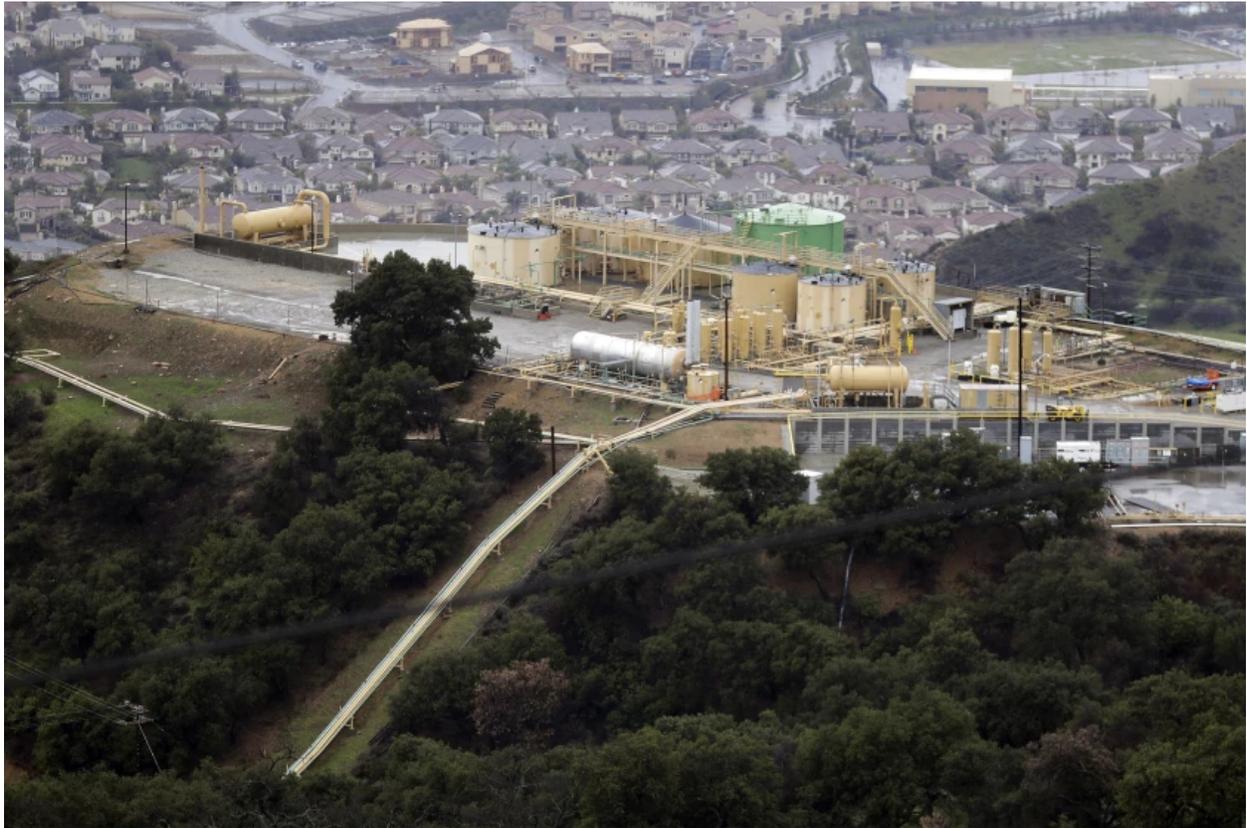


## Sempra subsidiary settles lawsuits over massive gas leak for \$1.8 billion



A gas-gathering plant on a hilltop at the Southern California Gas Company's Aliso Canyon storage facility near the Porter Ranch neighborhood of Los Angeles. (AP Photo/Jae C. Hong, File)

The settlement announced Monday resolved claims over the 2015 Aliso Canyon gas leak. Ratepayers will not have to pay the costs, the company said.

BY GREG MORAN, MIKE FREEMAN

SEPT. 27, 2021 4:01 PM PT

Southern California Gas Company, a subsidiary of San Diego-based Sempra Energy, said Monday it has agreed to pay up to \$1.8 billion to settle lawsuits from individuals and businesses over a months-long gas leak at its Aliso Canyon storage facility near Los Angeles in 2015.

The agreement will settle claims from some 36,000 plaintiffs who sued the utility in the wake of the leak at a natural gas storage facility. Many were residents of nearby Porter Ranch community.

