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SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SAN DIEGO

Coordination Proceeding Special Title (Rule 1550(b))

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

J.C.C.P. Nos. 4221, 4224, 4226 and 4228

**FIRST AMENDED MASTER COMPLAINT**

1 [This Document Relates To The Southern  
2 California Cases Only]

**[Cal. Civ. Proc. Code § 404, Et Seq. And  
California Rule Of Court 1520, Et Seq.]**

Trial Date: February 26, 2004

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1. RESTRAINT OF TRADE IN VIOLATION OF THE CARTWRIGHT ACT [Cal. Bus. & Prof. Code § 16720 *et seq*] (DIVISION OF MARKETS)
  2. RESTRAINT OF TRADE IN VIOLATION OF THE CARTWRIGHT ACT [Cal. Bus. & Prof. Code § 16720 *et seq*]
  3. RESTRAINT OF TRADE IN VIOLATION OF THE CARTWRIGHT ACT [Cal. Bus. & Prof. Code § 16720 *et seq*] (CONSPIRACY TO MONOPOLIZE)
  4. UNFAIR COMPETITION AND UNLAWFUL BUSINESS PRACTICES [Cal. Bus. & Prof. Code § 17200 *et seq.*]
  5. UNFAIR COMPETITION AND UNLAWFUL BUSINESS PRACTICES [Cal. Bus. & Prof. Code § 17200 *et seq.*]

**DEMAND FOR JURY TRIAL**

1  
2 **PRELIMINARY STATEMENT**

3 **A. Overview**

4 1. These actions seek to recover damages sustained by all plaintiffs to their business  
5 and property by reason of a massive conspiracy among defendants to eliminate competition in  
6 the newly deregulated energy industry and to raise the price of both natural gas and electricity in  
7 California. The purpose and effect of that conspiracy was to restrict output, cause supply  
8 shortfalls, allow the natural gas industry’s most powerful Southern California players to preserve  
9 and maintain the market dominance that they enjoyed for many years under regulation, and to  
10 reap illegal unprecedented profits at the expense of California consumers, including plaintiffs.  
11 When the artificial monopoly created by regulation was disassembled, those dominant  
12 companies conspired and took illegal action to ensure that they would not lose the benefits of  
13 their market power. Their unlawful collusion has caused astronomical increases in the price of  
14 both natural gas and electricity. As a result, these companies have reaped profit windfalls from  
15 California purchasers, among them plaintiffs, who have had to and will have to pay hundreds of  
16 millions of dollars of additional costs to meet their natural gas and electric needs. The  
17 conspiracy has resulted in the largest gouging of energy purchasers in California history.

18 2. Specifically, in September of 1996, top executives of Southern California Gas  
19 Company (“SoCal Gas”), San Diego Gas & Electric (“SDG&E”) and El Paso Natural Gas  
20 Corporation (“EPNG”) met at the Embassy Suites Hotel, near Sky Harbor Airport in Phoenix,  
21 Arizona. Fearing a new era of competition and lower prices under deregulation, these latter-day  
22 captains of industry gathered secretly to hatch a conspiracy to dominate the unregulated aspects  
23 of the natural gas and electricity markets. At the meeting, these three companies, who together  
24 dominate the Southern California natural gas market, illegally agreed not to compete against  
25 each other in the Southern California and Baja California natural gas delivery markets. They  
26 also conspired to prevent other pipelines from being built that would have competed against  
27 them and that would have lowered natural gas prices in these markets. Their actions affected  
28 core and non-core purchasers of natural gas throughout California. In sum, the conspirators

1 sought to eliminate competition, drive up the price of natural gas and electricity, profit from the  
2 increased prices, and position themselves to take advantage of deregulation of electricity.

3         3.         Beginning in the mid-1980's, federal authorities, believing that a policy of open  
4 competition rather than government regulation would reduce costs to consumers, acted to open  
5 certain aspects of the natural gas industry to competition. The defendants' unlawful conspiracy  
6 -- and the actions taken to advance it -- have frustrated and subverted these important  
7 governmental policies by artificially restricting supplies of natural gas, thereby causing steep and  
8 unprecedented increases in its cost to core and non-core natural gas customers in California and  
9 in the cost and availability of electricity in California.

10             **B.         Historical Perspective**

11         4.         For many years before deregulation, SoCal Gas enjoyed monopoly status as the  
12 sole distributor of natural gas in most of Southern California. SDG&E enjoyed a monopoly in  
13 San Diego County, but SDG&E was wholly dependent upon SoCal Gas as its sole source for  
14 delivered natural gas.

15         5.         In the early 1990's, changes in the law made it possible for pipelines located  
16 outside California to deliver gas to industrial gas customers inside California who previously  
17 were captive customers of the SoCal Gas and SDG&E monopolies. Price competition was  
18 supposed to replace price regulation as the protection for purchasers. In 1992, Tenneco Inc.  
19 ("Tenneco") completed the Kern River Pipeline, which carries natural gas from Wyoming to  
20 Kern County, California. Tenneco then began planning additional new interstate projects that  
21 would bypass the pipelines of SoCal Gas and SDG&E and deliver gas directly to customers in  
22 the San Diego and Los Angeles areas, the Imperial Valley, and the Baja Peninsula.

23         6.         One of Tenneco's planned bypass pipelines was a north-south series of pipelines  
24 that would transport gas from Canada via a new pipeline called the Altamont Pipeline, to the  
25 northern end of the Kern River pipeline in Wyoming, and that would connect to a "Market  
26 Center" near the upper terminus of the Kern River Pipeline. Tenneco envisioned that low-cost  
27 Canadian gas would flow through the Kern River pipeline to the Bakersfield area where it would  
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1 connect with a new pipeline that would carry low-cost Canadian gas to customers in California  
2 and the Baja Peninsula.

3 7. Tenneco also had an alternative plan, oriented east-west, to move gas from an  
4 interstate pipeline in Arizona south into Baja California and then west to the Pacific coast.  
5 Tenneco planned to build extensions from the second pipeline into San Diego and the Imperial  
6 Valley.

7 8. Either of these new pipelines would have given Southern California and Baja  
8 California customers the benefit of direct and serious competition with SoCal Gas. Additional  
9 natural gas would also have been available for delivery to Southern California. The north-south  
10 pipeline system would provide access to cheap Canadian gas. Had either of the pipelines been  
11 completed, benefits to core and non-core gas customers throughout California and to customers  
12 of electricity would have included not only lower prices but also greater assurance of sufficient  
13 supply. California's recent energy crisis, and the resulting skyrocketing energy prices,  
14 demonstrated the economic impact of the lack of this capacity.

15 9. The primary objectives of the conspiracy were to guarantee through an illegal  
16 agreement that benefited participants that these bypass projects, which threatened SoCal Gas's  
17 economic dominance, were not completed, and to allow the conspirators to profit from the  
18 deregulation of electricity.

19 10. In June 1996, an important step in achieving the conspiracy's success was taken  
20 when EPNG acquired Tenneco. This placed EPNG in charge of Tenneco's proposed bypass  
21 projects, and SoCal Gas and SDG&E saw the opportunity to make a deal with EPNG to  
22 eliminate certain projects which presented potential competitive alternatives. At the secret  
23 Phoenix meeting, top officers of EPNG agreed that EPNG would withdraw Tenneco's Southern  
24 California and Baja California bypass projects. As reciprocity, SoCal Gas would refrain from  
25 competing with EPNG on a pipeline project coveted by EPNG in Samalayuca, Mexico, where  
26 SoCal Gas had a tremendous cost advantage over El Paso.



1 a “non-core” customer of SoCal Gas. As such, Continental Forge is a purchaser of natural gas  
2 from the spot market based on “index” prices determined at the California-Arizona border.  
3 Continental Forge purchases natural gas transportation services from SoCal Gas to transport such  
4 gas from the border to the business facilities of Continental Forge.

5 15. Plaintiffs Frank and Kathleen Stella (collectively the “Stellas”) are adult residents  
6 living in Lakeside, California. They are retail natural gas core customers of SDG&E, and have  
7 been forced to pay rates for natural gas that have been artificially inflated by the defendants’  
8 misconduct. The Stellas replace John Phillip, a former class representative who moved out of  
9 state.

10 16. Plaintiffs Doug and Valerie Welch (collectively, “the Welches”) are adults who  
11 reside in Fair Oaks, California. The Welches are retail natural gas core customers of PG&E, and  
12 have been forced to pay artificially inflated rates for natural gas. The Welches also replace  
13 former class representative John Phillip. The Stellas and the Welches will be referred to  
14 collectively as “the Stella Plaintiffs.”

15 17. Plaintiffs Andrew and Andrea Berg, individually and dba Wavelength Hair  
16 Productions (collectively, “the Bergs”), are residents of San Diego and operate a hairstyling  
17 business with its principal place of business at 3745 5th Avenue, San Diego, California 92103.  
18 At all relevant times, the Bergs were both business and residential purchasers of electricity  
19 services in Southern California.

20 18. Plaintiff Gerald J. Marcil (“Marcil”) is a resident of Palos Verdes Estates,  
21 California. At all relevant times, Marcil was a residential and business purchaser of electricity  
22 services in Southern California.

23 19. Plaintiff John Clement (“Molony”) is an adult resident of Menlo Park. At all  
24 relevant times, Molony was and is a purchaser of electricity services in Northern California from  
25 PG&E. The Bergs, Marcil, and Molony will be referred to collectively as the “Berg Plaintiffs.”

26 20. Plaintiff SierraPine, Limited (“SierraPine”) was and is at all relevant times a  
27 limited partnership formed under the laws of the State of California, with its principal place of  
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1 business at 3010 Lava Ridge Court, Suite 220, Roseville, California 95661. SierraPine is a  
2 direct access customer of electricity who purchased electricity from wholesalers other than the  
3 California Power Exchange.

4 21. Pursuant to California Business and Professions Code §§ 17204 and 17206, the  
5 People of the State of California are represented in these coordinated actions by the City  
6 Attorney of Los Angeles Rockard E. Delgadillo and the City Attorney of Long Beach Robert E.  
7 Shannon, acting with the consent of the District Attorney for the County of Los Angeles.

8 22. Plaintiff City of Los Angeles is a municipal corporation with a residential  
9 population of more than 3,800,000 and an annual budget exceeding \$4 billion. To service the  
10 needs of its residents, the City of Los Angeles owns and operates thousands of facilities  
11 throughout the city. California's largest city owns and operates the Los Angeles International  
12 Airport, the Los Angeles Harbor, the Los Angeles Convention Center, the Hyperion Wastewater  
13 Treatment Plant, the City Hall complex, more than 110 fire stations, 20 police stations, more  
14 than 32 community recreation centers, more than 70 libraries and museums, and hundreds of  
15 other facilities (collectively, the "City of Los Angeles Facilities"). All or most of the City of Los  
16 Angeles Facilities use natural gas and electricity in their daily operations.

17 23. Plaintiff County of Los Angeles is a political subdivision of the State of  
18 California with a population of nearly 10,000,000 and an annual budget exceeding \$16 billion.  
19 To service the needs of its residents, the County of Los Angeles owns and operates thousands of  
20 facilities throughout the county such as hospitals, health centers, libraries, museums, fire and  
21 sheriff's stations, cogeneration plants and court facilities among others (collectively, the "County  
22 Facilities"). All or most of the County Facilities use natural gas and electricity in their daily  
23 operations. The County of Los Angeles is a direct purchaser of natural gas from the defendant  
24 SoCal Gas and a major user of transportation services of SoCal Gas.

25 24. Plaintiff City of Long Beach is a municipal corporation with a residential  
26 population of 458,000 and an annual budget exceeding \$1,619,556,900. To service the needs of  
27 its residents, the City of Long Beach owns and operates the Long Beach Airport, the Long Beach  
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1 Port, the Long Beach Water Treatment Plant, the Long Beach Civic Center and Convention  
2 Center complexes, City Hall, 24 fire stations and satellite facilities, 39 community recreation  
3 centers and sport facilities, 13 libraries and museums, more than 89 public schools, and other  
4 city facilities (collectively, the “City of Long Beach Facilities”). All of the City of Long Beach  
5 Facilities use natural gas and electricity in their daily operations.

6 25. Plaintiff United Church Retirement Homes of Long Beach, Inc., doing business as  
7 Plymouth West (“Plymouth West”), is a California non-profit corporation operating as a  
8 retirement home at 240 Chestnut Street, Long Beach, California 90802-2949. Plymouth West  
9 has 196 apartment units. It is dedicated to providing affordable housing to lower income seniors  
10 living on fixed incomes. Plymouth West purchases all of its gas from Long Beach’s gas utility.  
11 The price it pays reflects the spot market price for gas at the California/Arizona border.

12 26. Plaintiff Long Beach Brethren Manor (“Brethren Manor”) is a California non-  
13 profit corporation operating as a retirement home at 3333 Pacific Place, Long Beach, California  
14 90806. Long Beach Brethren Manor has 297 apartment units. It is dedicated to providing  
15 affordable housing to lower income seniors living on fixed incomes. Long Beach Brethren  
16 Manor purchases all of its gas from the Long Beach gas utility. The price it pays reflects the  
17 spot market price of gas at the California/Arizona border.

18 27. Robert Lamont (“Lamont”) is a retired senior who resides on Blackthorne Street,  
19 Long Beach, California 90808. He purchases all of his gas from the Long Beach gas utility. The  
20 price he pays reflects the spot market price of gas at the California/Arizona border.

21 28. Plymouth West, Brethren Manor, and Lamont are referred to collectively as the  
22 “Long Beach Class Plaintiffs.”

23 29. Defendant SoCal Gas was and is a corporation duly formed under the laws of the  
24 State of California. SoCal Gas is a regulated utility with monopoly power over natural gas  
25 transportation facilities in Southern California, and is authorized to and does carry on business in  
26 the County of Los Angeles, State of California. Defendant Sempra Energy acquired the parent  
27 company of SoCal Gas in approximately June 1998.

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1           30. Defendant SDG&E was and is a corporation duly formed under the laws of the  
2 State of California, and is authorized to and does carry on business in the Counties of Orange  
3 and San Diego, State of California. Defendant Sempra Energy acquired the parent company of  
4 SDG&E in approximately June 1998.

5           31. Defendant Sempra Energy (“Sempra”) was and is at all relevant times a  
6 corporation duly formed under the laws of the State of California, and is authorized to and does  
7 carry on business in the County of Los Angeles, California. Sempra is a utility holding company  
8 and many of the activities of its subsidiaries are subject to regulation by the California Public  
9 Utility Commission (“CPUC”) and/or the Federal Energy Regulatory Commission (“FERC”).  
10 Sempra also engages in a variety of unregulated activities. Plaintiffs are informed and believe  
11 and therefore allege that Sempra Energy Trading Corp., a Delaware corporation, is affiliated  
12 with Sempra and is responsible for some of the damages alleged herein. Since approximately  
13 June 1998, Sempra has held the parent companies of SoCal Gas, which serves the Southern  
14 California geographic market, including greater Los Angeles, and of SDG&E, which serves the  
15 San Diego geographic market. These parent companies are Pacific Enterprises (“PE”) and  
16 Enova Corporation (“Enova”), respectively. Other PE subsidiaries (and SoCal Gas affiliates)  
17 relevant to the claims asserted in this complaint include Pacific Interstate Transmission Co.  
18 (“PITCO”), Pacific Interstate Offshore Co. (“PIOC”), and Pacific Enterprise International  
19 (“PEI”).

20           32. Defendant EPNG at all relevant times was and is a corporation duly formed under  
21 the laws of the State of Delaware and has conducted substantial business in the State of  
22 California. EPNG is a natural gas pipeline company regulated by the FERC.

23           33. Defendant El Paso Corporation (“EP”) was and is a corporation duly formed  
24 under the laws of the State of Delaware and doing business in the State of California. During the  
25 period relevant to this complaint, EP was organized to become the ultimate parent company of  
26 EPNG. EP is also the parent company of defendant El Paso Tennessee Pipeline Co. (“EP  
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1 Tennessee”), formerly known as Tenneco, or Tennessee Gas Pipeline Co., a Delaware  
2 corporation, whose activities were also subject to regulation by the FERC.

