

# THE TERMS OF LONG BEACH'S SETTLEMENT WITH EL PASO

## 1. THE LONG BEACH LAWSUIT

- A. Filed on March 20, 2000, it alleges an antitrust conspiracy in violation of the California Cartwright Act to divide up the markets for natural gas in the Western United States, and Unfair Business Practices under Business and Professions Code § 17200. The conspirators are El Paso, Sempra Energy, Southern California Gas Company and San Diego Gas & Electric.
- B. The Long Beach case has been coordinated with other cases, including cases filed by the City of Long Angeles, the County of Los Angeles and the State of Nevada in Superior court in San Diego. Trial is presently scheduled for February, 2004.

## 2. LONG BEACH WILL RECEIVE \$17 MILLION FROM EL PASO. THE AMOUNT LONG BEACH WILL RECEIVE FROM EL PASO IS A HIGHER PERCENTAGE OF ITS TOTAL DAMAGES THAN ANY OTHER PARTY WILL RECEIVE FROM EL PASO.

- A. El Paso will settle all claims that numerous parties have against it as follows:
- Up-front cash \$225 million. The payment will consist of \$100 million in cash and \$125 million in stock.
  - Additional company payments of \$440 million, paid over 20 years (\$22 million/year for 20 years). If El Paso achieves investment grade for at least 6 months, the payments are accelerated to 15 years, but reverts to 20 years if El Paso drops below investment grade.
  - Non-cash consideration: \$900 million of natural gas to be delivered to the California border over 20 years. The delivery will be accelerated to 15 years if El Paso achieves investment grade status, but reverts to 20 years if El Paso drops below investment status. El Paso will also reduce its long term energy contract with the State of California by \$125 million.
- B. Although the exact formula of payments of the pockets of consideration given by El Paso to the various parties which have claims against El Paso has not been fully spelled out, Long Beach will be treated equally with all other claimants. In short, Long Beach will receive some of the up-front

cash, some of the long term cash payments and some of the gas delivered by El Paso for a total value of \$17 million.

- 3. STRUCTURAL CHANGES TO THE EL PASO PIPELINE WILL PREVENT EL PASO FROM MANIPULATING THE SUPPLY OF GAS TO THE CALIFORNIA BORDER.**
  - A. For 5 years, the El Paso Pipeline will make available to California delivery points more gas.
  - B. The El Paso Pipeline cannot contract with any of the El Paso affiliates to provide the affiliates with pipeline capacity.
  - C. The effect of these structural changes will be to prevent El Paso Pipeline from creating artificial natural gas shortages in California and thereby preventing the large run-up in gas prices that we experienced, most notably in late 2000 and early 2001.
  
- 4. LONG BEACH WILL CONTINUE TO PURSUE ADDITIONAL DAMAGES AGAINST SEMPRA, SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC.**
  - A. Long Beach filed a lawsuit charging an antitrust conspiracy against not only El Paso but Sempra, Southern California Gas Company and San Diego Gas and Electric. The settlement with El Paso does not affect Long Beach's claims against the other defendants.