of PG&E, Edison, and SDG&E currently pay CDWR to ensure that it has sufficient revenue to make required payments to cover the cost of power purchased by CDWR on behalf of these utilities. The terms of the settlement relating to price reductions on the power contract between an affiliate of the Sempra Parties and the CDWR will reduce the CDWR's costs that need to be recovered through these payments, directly benefiting the customers of these utilities.

## **iii. Only Non-Core Natural Gas Subclass Members Will Eventually Need To Submit Claim Forms**

Members of the Core Natural Gas Subclass, the Electricity Subclass, the Direct Access Subclass, the Long Beach Subclass, the Core Natural Gas and Electricity Subclass, the Municipality Ratepayer Subclass, and the Southwest Gas Subclass will not be required to submit claims to receive the benefits of the settlement.

If the settlement is approved, members of the Non-Core Natural Gas Subclass will be invited to submit claims to receive a pro rata share of the amounts allocated to that subclass based on the Industrial Claims Procedure posted on the website [www.naturalgasantitrustlitigation.com](http://www.naturalgasantitrustlitigation.com). California municipalities and California state and municipal departments and agencies that are also non-core gas customers (excluding those that purchased gas for resale or for generation of electricity for resale), may also submit such claims, and will share in the amounts allocated to the Non-Core Natural Gas Subclass on a pro rata basis.

## **E. Attorneys' Fees and Expenses**

The law firms representing the Class will apply for attorneys' fees and reimbursement of litigation expenses not to exceed, in the aggregate, \$170 million. Any attorneys' fees and

expense reimbursement awarded by the Court will be paid out of the settlement consideration being provided by the Sempra Parties. Furthermore, Plaintiffs counsel will request that the Court approve payment, not to exceed \$15,000, for each class representative. The attorneys' fees and expenses as well as the proposed payment to class representatives will be deducted from the \$325 million cash payment mentioned above.

### **III. Your Rights and Options**

If you wish to remain in the settlement Class, you need not take any action at this time. However, you will be bound by the rulings of the Court if the settlement is approved. This will include a release of your claims against the Sempra Parties.

Only members of the New Settlement Subclasses who are not members of any of the Existing Subclasses may request exclusion from the Settlement Class. All members of the Existing Subclasses previously received notice and were given an opportunity to request exclusion from the Existing Subclasses. No member of the Existing Subclasses has the right to be excluded from the Settlement Class.

If you are a member of a New Settlement Subclass and not a member of any Existing Subclasses and do not wish to participate in the settlement or be bound by the settlement terms, you must submit a request for exclusion, post-marked on or before April 13, 2006. The address to which exclusion requests should be sent, and the information required, vary depending on whether you are a residential, commercial, or industrial energy user.

**Residential users:** If you are residential user of natural gas and electricity, your request for exclusion must state your name and address (giving an attorney's name and address is not sufficient), and that you are excluding yourself from the Class. You must also sign the exclusion request. The exclusion request must be postmarked on or before April 13, 2006, and mailed to:

Sempra Exclusions – Residential Users  
c/o Brad Baker  
Baker, Burton & Lundy  
515 Pier Avenue  
Hermosa, Beach, CA 90254

**Members of the Non-Core Natural Gas Subclass including Commercial, Industrial and Agricultural Users:** If you own or manage a business, other than an industrial or agricultural business, your request for exclusion must state the business name, list every address at which the business receives natural gas or electricity service within the State of California, and state that the business is excluding itself from the Class. The exclusion request must be signed by someone with the legal authority to act for the business, and state that person's capacity (e.g., owner, general partner, president). In addition, you must submit a recent bill

for natural gas and for electricity for your business. The exclusion request must be postmarked on or before April 13, 2006, and mailed to:

Sempra Exclusions – Commercial/Industrial/Agricultural Users  
c/o Brad Baker  
Baker, Burton & Lundy  
515 Pier Avenue  
Hermosa, Beach, CA 90254

A hearing will be held by the Court on June 8, 2006, at 1:30 p.m. in the courtroom of the Honorable J. Ronald S. Prager, Judge of the San Diego County Superior Court, Department 72, located at 330 W. Broadway, San Diego, California 92101, to determine whether the settlement with the Sempra Parties is fair, adequate, and reasonable and should be given final approval. At the same time, the Court will hold a hearing to determine the amount of attorneys' fees and costs to be awarded to the law firms representing the Class. Although you may attend the hearing, you are not required to do so to participate in the settlement. The date, time, or location of the hearing may be changed by the Court without further notice to the Class, but any such changes will be posted on the website, [www.naturalgasantitrustlitigation.com](http://www.naturalgasantitrustlitigation.com)

Any member of the Settlement Class who cannot or has not timely requested exclusion may appear at the final approval hearing to comment on the proposed settlement and/or Class counsel's application for attorneys' fees and expenses. If you are a member of the Settlement Class, have not requested exclusion and wish to comment in support of, or in opposition to, any aspect of the proposed settlement and/or Class counsel's application for attorneys' fees and expenses, and/or you wish to speak at the hearing, you must file with the Court, not later than April 13, 2006, a signed statement which includes: (1) the name and number of this coordination proceeding, NATURAL GAS ANTITRUST CASES I-IV, J.C.C.P. No. 4221, *et al.*; (2) your complete name and residence or business address (giving the address of a lawyer who represents you is not sufficient); (3) that you purchased natural gas or electricity in California during the period September 1, 1996 through January 6, 2006; and (4) each ground for comment or objection and any supporting papers you desire the Court to consider. Please note that the filing of an objection will not extend the time within which a Class member may file a request for exclusion from the settlement. The statement must be filed with:

Clerk of the San Diego Superior Court  
Attention: Natural Gas Cases  
Hall of Justice  
330 West Broadway  
Room 241  
San Diego, California 92101

Copies of your statement must also be sent by first-class mail, postmarked not later than April 13, 2006, to:

Walter J. Lack  
Engstrom, Lipscomb & Lack, LLP  
10100 Santa Monica, Blvd. LA 90067- 4107

and

Robert Berry  
Gibson, Dunn & Crutcher, LLP  
333 South Grand  
Los Angeles, CA 90071

**For further information and additional documents concerning the settlement, visit  
the website [www.naturalgasantitrustlitigation.com](http://www.naturalgasantitrustlitigation.com) or call (888) 262-4479**

**Please do not address any inquiries to the Court.**