3 34. Plaintiffs are informed, believe and therefore allege that defendant El Paso  
4 Merchant Energy Company (“EPME”), a Delaware corporation, is a division of EP. Plaintiffs  
5 are informed, believe, and therefore allege that defendant El Paso Merchant Energy, L.P., a  
6 Delaware limited partnership, and defendant El Paso Merchant Energy-Gas L.P., on information  
7 and belief a Delaware limited partnership, are affiliated with defendant EPME and are  
8 subsidiaries, affiliates or divisions of defendant EP. Plaintiffs are informed, believe and  
9 therefore allege that EP, EPME, El Paso Merchant Energy, L.P., and El Paso Merchant Energy-  
10 Gas L.P. have at all relevant times conducted substantial business in the State of California.  
11 EPME, El Paso Merchant Energy, L.P., and El Paso Merchant Energy-Gas L.P. are referred to  
12 collectively as “El Paso Merchant.”

13 35. The El Paso entities are referred to collectively herein as “El Paso.”

14 36. The true names, identities and/or capacities of the defendants sued herein as Does  
15 1 through 100 inclusive are unknown to plaintiffs, who therefore sue these defendants by such  
16 fictitious names. Plaintiffs will seek leave of this Court to amend this Master Complaint to  
17 allege their true names, identities and/or capacities when ascertained. Plaintiffs are informed,  
18 believe and therefore allege that each of the fictitiously named defendants is responsible in some  
19 manner for the unlawful conduct alleged and its effects, and that their acts, conduct and  
20 omissions directly caused injuries to plaintiffs and the plaintiff classes.

21 37. Plaintiffs are informed, believe and therefore allege that the defendants and each  
22 of them were and are the agents and employees of each and every other defendant and acting as  
23 alleged are and were acting within the course and scope of such agency and employment.

#### 24 **JURISDICTION AND VENUE**

25 38. Defendants, and each of them, are subject to the jurisdiction of this Court by  
26 virtue of their business dealings and transactions in California, by having caused injuries within  
27 the City and County of Los Angeles, the City of Long Beach, and throughout California through  
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1 their acts or omissions, and by their violation of California Business and Professions Code  
2 §§ 16720 *et seq.* and 17200. While the exact amount of damages and restitution owed to  
3 plaintiffs and to members of the plaintiff classes cannot be precisely determined without access  
4 to records in the possession of defendants, the amounts sought to be recovered by plaintiffs in  
5 damages and in civil penalties by plaintiffs City of Los Angeles and City of Long Beach are well  
6 in excess of the jurisdictional minimum of this Court and are believed to run into the millions of  
7 dollars.

8 39. With respect to the claims asserted by plaintiffs People of the State of California,  
9 City of Los Angeles, City of Long Beach, County of Los Angeles, Continental Forge, the Bergs,  
10 SierraPine, Molony, and the Long Beach Class Plaintiffs, venue is proper in Los Angeles  
11 Superior Court pursuant to California Code of Civil Procedure §§ 395 and 395.5 and California  
12 Business and Professions Code § 16750, in that at least a portion of Defendants' liability arises  
13 in the County of Los Angeles.

14 40. With respect to the claims asserted by the Welches and the Stellas, venue is  
15 proper in the Superior Court of San Diego because defendants transact business in the State of  
16 California and because the unlawful acts as alleged herein had a direct effect on core gas  
17 customers within the State of California, including but not limited to, the County of San Diego.  
18 At least a portion of the damages caused by defendants' unlawful manipulation of the price of  
19 natural gas and the resulting increase in the price of electricity occurred in San Diego County.

20 41. These cases have been coordinated before this Court pursuant to the February 7,  
21 2002 Order by the Superior Court for the State of California, City of San Diego Granting  
22 Petition for Coordination, and the March 11, 2002 Order by the Judicial Council of California  
23 Assigning Coordination Trial Judge. The filing of this Master Complaint on behalf of the  
24 Southern California plaintiffs has been ordered by the Coordination Trial Judge. By filing this  
25 Amended Master Complaint, no Southern California plaintiff is waiving any right or claim set  
26 forth in its operative separate complaint or amended complaint.

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**THE RELEVANT MARKETS**

42. The relevant product market -- that is, the market where the restraint occurred -- alleged by plaintiffs City of Los Angeles, City of Long Beach, County of Los Angeles, Continental Forge, the Welches, the Stellas, the Long Beach Class Plaintiffs, the Bergs, Marcil, Molony and SierraPine is natural gas delivered by pipelines and distribution services to purchasers in California (“delivered natural gas”).

43. The relevant geographic market for delivered natural gas alleged by the same plaintiffs is Southern California.

44. Continental Forge, the Welches and the Stellas allege that the restraints in the Southern California delivered natural gas market foreseeably caused damages to core and non-core purchasers of natural gas in Northern California as well as Southern California.

45. The Bergs, Marcil, Molony and the County of Los Angeles allege that the restraints in the Southern California delivered natural gas market also foreseeably caused damages to residential, business, industrial, wholesale, and other purchasers of electricity in Northern and Southern California who were not protected by the Rate Freeze described in paragraph 96 while in effect, and/or were subject to a surcharge on electric rates adopted by the CPUC in Decision No. 01-01-018 as of January 4, 2001, and subsequent related surcharges.

46. Additionally, SierraPine alleges that the restraints in the Southern California delivered natural gas market foreseeably caused damages to direct access purchasers of electricity in California who purchased from wholesalers other than the California Power Exchange.

1 **CLASS ALLEGATIONS**

2 **The Continental Forge Class**

3 47. Continental Forge is a company that uses natural gas for industrial purposes.  
4 Continental Forge is classified under the regulatory scheme applicable to California natural gas  
5 consumers and end users as a “non-core” public utility customer. As such, Continental Forge  
6 receives unbundled natural gas transportation service from defendant SoCal Gas pursuant to  
7 terms and conditions of a standard tariff approved by the California Public Utilities Commission  
8 and uniformly applicable to other non-core end users of gas. At all relevant times, Continental  
9 Forge has purchased natural gas from non-utility suppliers under pricing formulas that  
10 incorporate published index prices for natural gas supplies at the Southern California border.

11 48. Continental Forge brings this action individually, on its own behalf, and as a class  
12 representative on behalf of all non-core public utility customers of SoCal Gas, SDG&E, Sempra,  
13 and PG&E in California who at the relevant times (i) have purchased natural gas supplies in the  
14 Southern California border market, (ii) have purchased gas supplies under price formulas that  
15 incorporate, in whole or in part, published index prices for natural gas supplies at the Southern  
16 California border, or (iii) have purchased gas supplies in California (including at points where  
17 gas is received into the SoCalGas or PG&E systems, or in the PG&E city-gate market where gas  
18 is delivered from PG&E’s mainline pipelines into its local transmission and distribution  
19 pipelines) at prices determined by or linked to published index prices for natural gas supplies at  
20 the Southern California border. Class members include, without limitation, business and  
21 industrial customers and others classified by SoCal Gas, SDG&E, Sempra, and PG&E as non-  
22 core customers (the “Continental Forge Class”).

23 49. Continental Forge and the members of the Continental Forge Class -- who  
24 purchase and use significant volumes of natural gas in their business operations -- have been  
25 damaged by drastic elevations in the cost of delivered natural gas that have resulted from the  
26 illicit agreements described in this complaint.

1           50. From its inception, the unlawful conduct of Sempra, SoCal Gas, SDG&E, El  
2 Paso, and their subsidiaries, affiliates and predecessors, in concert with others, has taken place in  
3 the State of California. A California class is appropriate because all of the class members are  
4 located within the State of California. The actions that damaged Continental Forge occurred  
5 throughout California, and involved conduct of California-based corporations in interstate and  
6 foreign markets intended to impact purchasers of energy in California generally.

7           51. Continental Forge's claims are typical of the claims of the members of the  
8 Continental Forge Class, since it and all other members of the class were non-core public utility  
9 customers of SoCal Gas, SDG&E, Sempra, and PG&E in California who at the relevant times (i)  
10 have purchased natural gas supplies in the Southern California border market, (ii) have  
11 purchased gas supplies under price formulas that incorporate, in whole or in part, published  
12 index prices for natural gas supplies at the Southern California border, or (iii) have purchased  
13 gas supplies in California (including at points where gas is received into the SoCalGas or PG&E  
14 systems, or in the PG&E city-gate market where gas is delivered from PG&E's mainline  
15 pipelines into its local transmission and distribution pipelines) at prices determined by or linked  
16 to published index prices for natural gas supplies at the Southern California border. The  
17 members of the Continental Forge Class have all been exposed to overcharges caused by  
18 defendants for delivered gas in the Southern California border market and inside California at  
19 prices determined by or linked to prices in the Southern California border market.

20           52. Continental Forge will fairly and adequately protect the interests of the members  
21 of the Continental Forge Class and has retained experienced counsel competent to prosecute this  
22 class action litigation. To the extent that additional plaintiffs are joined to represent the members  
23 of the class more fully, leave of Court will be sought to show that all class interests are being  
24 fairly and adequately protected and represented.

25           53. A class action is superior to other available methods for the fair and efficient  
26 adjudication of this controversy. Because the damages suffered by individual class members  
27 may be relatively small, although by no means inconsequential, the expense and burden of  
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1 individual litigation make it impossible for the class members individually to redress the wrongs  
2 done to them by these behemoth corporate defendants. In addition, if separate actions were to be  
3 brought individually by each member of the class, the resulting multiplicity of lawsuits would  
4 cause undue hardship and burden to the Court as well as to the litigants. Prosecution of separate,  
5 individual actions would also create a risk of inconsistent rulings. Thus, absent a class action, it  
6 is highly unlikely that defendants could be brought to account for their wrongdoing. Continental  
7 Forge anticipates no difficulty in the management of this case as a class action.

8           54. Common questions of law and fact exist as to all members of the Continental  
9 Forge Class and predominate over any questions affecting individual members of the class. The  
10 most significant common questions include the following:

11                   (a) whether defendants unlawfully combined and conspired to restrict access  
12 to ample sources of low-cost natural gas by California non-core customers by, among other  
13 things, preventing and boycotting bypass projects that would have created badly needed  
14 additional capacity in California and creating barriers to competitive entry by other potential  
15 competitors in markets open to competition;

16                   (b) whether defendants unlawfully combined and conspired to form an  
17 unlawful scheme not to compete with one another on certain natural gas pipeline projects and in  
18 other matters that would have benefited non-core customers throughout California, and, in  
19 furtherance of their unlawful conspiracy, conspired to accept reciprocal benefits and refrained  
20 from acting in their independent economic interests in a manner that would have benefited class  
21 members;

22                   (c) whether defendants unlawfully combined and conspired to allocate and  
23 divide markets and to restrict output; and

24                   (d) whether defendants' unlawful combination and conspiracy caused drastic  
25 escalation of the price of natural gas at the California border and in other gas markets within  
26 California, undermining the goals and objectives of governmental deregulation and forcing  
27 members of the plaintiff class to pay supracompetitive prices.

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1           55.     Although the exact number of class members is unknown to Continental Forge at  
2 this time, it will be ascertained through appropriate discovery. Continental Forge believes that  
3 the Continental Forge Class collectively numbers approximately 2,600 Northern and Southern  
4 California business and industrial purchasers and wholesalers of natural gas. Consequently,  
5 joinder of all members of the class in a single action is impracticable, and disposition of their  
6 claims through the procedure of a class action will benefit the parties and the Court. Members of  
7 the Continental Forge Class may be notified of the pendency of this action via publication, using  
8 notice provisions similar to those customarily used in consumer class actions, or by ordinary  
9 United States Mail since the identities of the class members are readily ascertainable through  
10 discovery from the files of SDG&E, SoCal Gas, and/or Sempra and PG&E.

11           56.     Continental Forge has incurred, and during the pendency of this action, will incur  
12 attorneys' fees and expenses. These fees and expenses are necessary for the prosecution of this  
13 action and will result in a benefit to the class.

14           **The Stella/Welch Class**

15           57.     The Stellas are “core” consumers of natural gas from SDG&E. The Welches are  
16 “core” consumers of natural gas from PG&E. The Stellas and the Welches bring this action on  
17 behalf of all core natural gas customers in Northern and Southern California, including the retail  
18 customers of SDG&E, SoCal Gas or PG&E who purchased natural gas during the class period  
19 (the “Stella/Welch Class”). All such persons and entities have paid and/or have been charged  
20 prices for natural gas that were artificially inflated due to defendants' exercise of market power  
21 and unlawful actions. Members of the Stella/Welch Class are extremely numerous and their  
22 joinder would be impracticable. Millions of Californians are within the Stella/Welch Class.

23           58.     Common questions of law and fact exist as to all members of the Stella/Welch  
24 Class and predominate over any questions affecting individual members of the class. The most  
25 significant common questions include the following:

26                   (a)     whether defendants unlawfully combined and conspired to restrict access  
27 to ample sources of low-cost natural gas by Southern California customers, by, among other  
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1 things, preventing bypass projects that would have created alternatives to SoCal Gas's  
2 monopolistic intrastate pipeline, thereby preserving SoCal Gas's market dominance in natural  
3 gas transportation;

4 (b) whether defendants unlawfully combined and conspired to form an  
5 unlawful scheme not to compete with one another on certain natural gas pipeline projects and in  
6 other matters that would have benefited the class, and, in furtherance of their unlawful  
7 conspiracy, boycotted certain bypass projects, conspired to accept reciprocal benefits, and  
8 refrained from acting in their independent economic interests in a manner that would have  
9 benefited class members;

10 (c) whether defendants unlawfully combined and conspired to allocate  
11 markets; and

12 (d) whether defendants' unlawful combination and conspiracy caused drastic  
13 escalation of the price of natural gas

14 59. The Stella Plaintiffs' interests are typical of, and not antagonistic to, the interests  
15 of the Stella/Welch Class.

16 60. The Stella Plaintiffs will fairly and adequately represent the interests of the  
17 Stella/Welch Class and have retained competent counsel experienced in class action and  
18 consume fraud litigation and intends to vigorously prosecute this action.

19 61. A class action is superior to all other methods for the fair and efficient  
20 adjudication of this controversy. The size of the individual damages is small in comparison to  
21 the complexity and scope of the defendants' operations and alleged misconduct. A class action is  
22 the only method whereby the Stella Plaintiffs and the Stella/Welch Class can efficiently seek  
23 redress and obtain a uniform adjudication of their claims. The Stella Plaintiffs do not anticipate  
24 any difficulty with the management of this action.

25 62. The Class is sufficiently numerous, as it includes millions of persons who have  
26 been core natural gas purchasers throughout California. Thus, joinder of such persons in a single  
27 action is impracticable. The disposition of the Stella/Welch Class members' claims in this class  
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1 action will substantially benefit both the parties and the Court because this is the most efficient  
2 method for the fair and equitable adjudication of the controversy. Stella/Welch Class members  
3 have suffered and will suffer irreparable harm and damages as a result of defendants' wrongful  
4 conduct. Because of the nature of most of the individual Stella/Welch Class members' claims,  
5 few, if any, could otherwise afford to seek legal redress against defendants for the wrongs  
6 complained of herein. A class action therefore, is a superior method, and the most appropriate  
7 method of proceeding and is essential to the interests of justice. Absent a representative class  
8 action, Stella/Welch Class members would continue to suffer losses for which they would have  
9 no remedy and defendants would unjustly retain the proceeds of their ill-gotten gains. Even if  
10 separate actions could be brought by individual members of the Stella/Welch Class, the resulting  
11 multiplicity of lawsuits would cause undue hardship and expense for the court and the litigants,  
12 as well as create a risk of inconsistent rulings which might be dispositive of the interests of other  
13 class members who are not parties to the adjudications and/or may substantially impede their  
14 ability to protect their interests.

15 63. The Stella Plaintiffs have incurred and, during the pendency of this action, will  
16 incur attorneys' fees and expenses. These fees and expenses are necessary for the prosecution of  
17 this action and will result in a benefit to the class.

18 **The Berg/Marcil/Molony Class**

19 64. For the past decade, natural gas has been the primary fuel used to generate  
20 electricity in California and its single most significant cost input.

21 65. Defendants' unlawful conduct has resulted in the artificial inflation of the cost of  
22 natural gas, and therefore, for electricity for residential and business purchasers of electricity in  
23 California. These electricity purchasers have been severely damaged by the drastic increases in  
24 the cost of natural gas and natural gas transportation, and supply restrictions resulting from the  
25 defendants' conspiracy that have led to unprecedented increases in the cost of electricity.

26 66. The Berg Plaintiffs bring this action individually, on their own behalf, and as a  
27 class action, on behalf of all individuals and entities in Northern and Southern California who are  
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1 purchasers of electricity and who were injured as the result of defendants' wrongful acts (the  
2 "Berg/Marcil/Molony Class"). The Berg/Marcil/Molony Class includes all residential, business  
3 and wholesale purchasers of electricity in California who were not protected by the Rate Freeze  
4 described in paragraph 96, below, as well as those purchasers of electricity who were surcharged  
5 through CPUC Decision No. 01-01-018 dated January 4, 2001.

