

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SAN DIEGO**

Coordination Proceeding
Special Title (Rule 1550(b))

) J.C.C.P. Nos. 4221, et al.

NATURAL GAS ANTI-TRUST CASES I, II, III, & IV

) **NOTICE OF SETTLEMENT AND FAIRNESS HEARING**

**IF YOU PURCHASED NATURAL GAS OR ELECTRICITY FOR YOUR
HOME OR BUSINESS, THE PENDING CLASS ACTION LITIGATION
MAY AFFECT YOUR RIGHTS**

PLEASE READ THIS LEGAL NOTICE

A proposed class action settlement between plaintiffs representing California business and residential customers of natural gas and electricity ("Plaintiffs") and Southern California Gas Company, San Diego Gas and Electric Company and Sempra Energy and certain of their subsidiaries and affiliates (collectively the "Sempra Defendants") is pending in the Superior Court of the State of California, County of San Diego. The class action is entitled Natural Gas Antitrust Cases I-IV, J.C.C.P. No. 4221, et al.

I. WHAT ARE THE LAWSUITS ABOUT?

The Plaintiffs allege that the Sempra Defendants conspired with El Paso Corporation and its subsidiaries and affiliates ("El Paso") to 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. El Paso previously entered into a settlement agreement with the Plaintiffs. In addition, this settlement resolves separate lawsuits against certain Sempra Defendants concerning natural gas price reporting and trading activities. The lawsuits sought damages and restitution based on higher energy costs. The Sempra Defendants and El Paso have previously denied and continue to deny the allegations in all of the lawsuits.

II. WHO IS INCLUDED IN THE LITIGATION?

The settlement class includes all individuals and entities in California who purchased natural gas and/or electricity for their own use and not for resale or generation of electricity at any time from September 1, 1996 through January 4, 2006. If you or your business paid a gas or electric bill to a California utility, a municipality, or a utility district, you are a member of the class. Additionally, you are a member of the settlement class if you are a non-core gas customer of a California utility ("generally large industrial users") or a direct access electricity customer of a California utility. For more information, including a detailed Notice of Proposed Class Action Settlement, visit www.naturalgasantitrustlitigation.com or call the toll-free number 1-888-262-4479.

III. WHAT ARE THE TERMS OF THE SETTLEMENT?

The Plaintiffs and the Sempra Defendants have entered into a settlement that the Plaintiffs have valued at approximately \$1.7 billion as follows:

- \$325 million in cash payments to be paid in eight annual installments.
- \$300 million in savings associated with price reductions on power contracts with the California Department of Water Resources through 2011, the cost of which would otherwise be passed on to class members, subject to offset from other pending or future litigation.
- 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 the Sempra Defendants, 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 benefits of the settlement will pass through to California gas and electricity ratepayers and direct access electricity customers in the form of rate reductions, credits, and/or rebates subject to approval of the CPUC. The several groups of class members will share benefits of the settlement. As nearly all natural gas users are also electricity users, they will also benefit from electricity rate reductions, and vice-versa.

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

In exchange, class members will broadly release the Sempra Defendants and certain additional subsidiaries and affiliates from certain claims relating to natural gas and electricity between September 1, 1996 and January 4, 2006. The settlement is subject to final Court approval and an entry of a stipulated judgment.

IV. WHAT ARE YOUR RIGHTS?

If you wish to remain in the 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 Defendants.

All class members have the right to file objections to the proposed settlement and such objections must be post marked no later than no later than April 13, 2006.

Only certain individuals and entities have the right to exclude themselves from the settlement class. If you qualify and you wish to be excluded you must do so in writing post marked no later than April 13, 2006.

If you wish to object to the settlement, you must remain a class member. You and/or your counsel may appear in opposition to the settlement.

A final fairness hearing will be held by the Court on June 8, 2006, to determine whether the proposed settlement should be approved and to consider and approve (1) the application of the law firms representing the class for attorneys' fees and costs not to exceed \$170 million and (2) a payment not to exceed \$15,000 for each class representative, both of which will be deducted from the \$325 million cash payment mentioned above.

**FOR FURTHER INFORMATION AND COPY OF THE NOTICE OF PROPOSED CLASS ACTION
SETTLEMENT, CALL 1-888-262-4479 OR VISIT WWW.NATURALGASANTITRUSTLITIGATION.COM.**