The leak was discovered on Oct. 23, 2015, but was not fully plugged until February 18, 2016, some 111 days later. During that time many residents of Porter Ranch fled their homes, complaining of nausea, headaches and nosebleeds.

In a filing with the Security and Exchange Commission (SEC), Monday the company said it also reached settlements to resolve complaints from businesses and other property owners for \$40 million.

The filing said that Sempra will take a \$1.1 billion after-tax charge because of the settlement. That led the company to slash its full-year earnings forecast by more than 45 percent on Monday. It now expects net income to range from \$3.83 to \$4.43 per share. Previously, the company predicted full-year earnings to fall between \$7.41 and \$8.01 per share.

The agreement with approximately 36,000 individual plaintiffs is subject to approval by 97 percent of them.

How much each plaintiff will get will be determined over the next year in an allocation process, where independent arbitrators will review claims and award money, said San Diego attorney James P. Frantz.

Frantz represented 8,200 individuals, or about 23 percent of all victims. He was among more than a dozen law firms that sued the utility in a sprawling case in Los Angeles Superior Court.

Depending on how many people opt not to take the deal, the final amount could be less than \$1.8 billion.

The other two agreements announced Monday covered about 23,000 properties also impacted by the leak. In a statement SoCalGas said ratepayers will not pay the settlement costs.

SoCalGas CEO Scott Drury said the settlement will help resolve a huge portion of the fallout from the leak, the largest recorded leak of methane gas ever.

“These agreements are an important milestone that will help the community and our company work toward putting this difficult chapter behind us,” he said.

The leak released more than 100,000 metric tons of climate-altering methane gas as well as a soup of other chemicals into the environment. They included mercaptan, a colorless liquid or gas used as an additive that can be toxic, metals such as barium, and the carcinogen benzene, Frantz said.

The incident occurred at the underground natural gas storage facility owned by SoCal Gas. One of the wells failed, spewing the toxic vapors into the air.

Frantz said the cause was external corrosion on the well casing, and said the company ignored the problem.

“They knew they had a well that was in disrepair,” he said. “They let this disaster happen. They knew it was going to happen.”

The resulting litigation was fierce. Lawyers for Sempra and SoCalGas were fined \$5 million by the Los Angeles Superior Court judge overseeing the case for withholding more than 150,000 documents from the plaintiffs. The judge said that the misconduct was “willful, intentional and in bad faith” in a Feb. 20, 2020 order.

The first case was set to go to trial in June 2020, but it was postponed after the courts essentially shut down because of the COVID-19 pandemic. The trial was eventually scheduled to begin in February 2022, and was expected to take up to six months.

Prior to the settlement, the Aliso Canyon disaster already had rung up \$1.63 billion in total costs for temporarily relocations, fixing the leak, mitigating damage, defending against widespread litigation, and responding to government probes, among other things.

Insurance has paid \$865 million of the bill as of June 30, and Sempra expects to receive an additional \$414 million from insurance — for a total of \$1.28 billion. But after that, the company will have largely exhausted insurance related to the Aliso Canyon leak, according to regulatory filings.

While the settlement covers the bulk of civil litigation against Sempra and SoCalGas related to the leak, additional lawsuits and potential regulatory sanctions are pending.

They include four shareholder derivative lawsuits alleging breach of fiduciary duties against Sempra and SoCalGas executives and board members.

Moreover, the California Public Utilities Commission is considering whether SoCalGas should be fined for actions leading up to the leak and for failure to adequately cooperate with a CPUC investigation.

Not everyone welcomed news of the settlement. Once the money is divided among thousands of plaintiffs, “if you do the math, we’re left with a small amount,” said Matt Pakucko, one of the plaintiffs and the president of the group Save Porter Ranch.

“For what they put us through, to claim no wrongdoing and try and buy us out, it’s a joke,” said Pakucko, who runs a music production business out of his house near the Aliso Canyon facility.

News of the settlement brought back painful memories of the months-long disaster, including a time when weeks into the leak, odors got so bad that an air quality inspector was dispatched to his home.

“It was like standing behind a 747 with the engines going,” Pakucko said. “It burned our throats, burned our skin. We couldn’t breathe and we passed out on the couch in pain.”

He said members of his family have suffered heart palpitations, cancer and other ongoing health problems they believe are related to emissions from the facility. And, he said, they keep smelling and reporting leaks. The utility was allowed to resume storing natural gas there at a reduced amount in 2017.

Tony Barboza and Leila Miller of the Los Angeles Times contributed to this report.