6 67. From its inception, the unlawful conduct of Sempra, SoCal Gas, SDG&E, El  
7 Paso, and their subsidiaries, affiliates, and predecessors has taken place in the State of California.  
8 A California class is appropriate because all of the class members are located within the State of  
9 California. The actions that injured the members of the Berg/Marcil/Molony Class occurred  
10 throughout California, and involved conduct of California-based corporations in interstate and  
11 foreign markets intended to impact purchasers of energy in California generally.

12 68. The Berg Plaintiffs' claims are typical of the claims of the members of the  
13 Berg/Marcil/Molony Class, since they and all other members of the class were purchasers of  
14 electricity and were injured by the inflated electricity prices caused by defendants' conduct.

15 69. The Berg Plaintiffs will fairly and adequately protect the interests of the members  
16 of the Berg/Marcil/Molony Class and have retained experienced counsel competent to prosecute  
17 this class action litigation. To the extent that additional plaintiffs are joined to represent the  
18 members of the classes more fully, leave of Court will be sought to show that all class interests  
19 are being fairly and adequately protected and represented.

20 70. A class action is superior to other available methods for the fair and efficient  
21 adjudication of this controversy. Because the damages suffered by individual class members  
22 may be relatively small, although by no means inconsequential, the expense and burden of  
23 individual litigation make it impossible for the class members individually to redress the wrongs  
24 done to them by these behemoth corporate defendants. In addition, if separate actions were to be  
25 brought individually by each member of the Berg/Marcil/Molony Class, the resulting  
26 multiplicity of lawsuits would cause undue hardship and burden to the Court as well as to the  
27 litigants. Prosecution of separate, individual actions would also create a risk of inconsistent  
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1 rulings. Thus, absent a class action, it is highly unlikely that defendants could be brought to  
2 account for their wrongdoing. The Berg Plaintiffs anticipate no difficulty in the management of  
3 this case as a class action.

4 71. Common questions of law and fact exist as to all members of the  
5 Berg/Marcil/Molony Class and predominate over any questions affecting individual members of  
6 the class. The most significant common questions include the following:

7 (a) whether defendants unlawfully combined and conspired to restrict access  
8 to ample sources of low-cost natural gas by Southern California customers, by, among other  
9 things, preventing bypass projects that would have created alternatives to SoCal Gas's  
10 monopolistic intrastate pipeline, thereby preserving SoCal Gas's market dominance in natural  
11 gas transportation, artificially inflating the cost of electricity, contributing to its scarcity, and  
12 creating barriers to competitive entry by other potential competitors in markets open to  
13 competition;

14 (b) whether defendants unlawfully combined and conspired to form an  
15 unlawful scheme not to compete with one another on certain natural gas pipeline projects and in  
16 other matters that would have benefited the class by lowering the cost of electricity and  
17 encouraging new generation, and, in furtherance of their unlawful conspiracy, boycotted certain  
18 bypass projects, conspired to accept reciprocal benefits, and refrained from acting in their  
19 independent economic interests in a manner that would have benefited class members;

20 (c) whether defendants unlawfully combined and conspired to allocate  
21 markets; and

22 (d) whether defendants' unlawful combination and conspiracy caused drastic  
23 escalation of the price of natural gas and thereby, of electricity, undermining the goals and  
24 objectives of governmental deregulation and forcing members of the plaintiff classes to pay  
25 supracompetitive and artificially inflated prices for electricity in California.

26 72. Although the exact number of class members is unknown at this time, it will be  
27 ascertained through appropriate discovery. The Berg Plaintiffs believe that the members of the  
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1 Berg/Marcil/Molony Class collectively number in excess of several million California residential  
2 and business purchasers of electricity. Consequently, joinder of all members of the class in a  
3 single action is impracticable, and disposition of their claims through the procedure of a class  
4 action will benefit the parties and the Court. Members of the Berg/Marcil/Molony Class may be  
5 notified of the pendency of this action via publication, using notice provisions similar to those  
6 customarily used in consumer class actions, or by ordinary United States Mail since the identities  
7 of the Class members are believed to be readily ascertainable through discovery.

8 73. The Berg Plaintiffs have incurred and, during the pendency of this action, will  
9 incur attorneys' fees and expenses. These fees and expenses are necessary for the prosecution of  
10 this action and will result in a benefit to the class.

11 **The SierraPine Class**

12 74. Defendants' unlawful conduct has also resulted in the artificial inflation of  
13 electricity for direct access purchasers of electricity in California from wholesalers other than the  
14 California Power Exchange. These direct access purchasers have been severely damaged by the  
15 drastic increases in the cost of natural gas and natural gas transportation, and supply restrictions  
16 resulting from defendants' conspiracy that have led to unprecedented increases in the cost of  
17 electricity.

18 75. SierraPine brings this action individually on its own behalf and as a class  
19 representative on behalf of all individuals and entities in California who are or were direct access  
20 purchasers of electricity from wholesalers other than the California Power Exchange who were  
21 injured as a result of defendants' wrongful acts (the "SierraPine Class"). The SierraPine Class  
22 includes all residential, business, industrial and wholesale purchasers of electricity who  
23 purchased through a direct access electric market other than through the California Power  
24 Exchange.

25 76. From its inception, the unlawful conduct of Sempra, SoCal Gas, SDG&E, El  
26 Paso, and their subsidiaries, affiliates, and predecessors has taken place in the State of California.  
27 A California class is appropriate because all of the class members are located within the State of  
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1 California. The actions that injured the members of the SierraPine Class occurred throughout  
2 California, and involved conduct of California-based corporations in interstate and foreign  
3 markets intended to impact purchasers of energy in California generally.

4 77. SierraPine's claims are typical of the claims of the members of the SierraPine  
5 Class, since SierraPine and all other members of the class were direct access purchasers of  
6 electricity from wholesalers other than the California Power Exchange for some, if not all, of the  
7 relevant time period from 1998 to the present and were injured by the inflated electricity prices  
8 caused by defendants' conduct.

9 78. SierraPine will fairly and adequately protect the interests of the members of the  
10 SierraPine Class and have retained experienced counsel competent to prosecute this class action  
11 litigation. To the extent that additional plaintiffs are joined to represent the members of the class  
12 more fully, leave of Court will be sought to show that all class interests are being fairly and  
13 adequately protected and represented.

14 79. A class action is superior to other available methods for the fair and efficient  
15 adjudication of this controversy. Because the damages suffered by individual class members  
16 may be relatively small, although by no means inconsequential, the expense and burden of  
17 individual litigation make it impossible for the class members individually to redress the wrongs  
18 done to them by these behemoth corporate defendants. In addition, if separate actions were to be  
19 brought individually by each member of the SierraPine Class, the resulting multiplicity of  
20 lawsuits would cause undue hardship and burden to the Court as well as to the litigants.  
21 Prosecution of separate, individual actions would also create a risk of inconsistent rulings. Thus,  
22 absent a class action, it is highly unlikely that defendants could be brought to account for their  
23 wrongdoing. SierraPine anticipates no difficulty in the management of this case as a class  
24 action.

25 80. Common questions of law and fact exist as to all members of the SierraPine Class  
26 and predominate over any questions affecting individual members of the class. The most  
27 significant common questions include the following:

28

1 (a) whether defendants unlawfully combined and conspired to restrict access  
2 to ample sources of low-cost natural gas by Southern California customers, by, among other  
3 things, preventing bypass projects that would have created alternatives to SoCal Gas's  
4 monopolistic intrastate pipeline, thereby preserving SoCal Gas's market dominance in natural  
5 gas transportation, artificially inflating the cost of electricity, contributing to its scarcity, and  
6 creating barriers to competitive entry by other potential competitors in markets open to  
7 competition;

8 (b) whether defendants unlawfully combined and conspired to form an  
9 unlawful scheme not to compete with one another on certain natural gas pipeline projects and in  
10 other matters that would have benefited the class by lowering the cost of electricity and  
11 encouraging new generation, and, in furtherance of their unlawful conspiracy, boycotted certain  
12 bypass projects, conspired to accept reciprocal benefits, and refrained from acting in their  
13 independent economic interests in a manner that would have benefited class members;

14 (c) whether defendants unlawfully combined and conspired to allocate  
15 markets; and

16 (d) whether defendants' unlawful combination and conspiracy caused drastic  
17 escalation of the price of natural gas and thereby, of electricity, undermining the goals and  
18 objectives of governmental deregulation and forcing members of the plaintiff classes to pay  
19 supracompetitive and artificially inflated prices for electricity in California.

20 81. Although the exact number of class members is unknown at this time, it will be  
21 ascertained through appropriate discovery. SierraPine believes that the members of the  
22 SierraPine Class collectively number in the thousands of California direct access purchasers of  
23 electricity from wholesalers other than the California Power Exchange. Consequently, joinder of  
24 all members of the class in a single action is impracticable, and disposition of their claims  
25 through the procedure of a class action will benefit the parties and the Court. Members of the  
26 SierraPine Class may be notified of the pendency of this action via publication, using notice  
27 provisions similar to those customarily used in consumer class actions, or by ordinary United  
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1 States Mail since the identities of the Class members are believed to be readily ascertainable  
2 through discovery.

3 82. SierraPine has incurred and, during the pendency of this action, will incur  
4 attorneys' fees and expenses. These fees and expenses are necessary for the prosecution of this  
5 action and will result in a benefit to the class.

6 **The Long Beach Class**

7 83. The Long Beach Class Plaintiffs are customers of Long Beach's gas utility. They  
8 purchase gas from Long Beach's gas utility at a price that reflects the spot price of gas at the  
9 California/Arizona border.

10 84. The Long Beach Class Plaintiffs bring this action individually, on their own  
11 behalf, and as class representatives on behalf of all customers of Long Beach's gas utility,  
12 including, without limitation, residents and business customers (the "Long Beach Class").

13 85. The Long Beach Class Plaintiffs and the members of the Long Beach Class --  
14 who purchase and use significant volumes of natural gas -- have been damaged by drastic  
15 increases in the cost of natural gas that have resulted from the illicit agreement described in this  
16 complaint.

17 86. From its inception, the unlawful conduct of Sempra, SoCal Gas, SDG&E, El  
18 Paso, and their subsidiaries, affiliates and predecessors has taken place in the State of California.  
19 A class of customers of Long Beach's gas utility is appropriate because the actions that damaged  
20 the class members occurred in Los Angeles County and throughout Southern California, and  
21 involved conduct of California-based corporations in interstate markets intended to impact  
22 purchasers of gas, inter alia, in Long Beach.

23 87. The claims of the Long Beach Class Plaintiffs are typical of the claims of the  
24 members of the Long Beach Class, since they and all members of the Long Beach Class were  
25 purchasers of natural gas from the Long Beach gas utility and are exposed to overcharges caused  
26 by defendants in the gas commodity markets.

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1           88.     The Long Beach Class Plaintiffs will fairly and adequately protect the interests of  
2 the members of the Long Beach Class and have retained experienced counsel competent to  
3 prosecute this class action litigation.

4           89.     A class action is superior to other available methods for the fair and efficient  
5 adjudication of this controversy. Because the number of individual class members is large --  
6 there are approximately 140,000 Long Beach residences and over 6,000 business purchasing gas  
7 from the Long Beach gas utility -- and because the damages suffered by individual class  
8 members may be relatively small, although by no means inconsequential, the expense and  
9 burden of individual litigation make it impossible for the class members individually to redress  
10 the wrongs done to them by these behemoth corporate defendants. In addition, if separate  
11 actions were to be brought individually by each member of the Long Beach Class, the resulting  
12 multiplicity of lawsuits would cause undue hardship and burden to the Court as well as to the  
13 litigants. Prosecution of separate, individual actions would also create a risk of inconsistent  
14 rulings. Thus, absent a class action, it is highly unlikely that defendants could be brought to  
15 account for their wrongdoing. The Long Beach Class Plaintiffs anticipate no difficulty in the  
16 management of this case as a class action.

17           90.     Common questions of the law and fact exist as to all members of the Long Beach  
18 Class and predominate over any questions affecting individual members of the class. The most  
19 significant common questions include the following:

20                   (a)     whether defendants unlawfully combined and conspired to restrict access  
21 to ample sources of low-cost natural gas by the customers of the Long Beach gas utility by  
22 preventing bypass projects that would have created alternatives to SoCal Gas's monopolistic  
23 intrastate pipeline, thereby preserving SoCal Gas's market dominance in natural gas  
24 transportation throughout Southern California and in newly unregulated businesses, artificially  
25 inflating the cost of electricity, and creating barriers to competitive entry by other potential  
26 competitors in markets open to competition;

1 (b) whether defendants combined and conspired to preserve SoCal Gas's  
2 monopoly in businesses now open to competition by, among other things, boycotting natural gas  
3 pipeline bypass projects that would have provided an alternative to SoCal Gas;

4 (c) whether defendants unlawfully combined and conspired to form an  
5 unlawful scheme not to compete with one another on certain natural gas pipeline projects and in  
6 other matters that would have benefited customers of the Long Beach gas utility, and, in  
7 furtherance of their unlawful conspiracy, conspired to accept reciprocal benefits and refrained  
8 from acting in their independent economic interests in a manner that would have benefited class  
9 members;

10 (d) whether defendants unlawfully combined and conspired to allocate  
11 markets; and

12 (e) whether defendants' unlawful combination and conspiracy caused drastic  
13 escalation of the price of natural gas, undermining the goals and objectives of governmental  
14 deregulation and forcing members of the plaintiff class to pay supracompetitive prices.

15 91. Although the exact number of Long Beach Class members is unknown to the  
16 Long Beach Class Plaintiffs at this time, it will be ascertained through appropriate discovery.  
17 The Long Beach Class Plaintiffs believe that the class collectively numbers over 140,000 Long  
18 Beach residents and over 6,000 businesses. Consequently, joinder of all members of the class in  
19 a single action is impracticable, and disposition of their claims through the procedure of a class  
20 action will benefit the parties and the Court. Members of the Long Beach Class may be notified  
21 of the pendency of this action via publication, using notice provisions similar to those  
22 customarily used in consumer class actions, or by ordinary United States Mail since the identities  
23 of the Long Beach Class members are readily ascertainable through discovery from the files of  
24 the Long Beach gas utility.

25 92. The Long Beach Class Plaintiffs have incurred, and during the pendency of this  
26 action, will incur attorneys' fees and expenses. These fees and expenses are necessary for the  
27 prosecution of this action and will result in a benefit to the class.

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1                    **DEREGULATION OF THE ELECTRICITY INDUSTRY IN CALIFORNIA**

2                    93.        Before deregulation of the electricity industry in California, the electric utility  
3 companies enjoyed a legal monopoly in their geographic service area. In exchange, these  
4 companies were required to serve their customers under terms of service and rates set by the  
5 CPUC.

6                    94.        On September 23, 1996, Assembly Bill 1890 (“AB 1890”) was signed into law,  
7 providing the legal framework for the restructuring of the electric power industry. The  
8 California legislature intended to increase competition and consumer choices in the electric  
9 power industry while lowering prices for electricity.

10                  95.        At the time AB 1890 was enacted, the electrical corporations had not yet fully  
11 recouped the costs of numerous capital investments. Under the previous regulatory scheme, the  
12 electrical corporations were guaranteed a reasonable profit on the costs of those capital  
13 investments. That guaranteed profit disappeared under AB 1890. The electrical corporations  
14 can pass on only as much of the cost of those investments as the market will bear.

15                  96.        Because these capital investments, known as “stranded costs,” had been made  
16 under the previous regulatory scheme and were approved by the CPUC, the Legislature decided  
17 that it would be unfair to penalize the electrical corporations' stockholders. Accordingly, AB  
18 1890 included a Rate Freeze requiring that electricity rates remain at their June 1996 levels from  
19 1998 though 2001, or until the utilities paid off their respective stranded costs. The expectation  
20 was that the cost of purchasing electricity would fall during the period of the Rate Freeze, giving  
21 the utilities some additional profit which they could use to pay off their stranded costs.

22                  97.        The Legislature's forecast was wrong. Soon after deregulation came into effect,  
23 electricity rates skyrocketed as a direct result of the wrongful acts alleged herein. As a result,  
24 those electrical corporations that were bound by the Rate Freeze operated at a loss. On the other  
25 hand, those utilities that paid off their stranded costs and were therefore no longer bound by the  
26 Rate Freeze were able to and did pass on the exorbitant costs of electric power to their customers  
27 such as the Bergs.

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**Figure 1**



102. Inside California, virtually all transportation and sale of gas was handled by three local distribution companies: SoCal Gas, SDG&E, and Pacific Gas & Electric (“PG&E”). These intrastate companies no longer have a complete sales monopoly within California but still dominate the transmission and distribution of natural gas within their service areas.

103. Before the 1980’s, both the interstate pipelines and the three California local distribution companies were regarded as natural monopolies and were extensively regulated. The FERC regulated interstate pipelines and "wholesale" interstate gas markets. The CPUC had sole regulatory authority over intrastate transmission and local distribution and sale of natural gas by the California utilities. Under these regulatory regimes, each company sold natural gas to its respective customers under tariffs approved by the appropriate regulatory authorities and the utilities were insulated from competition within their own service territories.

104. In the early 1980s, the FERC began deregulating the interstate natural gas industry, issuing restructuring orders that, taken together, comprised an integrated effort to foster competition in the natural gas industry.



1 deregulation, its sole source for natural gas transportation service. SDG&E had no pipeline  
2 connection with Mexico. SDG&E was viewed by pipeline developers as a fertile natural gas  
3 market and a significant potential anchor for a new pipeline to bypass the costly SoCal Gas  
4 system.

5 109. Providing interstate pipeline service to California since 1945, EPNG is still the  
6 largest pipeline system serving California. Its pipeline system connects Southern California to  
7 major gas producing basins in Texas, New Mexico and Colorado. The California market has  
8 traditionally accounted for 80% of EPNG's business. SoCal Gas was EPNG's largest single  
9 customer until 1997, and SoCal Gas still holds and utilizes approximately one-third of EPNG's  
10 capacity for California. Until the 1990's, SoCal Gas was the sole holder of "firm" capacity on El  
11 Paso's smaller direct competitor, Transwestern Pipeline Co. ("Transwestern"), and remains  
12 Transwestern's largest "firm" capacity holder. "Firm" capacity is non-interruptible capacity that  
13 guarantees a shipper priority access to a given pipeline.

#### 14 **BACKGROUND OF THE CONSPIRACY**

15 110. After federal deregulation commenced in the interstate market in 1985, SoCal Gas  
16 continued to exercise significant market power in that market. This power was perpetuated by  
17 virtue of its status (1) as a principal holder of "firm" pipeline capacity on the El Paso and  
18 Transwestern systems and (2) as the principal purchaser of gas for the enormous Southern  
19 California market.

20 111. SoCal Gas obtained this market power in part because, in the intrastate market,  
21 the CPUC did not require the "unbundling" of the commodity or "merchant" side of the gas  
22 business from the transportation side as had FERC in the interstate market, and, in part, because  
23 of the "firm" transportation rights it held in the interstate market. In the period from 1985 until  
24 1991, SoCal Gas was permitted by FERC policy to exercise "firm" transportation rights for up to  
25 1.75 billion cubic feet per day (Bcf/d) of capacity on the El Paso system -- which was  
26 approximately one half (1/2) of the El Paso system's total capacity. During the same period,  
27 SoCal Gas held firm transportation rights to all of Transwestern's capacity of 750 million cubic  
28

1 feet per day (MMcf/d). Such “firm” rights gave SoCal Gas priority shipping rights and, because  
2 of such rights, tremendous leverage over producers and other sellers of gas.

3 112. Inside California, however, SoCal Gas continued to sell gas on a “bundled” basis  
4 to its captive customers. SoCal Gas’s dominant position in its intrastate sales market was  
5 enhanced by its preemptive interstate capacity holdings.

6 113. In the late 1980’s, the former Tenneco, Inc. (now defendant El Paso Tennessee  
7 Pipeline Co.) and EPNG aggressively began to develop new interstate pipelines which had the  
8 capacity to bypass part of the SoCal Gas system. At the time, Tenneco was the preeminent  
9 developer of new pipelines in the United States. Tenneco successfully developed the Kern River  
10 Pipeline to serve the growing industrial market for steam generation in Kern County, California  
11 and to connect Rocky Mountain producing basins and their cheaper natural gas with this  
12 industrial market. See Figure 3.

13  
14 **Figure 3**



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25 114. The Kern River

26 Pipeline went into service in 1992. The Kern River Pipeline was the first new pipeline  
27 constructed to serve California since the early 1960’s. More significantly, it was an “open  
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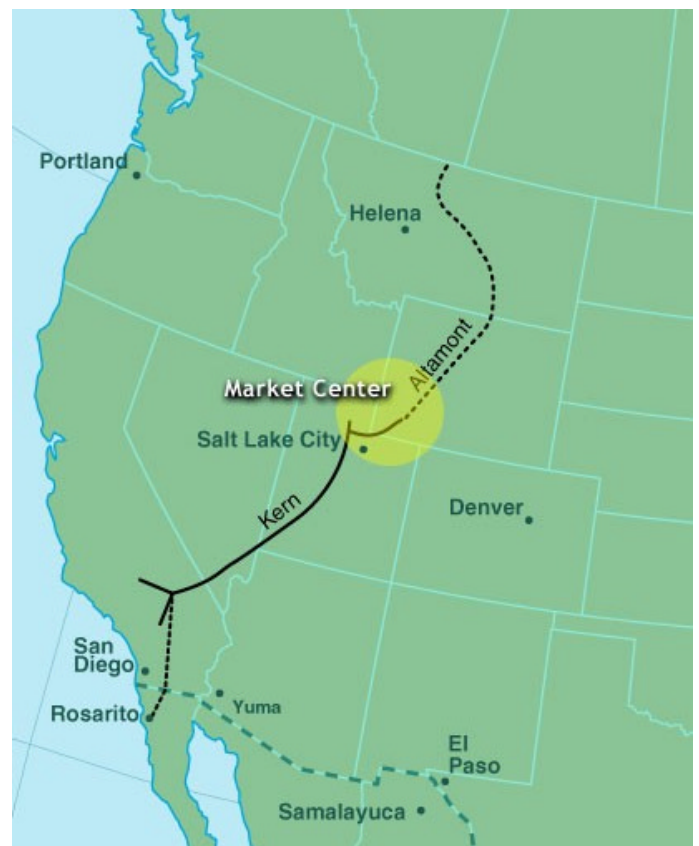
1 access” interstate pipeline not subject to regulation by the CPUC. Thus, its customers were able  
2 to “bypass” the SoCal Gas system and purchase low cost gas in the deregulated interstate market  
3 and in new supply basins.

4 115. Before its acquisition by El Paso in 1996, Tenneco had been engaged in  
5 significant development efforts to expand the Kern River Pipeline. Under the terms of Kern  
6 River’s tariffs, its shippers would share in the benefits of such expansion through the lowering of  
7 unit transportation costs, thereby making gas shipped through the Kern River Pipeline less costly  
8 than gas on the SoCal Gas system.

9 116. Tenneco’s expansion plan involved further bypass of the SoCal Gas system  
10 through direct service to customers in Southern California and development of a Baja California  
11 Pipeline Project to serve the emerging gas market in the Baja Peninsula.

**Figure 4**

12 117. In the early 1990’s,  
13 Tenneco also began development of its  
14 Altamont Pipeline Project, which was  
15 intended to transport low-cost gas from  
16 Canada and isolated areas of Montana to  
17 the Kern River Pipeline and, through the  
18 Kern River Pipeline, to Southern  
19 California and Baja California. See  
20 Figure 4. As part of this project, Tenneco  
21 and its partners were also seeking to  
22 develop a “Market Center” near the upper  
23 terminus of the Kern River Pipeline. See  
24 Figure 5. The Market Center would have  
25 allowed gas to be shipped throughout the  
26 United States in response to market



27 demands and would have furthered the goals of deregulation. Had Altamont and the Market  
28

1 Center not been frustrated by the conspiracy discussed in this action, these facilities would have  
2 been completed and would have provided shippers and consumers of natural gas with  
3 competitive alternatives to SoCal Gas at substantial cost savings and in plentiful quantities.  
4

5  
6 **Figure 5**



15 118. The potential bypass of the SoCal Gas system by the expanded Kern River  
16 Pipeline -- and the competitive threat of its expansion into and through the SoCal Gas service  
17 area to Mexico -- was a material factor leading SoCal Gas to initiate the unlawful,  
18 anticompetitive course of conduct to preserve its market dominance. Tenneco's expansion plans  
19 for Altamont and Kern River threatened the market power that SoCal Gas had acquired in both  
20 the interstate and intrastate transportation markets and in the interstate commodity markets.  
21 More importantly, these new pipeline projects offered the prospect of readily available and  
22 cheaper gas for California customers. But for the collusive actions of these corporate defendants  
23 in a conspiracy to destroy competition and gouge California consumers, these pipelines would  
24 have been used to bring readily available and cheaper natural gas to Southern California.  
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1                    **TENNECO AND SOCAL GAS COMPETE FOR THE SAN DIEGO AND BAJA**  
2                    **CALIFORNIA MARKETS**

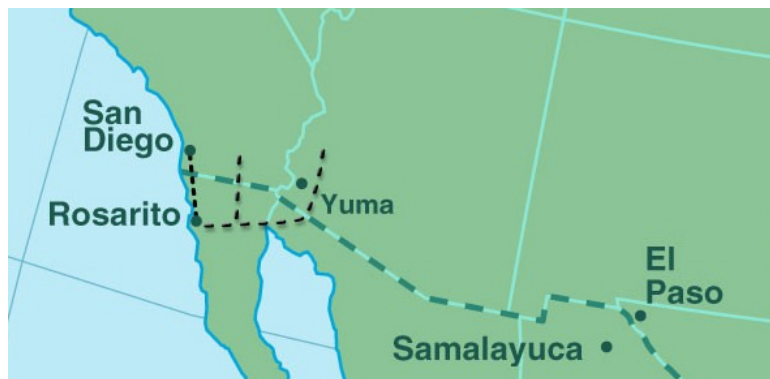
3                    119. California has long been a net importer of electric power from out-of-state  
4 sources. Baja California was recognized by power developers to be well situated for the  
5 development of new electric generation capacity needed in the growing Baja California region  
6 that could be financed by power sales in the California market. This opportunity became more  
7 attractive when California passed its electric restructuring legislation in August 1996, described  
8 above in Paragraphs 93 through 99 and in Paragraph 137.

9                    120. Before 1998, Baja California had no natural gas pipeline infrastructure and no  
10 indigenous natural gas production or reserves to permit the development of natural gas fueled  
11 electric projects. Therefore, new pipeline facilities were required to link Baja California with  
12 transportation facilities in the United States to exploit these potentially lucrative opportunities.

13                    121. Because of its large daily gas load and proximity to the Baja California market,  
14 SDG&E was an attractive potential anchor customer for a new pipeline to bypass the SoCal Gas  
15 system. SDG&E was traditionally a geographically isolated “captive” customer of the SoCal  
16 Gas system. SDG&E had no natural gas pipeline connection with Mexico.

17                    122. Tenneco’s extensive development efforts with regard to SDG&E and Baja  
18 California included options for a north-south pipeline that would connect the Kern River  
19 Pipeline to the California-Baja California border near San Diego (see Figure 4, above) or an east  
20 west route from Yuma, Arizona to the Pacific Coast of Baja California. Tenneco’s development  
21 plans also included pipeline extensions into the Los Angeles Basin -- the heart of SoCal’s service  
22 monopoly. See Figure 6.

23  
24  
25                    **Figure 6**



1           123. Both these development projects posed major competitive threats to SoCal Gas's  
2 monopoly. First, either planned pipeline route would have provided competitive service at low  
3 cost to SDG&E and its customers as well as to its customers in the Imperial Valley. At a  
4 minimum, this competition would have forced SoCal Gas to discount its transportation rates to  
5 San Diego to meet such competition. Moreover, displacement of transportation volumes for the  
6 San Diego area would have increased competitive pressure on SoCal Gas to reduce its cost of  
7 service to all customers in Southern California.

8           124. Second, such a bypass pipeline would have prevented Baja California customers  
9 from being a captive market of SoCal Gas and would have afforded them an attractive  
10 competitive alternative to the expansion of the SoCal Gas monopoly into Baja California.

11           125. Third, a bypass pipeline would also have reduced or eliminated opportunities for  
12 SoCal Gas and its acquirer, Sempra, to exploit and leverage its transportation monopoly to gain  
13 lucrative opportunities to control natural gas commodity sales to consumers in San Diego and in  
14 the Mexican market and in Imperial County.

15           126. Fourth, Southern California consumers would have enjoyed new price  
16 competition with respect to delivered gas.

17           127. SoCal Gas responded to these perceived threats to its monopoly by illegally  
18 inducing SDG&E to rebuff the bypass proposals made to SDG&E by Tenneco and by El Paso.  
19 In the early 1990's, SoCal Gas and SDG&E formed a joint venture called "Project Vecinos" to  
20 build their own pipeline to the Baja Peninsula. SDG&E secretly agreed with SoCal Gas that it  
21 would refrain from doing business with competitors of SoCal Gas. This plan would preserve  
22 SoCal Gas's monopoly over SDG&E and its ratepayers and would extend the monopoly of  
23 SoCal Gas into Baja California. This plan required that gas from outside California be delivered  
24 through SoCal Gas's expensive intrastate system, imposing unnecessary costs on customers in  
25 Southern California and Baja California.

26           128. Upon information and belief, SoCal Gas and SDG&E, by affirmative acts of fraud  
27 and concealment, prevented the fact of and extent of their conspiracy from being revealed to the  
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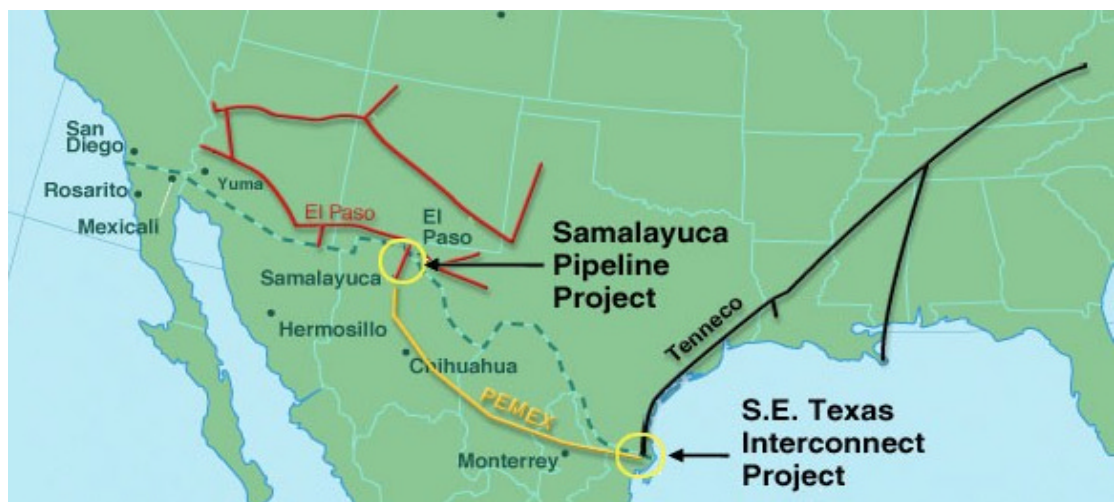
1 public, FERC and the CPUC. Affirmative acts of concealment included, without limitation, a  
2 certain “Memorandum of Understanding” that SDG&E entered into with the City of San Diego  
3 in which SDG&E pretended to agree to do business with new pipelines that would provide  
4 competitive bypass of the SoCal Gas system. In fact, SDG&E had no intention whatsoever of  
5 promoting new, competitive pipelines and its statements to the public were fraudulent and made  
6 solely to conceal its secret agreement with SoCal Gas.

### 7 EL PASO AND SOCAL GAS COMPETE

8 129. Meanwhile, in the early 1990’s, El Paso also began significant development  
9 efforts to expand its pipeline into Mexico to exploit gas demand from emerging electric  
10 generation markets in Mexico. El Paso’s priority was a power project near its headquarters in El  
11 Paso, Texas called the Samalayuca II Power Plant (the “Samalayuca Project”). El Paso had  
12 begun the extensive development process for the Samalayuca II electric plant in or before 1990.

13 130. The pipeline phase of the Samalayuca Project took on additional strategic  
14 importance for El Paso after El Paso’s announcement of its proposed acquisition of Tenneco.  
15 El Paso touted the Tenneco deal to Wall Street as the creation of a “Boston to Bakersfield”  
16 pipeline. The Samalayuca Pipeline was an essential link in this transcontinental pipeline because  
17 El Paso’s West Texas pipeline and Tenneco’s main pipeline to the East would be connected by  
18 an existing Mexican pipeline from the Gulf Coast border of Texas through Mexico parallel to the  
19 Texas border. See Figure 7.

20 **Figure 7**



1           131. El Paso's plans for a transcontinental pipeline and for a return on its investment in  
2 the Samalayuca opportunity were threatened by SoCal Gas's announcement of its intention to  
3 compete with El Paso for the Samalayuca pipeline business and SoCal Gas's economic  
4 advantage on that project. Acting through an interstate pipeline affiliate, Pacific Interstate  
5 Offshore Corporation ("PIOC"), SoCal Gas applied to the FERC for a border crossing permit at  
6 the same border point in West Texas that El Paso intended to use.

7           132. SoCal Gas's project had enormous cost advantages over El Paso's because SoCal  
8 Gas owned excess transportation capacity on the El Paso system while El Paso, under applicable  
9 FERC regulations and the terms of its FERC application, would be required to spend more than  
10 \$40 million to create the necessary capacity. SoCal Gas, by contrast, could simply assign excess  
11 capacity to its affiliate or the gas purchaser in Mexico at little or no cost.

12           133. On June 19, 1996, El Paso announced that it had agreed to acquire Tenneco's  
13 energy businesses through a merger agreement scheduled to close in December 1996. Among  
14 the assets that El Paso would acquire from Tenneco were a number of projects that were  
15 intended to compete with or were capable of competing with SoCal Gas in the Southern  
16 California market and in interstate and foreign markets contiguous to Southern California,  
17 including Baja California. Tenneco had already sunk millions of dollars into these development  
18 projects. Upon information and belief, El Paso assumed control over these assets and projects  
19 within a short period of time after the merger agreement was signed and well before the final  
20 approval and closing of the merger in late 1996.

21           134. In early August 1996, Mexico opened the pipeline phase of the Samalayuca II  
22 project for public bidding. The specifications contemplated the construction of a single pipeline  
23 from the El Paso's main line in West Texas to the plant along the route that both El Paso and  
24 SoCal had been planning. The bid specifications also included a provision requiring that any  
25 qualified bidder have at the time of bidding a "Presidential Permit" from the United States  
26 permitting the bidder to construct and operate border crossing facilities. The practical effect of  
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1 this provision was to limit the bidding to El Paso and SoCal Gas, the only companies holding  
2 such permits.

3 135. At the time the Samalayuca bidding was opened, Mexico had also solicited  
4 “expressions of interest” from electric power plant developers for a new gas fueled electric plant  
5 at Rosarito in Baja California, a short distance from San Diego. Tenneco had participated in this  
6 process and intended to present proposals both for the power plant and for a pipeline to supply  
7 the plant as of the time that El Paso gained control over Tenneco.

8 136. Thus, as of the August–September, 1996 time frame, SoCal Gas and SDG&E  
9 were engaged in actual or potential competition with El Paso and its newly acquired affiliate,  
10 Tenneco, whose separate competitive presence had been eliminated, for markets in Southern  
11 California, Baja California and North Central Mexico.

### 12 **CALIFORNIA ELECTRIC INDUSTRY RESTRUCTURING**

13 137. In August 1996, the California Legislature passed legislation to restructure  
14 California’s electric industry. Under this legislation, the principal electric utility of Southern  
15 California, Southern California Edison (“SCE”), was required to spin off 50% of its electric  
16 power generation plants to independent companies that would compete to sell power in a  
17 deregulated wholesale electric power market mandated by the reform legislation.

18 138. SCE’s gas-fueled electric plants accounted for 18% of the total throughput on the  
19 SoCal Gas system in the time frame before the electric restructuring mandate passed. This  
20 meant ownership and management of this crucial sector of SoCal Gas’s customer base would  
21 pass from a single regulated utility to independent, unregulated companies that would be more  
22 responsive to market incentives, including lowering costs by bypassing SoCal Gas.

23 139. The principal potential bypass competitor with this capability had been Tenneco.  
24 As of 1996, Tenneco had successfully cleared all regulatory barriers and had secured the  
25 necessary permits to begin construction of its Altamont Pipeline Project to connect the upper end  
26 of the Kern system to low cost gas sources in Canada and Montana. Tenneco was also planning  
27 its Baja California Project and had specific plans to build extensions to the SCE generation  
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1 plants that would be deregulated. The El Paso-Tenneco merger placed these bypass projects and  
2 opportunities in the control of El Paso, giving El Paso new leverage over SoCal Gas and posed  
3 the greatest competitive threat ever to SoCal Gas's historic monopoly in Southern California.

4 **DEFENDANTS MEET AND CONSPIRE**

5 140. The new era of genuine competition for natural gas customers in Southern  
6 California -- and more readily available and cheaper natural gas -- never happened. In  
7 September 1996, SoCal Gas, SDG&E and the El Paso parties conspired to eliminate any such  
8 competition. Defendants contacted each other for the purpose of setting up a meeting to arrive at  
9 a "deal" to refrain from direct competition, to allocate between themselves the markets that were  
10 the subject of their competition, and to preserve the parties' dominance in their respective  
11 markets.

12 141. On or about September 25, 1996, the "top brass" of SoCal, SDG&E, and El Paso  
13 met secretly at an Embassy Suites Hotel in Phoenix, Arizona. The Phoenix meeting was  
14 attended by the senior management of the conspirators, which included, among others, Warren  
15 Mitchell, the president of SoCal Gas, Ed Guiles, then the executive vice president of SDG&E,  
16 Richard Baish, the president of EPNG, and other officers of El Paso. These high-ranking  
17 individuals had sufficient authority to bind their respective companies to any agreement made at  
18 the meeting.

19 142. Plaintiffs are informed, believe and therefore allege that the Phoenix meeting was  
20 only one of a number of continuing surreptitious meetings and communications in which the  
21 conspiracy was planned and carried out.

22 143. In furtherance of their anticompetitive aims, SoCal Gas prepared a written  
23 "agenda" for the Phoenix meeting which it transmitted to El Paso and SDG&E. The agenda  
24 listed the four areas of discussion as: (a) joint venture for Samalayuca pipeline service; (b) an  
25 "alliance" for gas distribution in Northern Mexico generally, (c) "realignment" with PEI of  
26 Tenneco assets; and (d) opportunities resulting from electric industry restructuring. A true and  
27 correct copy of that written agenda is attached hereto as Exhibit "A."  
28

1           144. Adhering to the SoCal Gas agenda, the attendees at the Phoenix meeting  
2 discussed means of ending illegally the competition among the parties, including (a) the  
3 Samalayuca II pipeline project, which had been opened for bidding on August 1, 1996; (b)  
4 supplying gas and pipeline transportation to Baja California; and (c) eliminating the Altamont  
5 Pipeline Project, which was capable of bringing gas from low cost Canadian supply basins to  
6 Southern California and Baja California and providing new natural gas supplies to Northern  
7 California through PG&E. The co-conspirators also made plans to leverage defendants'  
8 stranglehold on Southern California's natural gas industry to gain supracompetitive profits in  
9 California's restructured electrical industry.

10           145. Plaintiffs are informed, believe and therefore allege that the Phoenix meeting  
11 resulted in or was part of the formation and/or performance of an illegal agreement among SoCal  
12 Gas, SDG&E and El Paso in which SoCal Gas, SDG&E and the El Paso parties reciprocally  
13 agreed not to compete with one another, not to interfere with one another's economic interests, to  
14 kill off bypass pipelines that would threaten the dominance of SoCal Gas in Southern California,  
15 and to engage in conduct that would allow them to profit from deregulation of California's  
16 electricity markets.

17                           **PHOENIX MEETING AGENDA ITEMS (a) AND (b): SAMALAYUCA AND**  
18   **BAJA CALIFORNIA PIPELINE PROJECTS**

19           146. Plaintiffs are informed, believe and therefore allege that the Phoenix meeting  
20 resulted in an illegal agreement in restraint of trade, in which, among other things, SoCal Gas  
21 and SDG&E agreed to withdraw from competition with El Paso with respect to the Samalayuca  
22 pipeline project and El Paso agreed to withdraw its own and Tenneco's competition with SoCal  
23 Gas to supply gas and pipeline transportation to markets in Baja California, leaving SoCal Gas as  
24 the dominant gas company in Southern California. This self-serving agreement ended Tenneco's  
25 competition to build a pipeline based in Baja California. Plaintiffs are informed and believe, and  
26 therefore allege, that such a pipeline could have been completed by 1998, well before the 2000-

1 2001 gas and electric crisis, and would have substantially benefited California users of natural  
2 gas and electricity.

3 **AGENDA ITEM (c): TENNECO ASSET REALIGNMENT**

4 147. Plaintiffs are informed, believe and allege that the reference to “Tenneco asset  
5 realignment with PEI” in the agenda for the Phoenix meeting refers to elimination of Tenneco’s  
6 Baja California and Altamont projects and the Western Market Center and an agreement by  
7 Tenneco not to interfere with the interests of SoCal Gas (PEI was an affiliate of SoCal Gas).  
8 Elimination of Altamont ended much of the substantial cost advantage that would have assisted  
9 the Kern River Pipeline in transporting lower-cost Canadian gas to Southern California electric  
10 generators and other non-core gas consumers via the Tenneco bypass projects and would have  
11 made more gas available to PG&E in Northern California.

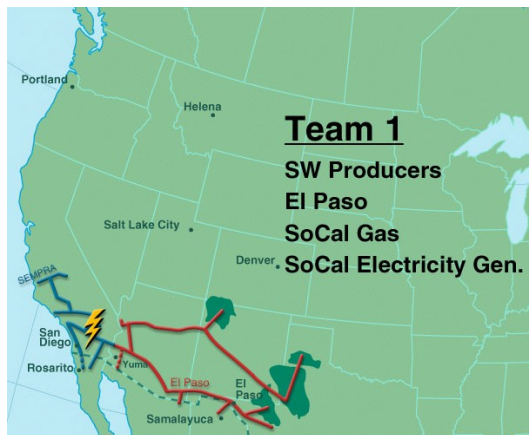
12 148. The Western Market Center, another Tenneco asset which was “realigned” (i.e.,  
13 eliminated), was a planned project to interconnect six existing pipelines and Altamont at a point  
14 in Southwestern Wyoming. The Market Center would have provided competition among  
15 significant gas producing basins in Western Canada, the Southwest United States and the Rocky  
16 Mountains and would have provided a trading hub to serve Southern California in competition  
17 with SoCal Gas’s trading hub.

18 149. Tenneco's elimination of Altamont pursuant to El Paso’s instructions -- and its  
19 abandonment of its Baja California project in exchange for exclusive rights to Samalayuca for El  
20 Paso -- was done pursuant to an unlawful agreement by El Paso and SoCal Gas to perpetuate the  
21 artificial geographic isolation of the Southern California gas market and to preserve Southern  
22 California’s historic dependence on the gas producing basins in the southwestern United States.  
23 This agreement eliminated potential price competition and allowed El Paso and SoCal Gas to  
24 retain their unchallenged market dominance.

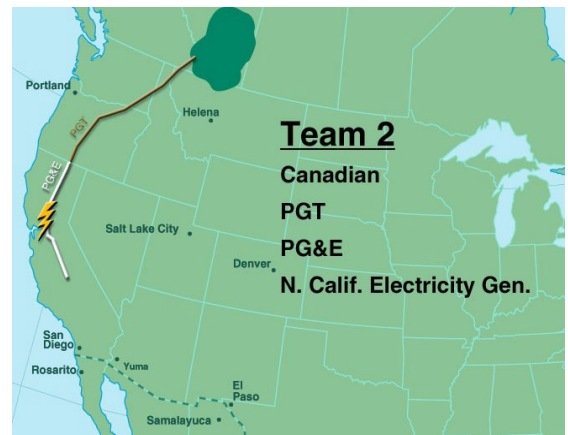
25 150. At the Phoenix meeting, allocation and division of various California markets was  
26 also discussed. EPNG and SoCal Gas were designated as “Team 1” along with Southern  
27 California electric generators and “Southwest gas producers.” See Figure 8. PG&E and PGT  
28

1 were designated as “Team 2,” along with Northern California electric generators and Canadian  
2 gas producers. See Figure 9. Upon information and belief, this terminology reflected the parties’  
3 awareness of, and intention to maintain, the artificial geographic isolation of the Southern  
4 California gas market, and their mutual intention to preserve and extend the dependency of  
5 Southern California consumers on the Southwestern US supply basins over which the parties  
6 exercised market power. This bifurcation of the California market also restricted gas supplies  
7 throughout California, driving up the California border price for gas, which soon resulted in  
8 higher electric prices throughout California.

9 **Figure 8**



18 **Figure 9**



151. Under this allocation arrangement, EPNG and SoCal Gas agreed to boycott and  
19 exclude from the Southern California marketplace new, cheaper gas from Canadian fields, which  
20 was left to Team 2. The result was that low-cost, plentiful Canadian gas would be available only  
21 in significant quantities to Northern California generators and customers, while SoCal Gas’s  
22 distribution of gas from Southwestern producers at much higher cost was insulated from  
23 competition from Canadian and upper Montana gas sources. See Figure 10.

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**Figure 10**



**AGENDA ITEM (d): OPPORTUNITIES FROM RESTRUCTURING OF THE ELECTRIC INDUSTRY IN CALIFORNIA**

152. The co-conspirators at the Phoenix meeting also discussed “Opportunities Resulting from Electric Industry Restructuring,” i.e., from the California electric deregulation legislation passed a month earlier. At the Phoenix meeting, SoCal and EPNG discussed a long term plan to “link up supply, transportation, generation and sale of electricity” and to “think/plan position now to be ready when the opportunity comes.” A true and correct copy of handwritten notes made at the meeting by Al Clark, Executive Vice President of EPNG, is attached hereto as Exhibit “B.” Since 1996, El Paso has been on a shopping spree for electric generation assets serving the California market. These purchases were designed to exploit the economic advantages in the natural gas market that El Paso obtained through its agreements with SoCal Gas.



1 (b) Next, El Paso agreed not to compete with the bid of SoCal Gas and  
2 SDG&E to construct a Baja California pipeline, thus depriving customers in both Baja California  
3 and Southern California of the benefits of competition.

4 (c) To secure this commitment, SoCal Gas agreed to withdraw from  
5 competing with El Paso on the Samalayuca pipeline extending from West Texas south into  
6 Mexico and to assist in barring new Canadian gas from Southern California and enhancing the  
7 dependency of Southern California consumers on natural gas transportation through the El Paso  
8 system. Additionally, the parties agreed to cooperate to increase and manipulate their market  
9 power in the interstate pipeline and supply markets.

10 (d) Last, defendants agreed, as reciprocity for the benefits that each had  
11 granted the other, not to raise any objections to the other's major acquisition and consolidation  
12 programs.

13 (e) Defendants also participated in numerous other mutually beneficial and  
14 anticompetitive agreements pursuant to the conspiracy.

15 (f) All of these goals were accomplished.

16 156. Soon after the meeting, SoCal Gas and El Paso successfully implemented their  
17 plan to carve up the California and Northern Mexico markets. The sole bidder on the pipeline to  
18 Baja California and associated projects, SoCal Gas, was awarded the projects without any  
19 competing bids, thereby eliminating any competing bypass projects.

20 157. El Paso was the sole bidder on the Samalayuca Project and was awarded the  
21 project without competition.

22 158. El Paso carried out its part of the bargain by causing its wholly-owned subsidiary  
23 Tenneco to kill the Baja California and Altamont Pipeline projects and the Western Market  
24 Center projects, thereby minimizing the potential of creating competition between Southwestern  
25 gas and Canadian gas, which would have significantly lowered prices to Southern California  
26 customers. The killing of the Altamont and Western Market Center projects also reduced gas  
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1 availability to PG&E, increased the California border price for gas and has resulted in  
2 significantly increased prices for electricity throughout California.

3 159. SoCal Gas, SDG&E and El Paso succeeded in linking up gas supply, gas  
4 transportation, and electric generation, and in allocating California markets. Not only did  
5 defendants successfully isolate the Southern California market by allocating markets, thereby  
6 preserving SoCal Gas's dominance, they also eliminated the development of new pipeline  
7 capacity to make fields other than the Southwestern basins accessible to Southern California  
8 consumers.

9 160. The essence of the "Team 1"/"Team 2" element of the conspiracy was twofold.

10 (a) First, by killing the Altamont project and the Western Market Center,  
11 cheap Canadian gas, which would have averted some of the energy crisis that commenced in  
12 1999, was kept unavailable to Southern California.

13 (b) Second, defendants agreed to share and exploit jointly the market power  
14 over Southwest gas supply markets that SoCal Gas had exercised for years without having to  
15 face competition from Canadian gas.

16 161. Plaintiffs are informed, believe and therefore allege that these supplies are located  
17 in isolated areas of the San Juan Basin where pipeline capacity is constrained and producers have  
18 little leverage to seek higher prices from competitive purchasers.

19 162. Such areas of constrained deliverability yield consistently low prices and  
20 constitute a sort of gas bank that can be used by gas "merchants" to limit market risk when  
21 margins or "spreads" between supply and consuming markets are narrow, and to obtain  
22 supracompetitive profits when such margins are high.

23 163. Plaintiffs are informed, believe and therefore allege that SoCal Gas and El Paso  
24 have worked consistently (1) to preserve capacity constraints in areas where producers have little  
25 bargaining leverage, (2) to ensure that each company or its merchant affiliates have preferential  
26 pipeline access to such constrained areas in order to ensure their access to low cost supplies, (3)  
27 to allocate between themselves high value gas sales opportunities such as the Samalayuca and  
28

1 Rosarito electric generation supplies, and (4) to create high margin electric sales opportunities  
2 made available by California's electric restructuring.

3 164. Since the Phoenix meeting, defendants have worked to implement the conspiracy  
4 in many ways, including but not limited to, making efforts to push up the price differentials  
5 between their low cost supplies in the San Juan Basin and spot market prices at the Southern  
6 California border, resulting in exorbitant prices to their customers.

7 165. An example of one such effort to bring this scheme to fruition commenced in  
8 1998, through a contract negotiated between El Paso and Natural Gas Clearinghouse (now  
9 named Dynegy). In this transaction, El Paso offered for sale some 1.3 Bcf/d of firm capacity on  
10 El Paso's pipeline (approximately 40% of its total capacity) for a two-year period commencing  
11 January 1, 1998 and ending December 31, 1999. Upon information and belief, El Paso offered  
12 that capacity in a single block to make certain that no company other than Dynegy was prepared  
13 to bid on the entire block of capacity and structured the bids to achieve that objective. Upon  
14 information and belief, this agreement was intended by Dynegy and El Paso to increase the  
15 spread or differential between spot or "index" prices in the San Juan Basin and spot or "index"  
16 prices at the Southern California border. The large block of capacity that El Paso sold to Dynegy  
17 gave Dynegy market power to restrict pipeline capacity and to lower total volumes of gas  
18 delivered to the market, thus raising prices. SoCal Gas benefited from and ratified this  
19 agreement.

20 166. In order to position itself to profit from the conspiracy, El Paso Merchant also  
21 entered into a transaction in which El Paso Merchant purchased California-based generation  
22 assets (also called "qualifying facilities" or "QF's"). These QF's were particularly attractive to  
23 El Paso Merchant as a party with market power sufficient to increase Southern California border  
24 prices and with preferential access to low cost supply. Under the price formulas applicable to  
25 wholesale electric sales from such QF's, the seller of electricity would receive a price involving  
26 a guaranteed markup or passthrough of its natural gas costs, which are determined by prices at  
27 the California border.

28

1           167. Plaintiffs are informed and believe and therefore allege that SoCal Gas also owns  
2 and operates a number of QF's and that SoCal Gas's QF's are subject to the same price formula.

3           168. In addition, under the rules of California's electric industry restructuring, such  
4 QF's are "must run" facilities that sell a very high percentage of their maximum capacity on a  
5 daily basis. With such a guaranteed passthrough in place, if the operator of the QF is a company  
6 with the market power to raise border prices by eliminating competition from new pipelines and  
7 increase price spreads between the supply markets and the border markets, such increased  
8 spreads are pure, riskless profits. In addition, Plaintiffs are informed, believe and therefore  
9 allege that the electric sales of certain other QF's acquired by El Paso Merchant that use  
10 geothermal power and have no gas costs at all have also received higher prices based on a price  
11 formula tied to border prices of natural gas.

12           169. Plaintiffs are informed, believe and therefore allege that the El Paso defendants,  
13 with the consent and agreement of SoCal Gas, formulated and executed their Dynegy  
14 transactions and the QF acquisitions in accordance with the parties' agreement at the Phoenix  
15 meeting to "link up supply, transportation, generation and sale of electricity" and to "think/plan  
16 position now to be ready when the opportunity comes." The capacity offering was precisely  
17 such an opportunity.

18           170. Dynegy functioned as a sort of placeholder or "straw man" for EPNG and El Paso  
19 Merchant. This became clear when, in February 2000, El Paso Merchant "purchased" the self-  
20 same capacity held by Dynegy from EPNG – in reality, from itself. That it was able to do so  
21 resulted from the conspiratorial structuring of the original Dynegy bid. This transfer was the  
22 product of El Paso's illegal joint plan with the Sempra parties as reflected in the Phoenix  
23 meeting. By virtue of this scheme, El Paso has been able to manipulate California border prices  
24 by withholding pipeline capacity from the Southern California market and drive up prices paid  
25 by California consumers artificially to supracompetitive levels.

26           171. The fulfillment of the illicit plan had devastating effects on Southern California  
27 gas consumers. The Dynegy transaction substantially raised California border prices during  
28

1 calendar years 1998 and 1999. After El Paso had taken over the Dynegy capacity in 2000, gas  
2 prices in the Southern California market skyrocketed, and Southern California gas consumers  
3 paid the highest gas prices in the nation for that period of time.

4 172. The increase in prices at the California/Arizona border reverberated to the other  
5 California spot markets, which, in turn, had an impact on every California core and non-core  
6 natural gas consumer.

7 173. These actions -- resulting from and furthered by the conspiratorial scheme  
8 initiated in Phoenix -- have restricted supplies of gas in California. These illicit agreements had  
9 the effect of raising prices and causing injury to customers of SoCal Gas, including but not  
10 limited to the City of Los Angeles, the County of Los Angeles, and Continental Forge, whose  
11 natural gas prices are determined by spot prices at the California/Arizona border; to City of Long  
12 Beach and the Long Beach Class Plaintiffs who purchase natural gas from Long Beach Energy  
13 whose natural gas prices are determined by spot prices at the California/Arizona border; to core  
14 gas consumers such as the Stellas and Welches; to purchasers of electricity in California like the  
15 Berg Plaintiffs, including those who were not protected by the Rate Freeze when it was in effect  
16 as well as purchasers who paid the surcharge on electric rates adopted by the CPUC in Decision  
17 01-01-018; and to direct access purchasers of electricity from wholesalers other than the  
18 California Power Exchange such as the members of the SierraPine Class.

19 174. Had the pipeline projects that defendants conspired to kill been built, El Paso  
20 Merchant and El Paso could not have profited at the expense of Southern California natural gas  
21 purchasers. In early June 2001, the pipeline capacity which El Paso Merchant held on the El  
22 Paso pipeline was released to the market and gas prices at the California border dropped.  
23 Declines in prices for electricity soon followed. The earlier escalation flowed directly from  
24 defendants' conspiratorial activities and their illegal decision to frustrate the competitive effects  
25 of deregulation.

26 175. In short, California's recurring "energy crisis," the threatened bankruptcies of its  
27 public utilities, the potential destruction of the world's sixth largest economy, and the gouging of  
28

1 California natural gas consumers, including plaintiffs, are the direct result of the illegal  
2 anticompetitive acts and conspiracy of these corporate defendants in violation of their public  
3 trust.

4 **PLAINTIFFS' AWARENESS OF THE CONSPIRACY AND THE CONTINUING**  
5 **EFFECTS OF THE CONSPIRACY**

6 176. Plaintiffs were unaware of the conspiracy and could not have uncovered it earlier  
7 by the exercise of due diligence because it was concealed by defendants, *inter alia*, by meeting  
8 secretly in Phoenix and not disclosing either the fact of the meeting or the notes of that meeting.  
9 Although plaintiffs were aware of the run-up in spot gas prices at the California/Arizona border  
10 beginning in late summer of 2000, plaintiffs did not know and could not reasonably be expected  
11 to know that this run-up in prices was a direct effect of defendants' conspiracy.

12 177. The City of Los Angeles became aware of the possible existence of the  
13 conspiracy when James K. Hahn, then the City Attorney for Los Angeles, read an article entitled  
14 "Suit Claims Firms Limited Gas Supply to Raise Gas Prices," which was published in the *Los*  
15 *Angeles Times* on Sunday, February 4, 2001. That article described some of the facts suggesting  
16 the existence of the conspiracy. Several days later, Los Angeles was able to review the  
17 complaint filed in September 2000, in *Continental Forge Co. v Southern California Gas Co., et*  
18 *al.*, BC 237336, talk to plaintiffs' attorneys in that case, and review the evidence.

19 178. The County of Los Angeles first became aware of the possible existence of the  
20 conspiracy in or about March 2001, when a legal action detailing the conspiracy, specifically the  
21 action captioned *City of Los Angeles v. Southern California Gas Company, et al.*, BC 247125,  
22 was filed and was a matter of public record.

23 179. The City of Long Beach became aware of the possible existence of the conspiracy  
24 when Robert E. Shannon, the City Attorney for Long Beach, read an article entitled "Suit Claims  
25 Firms Limited Gas Supply to Raise Gas Prices," which was published in the *Los Angeles Times*  
26 on Sunday, February 4, 2001. That article described some of the facts suggesting the existence  
27 of the conspiracy. Several days later, Long Beach was able to review the complaint filed in  
28

1 *Continental Forge Co. v. Southern California Gas Co., et al.*, BC 237336, talk to Plaintiffs’  
2 attorneys in that case and review the evidence.

3 180. Plaintiffs are informed and believe and therefore allege that since September  
4 1996, defendants have engaged and continue to engage in acts and practices between and among  
5 themselves, as well as with third parties, designed to carry out the agreements reached at the  
6 Phoenix meeting. The effects of these acts in furtherance of the conspiracy continue to the  
7 present day as defendants enjoy the illicit and exorbitant profits at the expense of California  
8 consumers that they have reaped and continue to reap.

9 **CAUSES OF ACTION**

10 **FIRST CAUSE OF ACTION**

11 **(Division of Markets in Violation of the Cartwright Act [Cal. Bus. & Prof. Code § 16720 et seq.])**

12 **(By the Continental Forge, Berg, Marcil, SierraPine, Welch, Molony, Stella and Long Beach Class**  
13 **Plaintiffs, individually and on behalf of their respective classes, the City of Los Angeles, the City of**  
14 **Long Beach, and the County of Los Angeles Against All Defendants)**

15 181. Plaintiffs incorporate by reference paragraphs 1 through 180, inclusive, of this  
16 complaint as if fully set forth.

17 182. At all relevant times, all defendants, and each of them, violated the Cartwright  
18 Act (the “Act”), Business and Professions Code § 16700 *et seq.*, in that defendants, and each of  
19 them, have been engaged in a combination and conspiracy to divide the market for natural gas  
20 with the effect of substantially reducing SoCal Gas’s competition in Southern California. The  
21 combination and conspiracy is *per se* illegal under the Act. The culmination of this illicit  
22 activity was the Phoenix meeting and the explicit agreements made there, and subsequent  
23 agreements and actions to carry out the agreements made at the meeting. As part of the aforesaid  
24 combination and conspiracy, the defendants have agreed and have implemented, *inter alia*, the  
25 following acts and practices to divide markets and to restrict supply among themselves:

26 (a) the illicit agreement between El Paso and SoCal Gas entities to hinder or  
27 prevent expansion of the competitive Kern River Pipeline, the potential competition that it would  
28

1 generate in Southern California, and the additional gas supplies that would have been available  
2 to Northern California;

3 (b) the illicit agreement between El Paso and Sempra entities to eliminate the  
4 Altamont Pipeline and the Western Market Center which was designed to provide natural gas  
5 merchant services in competition with Sempra;

6 (c) refraining from competition with respect to the Samalayuca II and  
7 Rosarito pipeline projects;

8 (d) agreeing to refrain from competition that might have caused regulators to  
9 question the Sempra and El Paso/Tenneco mergers and acquisitions and mergers;

10 (e) “carving up” rights to transportation and natural gas business  
11 opportunities in Baja California, thereby preventing the development of competitive pipeline  
12 projects that would have created competition within Southern California;

13 (f) limiting the supply of low cost Canadian gas to the Southern California  
14 market by dividing the state into “zones”; and

15 (g) preventing expansion of new interstate pipeline capacity to California by  
16 illicit agreements and boycotts.

17 183. Defendants’ illegal agreements to divide markets and restrict supply artificially  
18 raised the price of natural gas and electricity in Southern California.

19 184. As a direct and legal result of the unlawful actions of defendants, and each of  
20 them, the Continental Forge, Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach  
21 Class members, the Cities of Los Angeles and Long Beach and the County of Los Angeles have  
22 been injured in their business or property, all of which injuries have caused and continue to  
23 cause them damage in a sum in excess of the jurisdictional limits of this Court, according to  
24 proof. Estimated damages before trebling for these Plaintiffs run into billions of dollars.

25 185. As a further direct and legal result of the acts of defendants, and each of them, the  
26 Continental Forge, Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach Class  
27 members, the Cities of Los Angeles and Long Beach and the County of Los Angeles have been  
28

1 required to act in the protection of their interests by filing this action, and have incurred  
2 attorneys' fees, and other expenditures in a sum to be proven at trial according to proof.

3 186. Pursuant to Business and Professions Code § 16750, the Continental Forge,  
4 Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach Class members, the Cities of  
5 Los Angeles and Long Beach and the County of Los Angeles are authorized to recover three  
6 times the damages that they sustained, plus interest on such actual damages and reasonable  
7 attorneys' fees, together with costs of suit.

8 **SECOND CAUSE OF ACTION**

9 **(Restraint of Trade in Violation of the Cartwright Act [Cal. Bus. Prof. Code § 16720 et. seq.]**

10 **(By the Continental Forge, Berg, Marcil, Welch, Molony, Stella, SierraPine, and Long Beach**  
11 **Class Plaintiffs, individually and on behalf of their respective classes, the City of Los Angeles, the**  
12 **City of Long Beach, and the County of Los Angeles Against All Defendants)**

13 187. Plaintiffs incorporate by reference to paragraphs 1 through 186, inclusive, of this  
14 complaint as if fully set forth.

15 188. At all relevant times, all defendants, and each of them, violated the Cartwright  
16 Act, (the "Act"), Business and Professions Code 16700 et seq., in that defendants, and each of  
17 them, formed one or more illicit contracts or combinations to accomplish purposes prohibited by  
18 and contrary to the public policy of the state of California and federal law and, indeed, directly  
19 contrary to the legislative policy underlying deregulation. The culmination of this illicit activity  
20 was the Phoenix meeting and the explicit agreements made there, and the subsequent agreements  
21 and actions to carry out those agreements.

22 189. The actions of the defendants, and each of them, constitute prohibited restraints  
23 on competition within the meaning of California Business and Professions Code Section  
24 16720(a) in that the conduct alleged unreasonably restrained trade or commerce.

25 190. The actions of the defendants, and each of them, violated Business and  
26 Professions Code Section 16720(b) in that, by dividing California into supply "zones,"  
27 restricting sources of supply of natural gas to Southern California, eliminating competition, and  
28

1 reducing delivery to Southern California. Defendants' actions increased the prices of natural gas  
2 and natural gas transportation services, resulting in an increase in the cost of electricity  
3 throughout California.

4 191. The actions of the defendants, and each of them, violated Business and  
5 Professions Code Section 16720(c) because the defendants used their market dominance to raise  
6 barriers to entry and to crush competition in the transportation, sale, or purchase of natural gas to  
7 gas customers in the California by boycotting various proposed bypass pipelines and by other  
8 means, thereby artificially increasing the price of natural gas for the Continental Forge,  
9 Stella/Welch and Long Beach Class members, the Cities of Los Angeles and Long Beach and the  
10 County of Los Angeles. Defendants' conduct that caused increased prices of natural gas resulted  
11 in an increase in the cost of electricity to purchasers of electricity in California, including  
12 members of the Berg/Marcil/Molony and SierraPine Classes and the County of Los Angeles.

13 192. The actions of the defendants, and each of them, violated Business and  
14 Professions Code Section 16720(e)(3) in that defendants combined and/or conspired to elevate  
15 the price of natural gas and natural gas transportation services in a manner that directly or  
16 indirectly has precluded and restricted competition in the purchase, sale, and transportation of  
17 natural gas, resulting in increases in the cost of natural gas to the Continental Forge,  
18 Stella/Welch, and Long Beach Class members, the Cities of Los Angeles and Long Beach, and  
19 the County of Los Angeles, and in the cost of electricity to members of the Berg/Marcil/Molony,  
20 and SierraPine Classes and the County of Los Angeles and throughout California.

21 193. The actions of the defendants, and each of them, violated Business and  
22 Professions Code Section 16720(e)(4) in that defendants agreed illegally to pool or combine,  
23 directly or indirectly, to unite their interests in the purchase, transportation, and sale of natural  
24 gas and natural gas transportation, contrary to the interest of non-core customers, resulting in the  
25 inflation of natural gas prices for the Continental Forge, Stella/Welch, and Long Beach Class  
26 members, the Cities of Los Angeles and Long Beach and the County of Los Angeles, and, in  
27  
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1 inflation of electricity prices to the Berg/Marcil/Molony and SierraPine Class members and other  
2 purchasers of electricity in California, including the County of Los Angeles.

3 194. The specific actions of the defendants, and each of them, that constituted  
4 prohibited conduct under Business and Professions Code Section 16720, include, without  
5 limitation:

6 (a) the illicit agreement between El Paso and SoCal Gas entities to hinder or  
7 prevent expansion of the competitive Kern River Pipeline and the potential competition that it  
8 would generate in Southern California, and the additional gas supplies that would have been  
9 available in Southern California;

10 (b) the illicit agreement between El Paso and Sempra entities to eliminate the  
11 Altamont Pipeline and the Western Market Center which was designed to provide natural gas  
12 merchant services in competition with Sempra;

13 (c) refraining from competition with respect to the Samalayuca II and  
14 Rosarito pipeline projects;

15 (d) agreeing to refrain from competition that might have caused regulators to  
16 question the Sempra and Tenneco acquisitions and mergers;

17 (e) “carving up” rights to transportation and natural gas business  
18 opportunities in Baja California, thereby preventing the development of competitive pipeline  
19 projects that would have created competition within Southern California;

20 (f) limiting the supply of low cost Canadian gas to the Southern California  
21 market by dividing the state into “zones,” and

22 (g) preventing expansion of new interstate pipeline capacity to Southern  
23 California by illicit agreements and boycotts.

24 195. As a direct and legal result of the unlawful actions of defendants, and each of  
25 them, the Continental Forge, Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach  
26 Class members, the Cities of Los Angeles and Long Beach and the County of Los Angeles were  
27 injured in their business or property, all of which injuries have caused and continue to cause  
28

1 them damage in a sum in excess of the jurisdictional limits of this Court, according to proof.  
2 Estimated damages before trebling run into the millions of dollars.

3 196. As a further direct and legal result of the acts of defendants, and each of them, the  
4 Continental Forge, Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach Class  
5 members, the Cities of Los Angeles and Long Beach and the County of Los Angeles were  
6 required to act in the protection of their interests by filing this action, and incurred attorneys'  
7 fees, and other expenditures in a sum to be proven at trial according to proof.

8 197. Pursuant to Business and Professions Code Section 16750, the Continental Forge,  
9 Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach Class members, the Cities of  
10 Los Angeles and Long Beach and the County of Los Angeles are authorized to recover three  
11 times the damages that they sustained, plus interest on such actual damages and reasonable  
12 attorneys' fees, together with costs of suit.

13 **THIRD CAUSE OF ACTION**

14 **(Restraint of Trade in Violation of the Cartwright Act [Cal. Bus. Prof. Code § 16720 et. seq.]**

15 **[Conspiracy to Monopolize])**

16 **(By the Continental Forge, Berg, Marcil, Welch, Molony, Stella, SierraPine, and Long Beach Class**  
17 **Plaintiffs, individually and on behalf of their respective classes, the City of Los Angeles, the City**  
18 **of Long Beach, and the County of Los Angeles Against All Defendants)**

19 198. Plaintiffs incorporate by reference to paragraphs 1 through 197, inclusive of this  
20 complaint as if fully set forth.

21 199. The above-described conduct of SoCal Gas, SDG&E, Sempra and El Paso  
22 constitutes a combination and conspiracy to monopolize the Southern California market for sale  
23 and transportation of natural gas, in violation of California Business and Professions Code  
24 Section 16720(a) in that the conduct alleged created or carried out restrictions in trade or  
25 commerce.

26 200. Defendants designed and implemented their combination and conspiracy with the  
27 specific intent to monopolize the market for the sale and transportation of natural gas and  
28

1 committed overt acts and engaged in concerted action in furtherance of their combination and  
2 conspiracy to monopolize, as described above, including but not limited to boycotting potential  
3 bypass pipelines, killing expansion of the Kern River Pipeline and construction of the Market  
4 Center and the Altamont Pipeline project, refraining from competing on Mexican pipeline  
5 projects, and making certain that competitive low-cost gas would not be available in Southern  
6 California. This raised the price of natural gas and electricity in California.

7 201. Defendants had market power to create a monopoly as described above and  
8 conspired to do so.

9 202. There was and is a dangerous probability of success of achieving monopoly  
10 power in the relevant market. Defendants did achieve monopoly power in the relevant market.

11 203. There were significant barriers to entry to prevent new companies from  
12 threatening defendants' monopoly power.

13 204. As a direct and legal result of the unlawful actions of defendants, and each of  
14 them, the Continental Forge, Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach  
15 Class members, the Cities of Los Angeles and Long Beach, and the County of Los Angeles,  
16 were injured in their business or property, all of which injuries have caused and continue to  
17 cause them damages in a sum in excess of the jurisdictional limits of this Court, according to  
18 proof. The estimated damages, before trebling, run into the millions of dollars.

19 205. As a further direct and legal result of the acts of defendants, and each of them, the  
20 Continental Forge, Berg/Marcil/Molony, Stella/Welch, SierraPine and Long Beach Class  
21 members, the Cities of Los Angeles and Long Beach, and the County of Los Angeles were  
22 required to act in the protection of their interests by filing this action, and incurred attorneys'  
23 fees and other expenditures in a sum to be proven at trial according to proof.

24 206. Pursuant to Business and Professions Code Section 16750, the Continental Forge,  
25 Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach Class members, the Cities of  
26 Los Angeles and Long Beach, and the County of Los Angeles are authorized to recover three  
27  
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1 times the damages that they sustained, plus interest on such actual damages and reasonable  
2 attorneys' fees, together with costs of suit.

3 **FOURTH CAUSE OF ACTION**

4 **(Unfair Competition and Unlawful Business Practices [Cal. Bus. & Prof. Code § 17200 et seq.]) (by**  
5 **the People of the State of California by and through the Los Angeles City Attorney Rockard**  
6 **Delgadillo and the Long Beach City Attorney Robert E. Shannon**

7 **Against All Defendants)**

8 207. Plaintiffs incorporate by reference paragraphs 1 through 206, inclusive of this  
9 complaint as if fully set forth.

10 208. Defendants, and each of them, individually, and in concert, have engaged in  
11 unfair, unlawful and fraudulent business practices (collectively "Unfair Competition") within the  
12 meaning of California Business and Professions Code § 17200. As alleged herein, these acts of  
13 unfair competition include, but are not limited to, those actions alleged in the following  
14 paragraphs.

15 209. The actions of defendants, as alleged herein, constitute unlawful, unfair, or  
16 fraudulent business practices in violation of California Business and Professions Code § 17200  
17 *et seq.*, by acting, and conspiring to act, to monopolize and restrain trade in the natural gas  
18 market in Southern California in violation of the Cartwright Act.

19 210. At all relevant times, all defendants, and each of them, violated the Cartwright  
20 Act (the "Act"), Business and Professions Code § 16700 *et seq.*, in that defendants, and each of  
21 them, have been engaged in a combination and conspiracy to divide the market for natural gas  
22 with the effect of substantially reducing SoCal Gas's competition in Southern California. The  
23 combination and conspiracy is *per se* illegal under the Act. The culmination of this illicit  
24 activity was the Phoenix meeting and the explicit agreements made there, and subsequent  
25 agreements and actions to carry out the agreements made at the meeting. As part of the aforesaid  
26 combination and conspiracy, the defendants have agreed and have implemented, *inter alia*, the  
27 following acts and practices to divide markets among themselves:  
28

1 (a) the illicit agreement between El Paso and SoCal Gas entities to hinder or  
2 prevent expansion of the competitive Kern River Pipeline, the potential competition that it would  
3 generate in Southern California, and the additional gas supplies that would have been available  
4 to Northern California;

5 (b) the illicit agreement between El Paso and SoCal Gas and Sempra entities  
6 to eliminate the Altamont Pipeline and the Western Market Center which was designed to  
7 provide natural gas merchant services in competition with Sempra;

8 (c) refraining from competition with respect to the Samalayuca II and  
9 Rosarito pipeline projects;

10 (d) agreeing to refrain from competition that might have caused regulators to  
11 question the Sempra and Tenneco acquisitions and mergers;

12 (e) “carving up” rights to transportation and natural gas business  
13 opportunities in Baja California, thereby preventing the development of competitive pipeline  
14 projects that would have created competition within California;

15 (f) limiting the supply of low cost Canadian gas to the Southern California  
16 market by dividing the state into “zones”; and

17 (g) preventing expansion of new interstate pipeline capacity to California by  
18 illicit agreements and boycotts.

19 211. At all relevant times, all defendants, and each of them, violated the Act, Business  
20 and Professions Code 16700 *et seq.*, in that defendants, and each of them, formed one or more  
21 illicit contracts or combinations to accomplish purposes prohibited by and contrary to the public  
22 policy of the state of California and federal law and, indeed, directly contrary to the legislative  
23 policy underlying deregulation. The culmination of this illicit activity was the Phoenix meeting  
24 and the explicit agreements made there, and their aftermath.

25 212. The actions of the defendants, and each of them, constitute prohibited restraints  
26 on competition within the meaning of California Business and Professions Code § 16720(a) in  
27 that the conduct alleged unreasonably restrained trade or commerce.

28

1           213. The actions of the defendants, and each of them, violated Business and  
2 Professions Code § 16720(b) in that, by dividing California into supply “zones,” restricting  
3 sources of supply to Southern California, eliminating competition, and reducing delivery to the  
4 Plaintiffs, their actions increased the prices of natural gas and natural gas transportation services  
5 and, as a result, the cost of electricity in California.

6           214. The actions of the defendants, and each of them, violated Business and  
7 Professions Code § 16720(c) because defendants, and each of them, used their market  
8 dominance:

9                   (a) to raise barriers to entry and to crush competition in the transportation,  
10 sale, or purchase of natural gas and natural gas transportation services to non-core purchasers in  
11 the California market, including, without limitation, boycotting various proposed bypass  
12 pipelines; and

13                   (b) to raise barriers to entry and to crush competition in the transportation,  
14 sale, or purchase of natural gas to gas customers, including electric generators, in the California  
15 market, by boycotts and by other means, resulting in an increase in the cost of electricity in  
16 California to purchasers not protected by the Rate Freeze and purchasers who must pay the  
17 interim rate increase that the CPUC adopted in Decision No. 01-01-018 dated January 4, 2001,  
18 and subsequent related surcharges.

19           215. The actions of the defendants, and each of them, violated Business and  
20 Professions Code § 16720(e)(3) in that defendants combined and/or conspired to elevate the  
21 price of natural gas and natural gas transportation services in a manner that directly or indirectly  
22 has precluded and restricted competition in the purchase, sale, and transportation of natural gas,  
23 resulting in an increase in the cost of electricity to many purchasers in Southern California.

24           216. The actions of the defendants, and each of them, violated Business and  
25 Professions Code § 16720(e)(4) in that defendants agreed illegally to pool or combine, directly  
26 or indirectly, to unite their interests in the purchase, transportation, and sale of natural gas and  
27 natural gas transportation, contrary to the interests of certain California natural gas customers,  
28

1 resulting in the inflation of prices to such customers and in the inflation of electricity prices to  
2 many purchasers of electricity in California.

3 217. The above-described conduct of SoCal Gas, SDG&E, Sempra and El Paso  
4 constitutes a combination and conspiracy to monopolize the market for sale and transportation of  
5 natural gas, in violation of California Business and Professions Code § 16720(a) in that the  
6 conduct alleged created or carried out restrictions in trade or commerce.

7 218. Defendants designed and implemented their combination and conspiracy with the  
8 specific intent to monopolize the relevant markets as alleged above, and committed overt acts  
9 and engaged in concerted action in furtherance of their combination and conspiracy to  
10 monopolize, as described above, including but not limited to boycotting potential bypass  
11 pipelines, killing expansion of the Kern River Pipeline and construction of the Western Market  
12 Center and the Altamont Pipeline project, refraining from competing on Mexican pipeline  
13 projects, and making certain that competitive low-cost gas would not be available in Southern  
14 California. This raised the price of natural gas and electricity in Southern California.

15 219. Defendants had market power to create a monopoly as described above and  
16 conspired together to do so.

17 220. There was and is a dangerous probability of success of achieving monopoly  
18 power in the relevant markets.

19 221. Defendants did achieve monopoly power in the relevant markets. There were  
20 significant barriers to entry to prevent new companies from threatening their monopoly power.

21 222. The acts and practices of defendants, as alleged herein, constitute unlawful,  
22 unfair, or fraudulent business practices in violation of California Business and Professions Code  
23 § 17200 *et seq.*, in that their conduct is immoral, unscrupulous, anticompetitive, and offends  
24 public policy, and the gravity of the conduct detailed in this complaint outweighs any benefit  
25 attributable to such conduct.

26 223. The acts and practices of defendants, as alleged herein, constitute unlawful,  
27 unfair, or fraudulent business practices in violation of California Business and Professions Code  
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1 § 17200 *et seq.*, in that their conduct involves and threatens an incipient violation of antitrust  
2 law, or violates the policy or spirit of one of those laws because its effects are comparable to or  
3 the same as violations of the law, or otherwise significantly threatens or harms competition.

4 224. Plaintiffs are informed, believe and thereon allege that the actions of the  
5 defendants, and each of them as alleged herein were intended to destroy competition within the  
6 natural gas industry in California regardless of the deleterious effect on the consumers of natural  
7 gas and/or the purchasers of electricity.

8 225. The actions of the defendants, and each of them, in violation of the Cartwright  
9 Act as alleged herein significantly harmed competition in the natural gas industry in California  
10 and drove up the price of electricity throughout California and specifically in Southern  
11 California.

12 226. These wrongful acts have proximately caused and will continue to cause the  
13 People of the State of California substantial injury, including, but not limited to, the payment of  
14 artificially inflated prices for natural gas and electricity.

15 227. Plaintiffs, pursuant to Business and Professions Code § 17206, seek an order of  
16 this Court for the payment of civil penalties in the sum of \$2,500 for each act by defendants, and  
17 each of them, in violation of Business and Professional Code § 17200.

18 228. Plaintiffs, pursuant to Business and Professions Code § 17203, seek an order of  
19 this Court: (1) preliminarily and permanently enjoining defendants from continuing to undertake  
20 these unfair business practices; (2) preliminarily and permanently enjoining defendants from  
21 engaging in further action to eliminate competition in California in natural gas and natural gas  
22 transportation; (3) preliminarily and permanently enjoining defendants from engaging in any  
23 further action to discourage bypass pipeline construction in California; (4) preliminarily and  
24 permanently enjoining defendants from engaging in any action designed to take advantage of the  
25 restructuring of the electrical industry by limiting competition in that industry; and (5) ordering  
26 defendants to disgorge all revenues and profits acquired as a result of their violation of Business  
27 and Professions Code § 17200 *et seq.*, including monies fraudulently charged to core and non-

28

1 core natural gas customers in California and California electricity consumers who are not  
2 protected by the Rate Freeze and electricity consumers who must pay the interim rate increase  
3 adopted by the CPUC in Decision No. 01-01-018 dated January 4, 2001, and subsequent related  
4 surcharges, as well as direct access purchasers of electricity from wholesalers other than the  
5 California Power Exchange, which illicit profit runs into the millions of dollars.

6 229. As a further direct and legal result of the acts of defendants, and each of them, the  
7 City Attorneys of Los Angeles and Long Beach were required to act in the protection of the  
8 interests of the People of the State of California by filing this action and have incurred attorneys'  
9 fees and other expenditures in a sum to be proven at trial according to proof.

#### 10 **FIFTH CAUSE OF ACTION**

11 **(Unfair Competition and Unlawful Business Practices [Cal. Bus. & Prof. Code § 17200 et seq.]) (By**  
12 **the Continental Forge, Berg, Marcil, Welch, Molony, Stella, SierraPine, and Long Beach Class**  
13 **Plaintiffs, individually and on behalf of their respective classes, the City of Los Angeles, the City**  
14 **of Long Beach, and the County of Los Angeles Against All Defendants)**

15 230. Plaintiffs incorporate by reference to paragraphs 1 through 229, inclusive of this  
16 complaint as if fully set forth.

17 231. The actions of defendants, as alleged herein, constitute unlawful, unfair, or  
18 fraudulent business practices in violation of California Business and Professions Code section  
19 17200 et seq., by acting, and conspiring to act, to monopolize and restrain trade in the natural gas  
20 market in Southern California in violation of the Cartwright Act.

21 232. Plaintiffs are informed and believe and thereon allege that the actions of the  
22 defendants, and each of them as alleged herein were intended to destroy competition within the  
23 natural gas industry in Southern California regardless of the effect on purchasers of natural gas  
24 and/or electricity.

25 233. The actions of the defendants, and each of them, as alleged herein significantly  
26 harmed competition in the natural gas industry in Southern California, artificially driving up the  
27 price of natural gas and, in turn the price of electricity, in California, injuring certain natural gas  
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1 customers and electricity customers not protected by the Rate Freeze and customers who must  
2 pay the interim rate increase adopted by the CPUC in Decision No. 01-01-018, dated January 4,  
3 2001, and subsequent related surcharges, and direct access purchasers of electricity from  
4 wholesalers other than the California Power Exchange.

5 234. These wrongful acts have proximately caused and will continue to cause the  
6 plaintiffs substantial injury, including, but not limited to, the payment of artificially inflated  
7 prices for natural gas and for electricity.

8 235. Plaintiffs also have standing to assert this claim under California Business and  
9 Professions Code Section 17204 on behalf of the general public of this State who have been  
10 deceived by defendants' unfair business practices.

11 236. Plaintiffs seek restitutionary relief in the form of defendants' disgorgement of the  
12 monies fraudulently charged to Southern California non-core natural gas consumers and to all  
13 customers of Long Beach's gas utility and to California electricity customers who were not  
14 protected by the Rate Freeze, electricity consumers who must pay the interim rate increase  
15 adopted by the CPUC in Decision No. 01-01-018, dated January 4, 2001, and subsequent related  
16 surcharges, and electricity customers who purchased on wholesale markets other than the  
17 California Power Exchange. The injury runs into the millions of dollars.

18 237. Plaintiffs, pursuant to Business and Professions Code § 17203, seek an order of  
19 this Court: (1) preliminarily and permanently enjoining defendants from continuing to undertake  
20 these unfair business practices; (2) preliminarily and permanently enjoining defendants from  
21 engaging in further action to eliminate competition in California in natural gas and natural gas  
22 transportation; (3) preliminarily and permanently enjoining defendants from engaging in any  
23 further action to discourage bypass pipeline construction in California; (4) preliminarily and  
24 permanently enjoining defendants from engaging in any action designed to take advantage of the  
25 restructuring of the electrical industry by limiting competition in that industry; and (5) ordering  
26 defendants to disgorge all revenues and profits acquired as a result of their violation of Business  
27 and Professions Code § 17200 *et seq*, including monies fraudulently charged to core and non-

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1 core natural gas customers in California, to California electricity customers who are not  
2 protected by the Rate Freeze and electricity consumers who must pay the interim rate increase  
3 adopted by the CPUC in Decision No. 01-01-018, dated January 4, 2001, and subsequent related  
4 surcharges, and to purchasers of electricity in wholesale markets other than the California Power  
5 Exchange, which illicit profit runs into the millions of dollars.

6 238. As a further direct and legal result of the acts of defendants, and each of them, the  
7 Continental Forge, Berg/Marcil/Molony, Stella/Welch, SierraPine, and Long Beach Class  
8 members, the cities of Los Angeles and Long Beach, and the County of Los Angeles were  
9 required to act in the protection of their interests by filing this action and incurred attorneys' fees  
10 and other expenditures in a sum to be proven at trial according to proof.

11 **PRAYER FOR RELIEF**

12 WHEREFORE, Plaintiffs pray for judgment on their causes of action as follows:

13 **On The First Cause Of Action**

14 1. Plaintiffs Continental Forge, the Bergs, Marcil, the Welches, Molony, the Stellas,  
15 SierraPine, City of Los Angeles, City of Long Beach, Long Beach Class Plaintiffs, and County  
16 of Los Angeles pray for judgment against all defendants, and each of them, as follows: For  
17 general damages, trebled, in a sum according to proof; and

18 (a) For restitution and damages for unjust enrichment; and

19 (b) For special damages, including, but not limited to, attorney's fees, and other  
20 expenditures incurred in prosecuting this action.

21 **On The Second Cause Of Action**

22 2. Plaintiffs Continental Forge, the Bergs Marcil, the Welches, Molony, the Stellas,  
23 SierraPine, City of Los Angeles, City of Long Beach, Long Beach Class Plaintiffs, and County  
24 of Los Angeles pray for judgment against all defendants, and each of them, as follows:

25 (a) For general damages, trebled, in a sum according to proof;

26 (b) For restitution and unjust enrichment; and  
27  
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1 (c) For special damages, including, but not limited to, attorney's fees, and other  
2 expenditures incurred in prosecuting this action.

3 On The Third Cause Of Action

4 3. Plaintiffs Continental Forge, the Bergs, Marcil, the Welches, Molony, the Stellas,  
5 SierraPine, City of Los Angeles, City of Long Beach, Long Beach Class Plaintiffs, and County  
6 of Los Angeles pray for judgment against all defendants, and each of them, as follows:

7 (a) For general damages, trebled, in a sum according to proof;

8 (b) For restitution and unjust enrichment; and

9 (c) For special damages, including, but not limited to, attorney's fees, and other  
10 expenditures incurred in prosecuting this action.

11 On The Fourth Cause Of Action

12 4. Plaintiff the People of the State of California, by and through the Los Angeles  
13 City Attorney Rockard Delgadillo and Long Beach City Attorney Robert E. Shannon, pray for  
14 judgment against all defendants, and each of them, as follows:

15 (a) For injunctive and declaratory relief pursuant to Business and Professions  
16 Code § 17203:

17 (i) Declaring that defendants have engaged in unlawful, unfair, and  
18 fraudulent business acts and practices in violation of Business and  
19 Professions Code § 17200 et seq;

20 (ii) Preliminarily and permanently enjoining defendants, and each of  
21 them, engaging in conduct in the manner as alleged in the first through  
22 fourth causes of action in the Complaint;

23 (iii) Preliminarily and permanently enjoining defendants, and each of  
24 them, from and their respective successors, agents, servants, officers,  
25 directors, employees, and all persons acting in concert with them  
26 directly or indirectly from engaging in any further action to eliminate  
27 competition in California in gas and gas transportation;

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- (iv) Preliminarily and permanently enjoining defendants, and each of them, from and their respective successors, agents, servants, officers, directors, employees, and all persons acting in concert with them directly or indirectly from engaging in any further action to discourage bypass pipeline construction in California; and
- (v) Preliminarily and permanently enjoining defendants, and each of them, from and their respective successors, agents, servants, officers, directors, employees, and all persons acting in concert with them directly or indirectly from engaging in any action designed to take advantage of the restructuring of the electrical industry by limiting competition in that industry.

(b) For civil penalties in the sum of \$2,500 for each separate violation of Business & Professions Code § 17200, pursuant to § 17206, according to proof;

(c) For restitution, including an order requiring defendants, and each of them, to disgorge all monies that were fraudulently obtained by defendants, as alleged herein, pursuant to Business and Professions Code § 17203; and

(d) For interest on the amount of monies required to be disgorged at the legal rate.

On The Fifth Cause Of Action

5. Plaintiffs the City of Los Angeles, the City of Long Beach, the County of Los Angeles, Continental Forge, the Bergs, Marcil, the Welches, Molony, the Stellas, SierraPine, and Long Beach Class Plaintiffs pray for judgment against all defendants, and each of them, as follows:

(a) For injunctive and declaratory relief pursuant to Business and Professions Code § 17203:

- (i) Declaring that defendants have engaged in unlawful, unfair, and fraudulent business acts and practices in violation of Business and Professions Code § 17200 et seq;

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(ii) Preliminarily and permanently enjoining defendants, and each of them, engaging in conduct in the manner as alleged in the first through fourth causes of action in the Complaint;

(iii) Preliminarily and permanently enjoining defendants, and each of them, from and their respective successors, agents, servants, officers, directors, employees, and all persons acting in concert with them directly or indirectly from engaging in any further action to eliminate competition in California in gas and gas transportation;

(iv) Preliminarily and permanently enjoining defendants, and each of them, from and their respective successors, agents, servants, officers, directors, employees, and all persons acting in concert with them directly or indirectly from engaging in any further action to discourage bypass pipeline construction in California; and

(v) Preliminarily and permanently enjoining defendants, and each of them, from and their respective successors, agents, servants, officers, directors, employees, and all persons acting in concert with them directly or indirectly from engaging in any action designed to take advantage of the restructuring of the electrical industry by limiting competition in that industry.

(b) For restitution, including an order requiring defendants, and each of them, to disgorge all monies that were fraudulently obtained by defendants, as alleged herein, pursuant to Business and Professions Code § 17203; and

(c) For interest on the amount of monies required to be disgorged at the legal rate.

On All Causes Of Action

6. Plaintiffs further request an award of attorneys’ fees incurred as a result of these actions;

7. Plaintiffs request an award of all costs of suit as provided by law;

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8. Plaintiffs request an award of pre-judgment and post-judgment interest as provided by law; and

9. Plaintiffs request for such other and further relief as this Court deems just and proper.

DATED: February 18, 2003

ENGSTROM, LIPSCOMB & LACK  
O'DONNELL & SHAEFFER LLP  
LAW OFFICES OF M. BRIAN McMAHON  
GIRARDI & KEESE  
ASTRELLA & RICE P.C.  
BAKER, BURTON & LUNDY, P.C.

By: /s/ Carole E. Handler  
CAROLE E. HANDLER  
Attorneys for Plaintiffs CONTINENTAL  
FORGE COMPANY; ANDREW and  
ANDREA BERG, individually and dba  
WAVE LENGTH HAIR PRODUCTIONS,  
and GERALD J. MARCIL; FRANK and  
KATHLEEN STELLA; JOHN CLEMENT  
MOLONY; DOUGLAS AND VALERIE  
WELCH; SIERRAPINE, LTD.; THE CITY  
OF LONG BEACH, THE PEOPLE OF THE  
STATE OF CALIFORNIA, UNITED  
CHURCH RETIREMENT HOMES, LONG  
BEACH BRETHERN MANOR, and  
ROBERT LAMONT; and THE CITY OF  
LOS ANGELES and THE PEOPLE OF THE  
STATE OF CALIFORNIA

DATED: February 18, 2003

BLECHER & COLLINS  
THE CUNEO LAW GROUP  
LLOYD W. PELLMAN

By: /s/ Maxwell M. Blecher  
MAXWELL M. BLECHER  
Attorneys for Plaintiff THE COUNTY OF  
LOS ANGELES

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DATED: February 18, 2003

M. BRIAN MCMAHON

By: /s/ M. Brian McMahon  
M. BRIAN MCMAHON  
Attorney for Plaintiffs CITY OF LONG  
BEACH; LONG BEACH PLAINTIFFS; and  
THE PEOPLE OF THE STATE OF  
CALIFORNIA

DATED: February 18, 2003

MICHAEL J. PONCE  
DOUGLAS A. STACEY

By: /s/ Michael J. Ponce  
MICHAEL J. PONCE  
Attorneys for Plaintiffs FRANK and  
KATHLEEN STELLA; and DOUGLAS  
AND VALERIE WELCH

1 **DEMAND FOR JURY TRIAL**

2 In their respective individual complaints, plaintiffs demanded jury trials. Plaintiffs  
3 hereby demand -- and reiterate their earlier respective demands for -- a jury trial in these  
4 consolidated matters.

5  
6 DATED: February 18, 2003

ENGSTROM, LIPSCOMB & LACK  
O'DONNELL & SHAEFFER LLP  
LAW OFFICES OF M. BRIAN McMAHON  
GIRARDI & KEESE  
ASTRELLA & RICE P.C.  
BAKER, BURTON & LUNDY, P.C.

7  
8  
9  
10 By: /s/ Carole E. Handler

11 CAROLE E. HANDLER  
12 Attorneys for Plaintiffs CONTINENTAL  
13 FORGE COMPANY; ANDREW and  
14 ANDREA BERG, individually and dba  
15 WAVE LENGTH HAIR PRODUCTIONS,  
16 and GERALD J. MARCIL; FRANK and  
17 KATHLEEN STELLA; JOHN CLEMENT  
18 MOLONY; DOUGLAS AND VALERIE  
19 WELCH; SIERRAPINE, LTD.; THE CITY  
20 OF LONG BEACH, THE PEOPLE OF THE  
21 STATE OF CALIFORNIA, UNITED  
22 CHURCH RETIREMENT HOMES, LONG  
23 BEACH BRETHERN MANOR, and  
24 ROBERT LAMONT; and THE CITY OF  
25 LOS ANGELES and THE PEOPLE OF THE  
26 STATE OF CALIFORNIA

27  
28 DATED: February 18, 2003

BLECHER & COLLINS  
THE CUNEO LAW GROUP  
LLOYD W. PELLMAN

By: /s/ Maxwell M. Blecher

MAXWELL M. BLECHER  
Attorneys for Plaintiff THE COUNTY OF  
LOS ANGELES

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DATED: February 18, 2003

M. BRIAN MCMAHON

By: /s/ M. Brian McMahon  
M. BRIAN MCMAHON  
Attorney for Plaintiffs CITY OF LONG  
BEACH; LONG BEACH PLAINTIFFS; and  
THE PEOPLE OF THE STATE OF  
CALIFORNIA

DATED: February 18, 2003

MICHAEL J. PONCE  
DOUGLAS A. STACEY

By: /s/ Michael J. Ponce  
MICHAEL J. PONCE  
Attorneys for Plaintiffs FRANK and  
KATHLEEN STELLA; and DOUGLAS and  
VALERIE WELCH \_\_\_\_\_

Exhibit A

EL PASO - SOCALGAS - SDG&E MEETING

Embassy Suites  
2333 E. Thomas Rd., Rm. 431  
Phoenix, AZ  
602-957-1910

DRAFT

September 25, 1996

CC: ROB  
PAS  
JRM-C  
RGM-C  
JWS-RAND  
JR Cunningham  
ORIS: ALL

AGENDA

- Discussion of Service to Samalayuca Generating Plant
- Discussion of Joint Venture/Alliance for Distribution Service in Northern Mexico
- Discussion of Potential Tenneco Asset Realignment with PEI
- Discussion of Opportunities Resulting from Electric Industry Restructuring

Attendees

EE/SoCalGas

Lad Lorenz  
Steve Miller  
Warren Mitchell  
John Peterson  
Lee Stewart

SDG&E

Don Felsing  
Ed Guiles  
George Liparidis

El Paso

Rick Baish  
Al Clark  
John Cunningham  
Jerry Strange

UP/COM  
9/25/96  
A. HARRINGTON

Exhibit B

INTEREST

no US  
but MEXICO  
no OPERATION

MORE HIGH utility RETURN  
NOT MULTICOURSE US P/L

~~of~~

CONFIDENTIALITY BY Monday

PETERSON / KIPTRICKS } to negotiate  
CLARK / EI PASO }

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Team 1

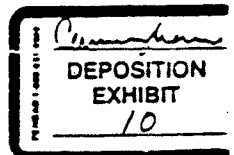
SUN PRODUCERS  
EI PASO  
SoCal GAS  
SoCal Electricity Gen

Team 2

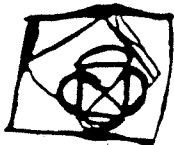
Canadian  
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~~Clark~~  
~~Clark~~



3 PITCO



~~Clark~~

Clark  
MAY 1984

(A) Will SOCal bid on Sam RFP?  
not sure probably not

Is interested in providing released  
capacity to CFE

Who is doing the transportation & supply?  
Demex or CFE

Where is Demex?

John Peterson → Argentina

Did not know about requirement of access  
to all 3 basins

Interested in Sam only as ~~joint~~ ~~with~~ ~~SOCal~~  
to Chihuahua distribution RFP

(B) Joint ownership of electric generation

link-up supply, transportation, generation,  
sale of electricity

think/plan position now to be ready  
when opportunity comes

© TRANS COLORADO  
only on VOLUMETRIC BASIS

ⓓ Lost EP letter on TENNORUM SETTLEMENT  
5-6 Sept