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6 **UNITED STATES DISTRICT COURT**
7 **SOUTHERN DISTRICT OF CALIFORNIA**

8 _____, Individually and On Behalf
9 of All Others Similarly Situated,

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11 Plaintiff,

12 v.

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14 **SEMPRA ENERGY, DEBRA L. REED,**
15 **and JOSEPH A. HOUSEHOLDER,**

16 Defendants.
17

• **Case No.**

• **CLASS ACTION**

• **COMPLAINT FOR VIOLATION**
• **OF THE FEDERAL**
• **SECURITIES LAWS**

• **DEMAND FOR JURY TRIAL**
•

18 Plaintiff _____ (“Plaintiff”), individually and on behalf of all other
19 persons similarly situated, by Plaintiff’s undersigned attorneys, alleges the following
20 based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and upon
21 information and belief as to all other matters based on the investigation conducted by
22 and through Plaintiff’s attorneys, which included, among other things, a review of
23 Securities and Exchange Commission (“SEC”) filings by Sempra Energy (“Sempra” or
24 the “Company”), the Company’s stock chart, conference call transcripts regarding the
25 Company, and media and analyst reports about the Company. Plaintiff believes that
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1 substantial evidentiary support will exist for the allegations set forth herein after a
2 reasonable opportunity for discovery.

3 4 **NATURE OF THE ACTION**

5 1. This is a federal securities class action on behalf of a class consisting of all
6 persons other than Defendants and their family members, directors and officers of
7 Sempra and their families and affiliates, who purchased or otherwise acquired Sempra
8 securities between May 14, 2015 and November 23, 2015, both dates inclusive (the
9 “Class Period”), seeking to recover damages caused by Defendants’ violations of the
10 federal securities laws (the “Class”).
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13 2. Sempra operates as an energy services holding company worldwide. The
14 Company’s Southern California Gas Company (“SoCalGas”) segment transmits,
15 distributes, and stores natural gas. As of February 6, 2015, this segment served
16 approximately 21 million consumers through 5.8 million meters in 500 communities.
17 This segment’s service territory comprises approximately 20,000 square miles
18 throughout Central and Southern California.
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21 3. Sempra was founded in 1998 and is headquartered in San Diego, California.
22 The Company’s stock trades on the New York Stock Exchange (“NYSE”) under the
23 ticker symbol “SRE.”
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1 4. On October 23, 2015, Sempra’s subsidiary SoCalGas discovered a natural
2 gas leak from the Company’s Aliso Canyon natural gas storage facility near the Porter
3 Ranch neighborhood in Los Angeles (the “Porter Ranch Leak”).
4

5 5. On October 28, 2015, after a strong gas odor became noticeable to Porter
6 Ranch residents, SoCalGas publicly acknowledged the Porter Ranch Leak.
7

8 6. For the next several months, SoCalGas attempted unsuccessfully to plug the
9 well. Meanwhile, local residents reported symptoms including headaches, nausea, and
10 severe nosebleeds, and thousands of families were relocated from the area as SoCalGas
11 unsuccessfully attempted to seal the well.
12

13 7. Throughout the Class Period, Defendants made materially false and
14 misleading statements regarding the Company’s business, operations, cash position,
15 prospects, and internal controls. Specifically, Defendants made false and/or misleading
16 statements and/or failed to disclose that: (i) SoCalGas lacked the capability to
17 expeditiously repair gas leaks, causing a public hazard; (ii) an extended hazardous gas
18 leak would constitute a serious threat to public health and safety; and (iii) as a result of
19 the foregoing, Defendants’ public statements were materially false and misleading at all
20 relevant times.
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24 8. On November 23, 2015, displaced Porter Ranch residents filed a class
25 action lawsuit against SoCalGas, seeking damages and an order requiring SoCalGas to
26 disclose information related to the health risks associated with the Porter Ranch Leak.
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1 offices located at 101 Ash Street, San Diego, California 92101. Sempra's common stock
2 trades on the NYSE under the ticker symbol "SRE."

3 16. Defendant Debra L. Reed ("Reed") served at all relevant times as the
4 Company's Chairman and Chief Executive Officer.
5

6 17. Defendant Joseph A. Householder ("Householder") served at all relevant
7 times as the Company's Chief Financial Officer and Executive Vice President.
8

9 18. The Defendants named in ¶¶ 16-17 are sometimes referred to herein as the
10 "Individual Defendants."
11

12 **SUBSTANTIVE ALLEGATIONS**

13 **Background**

14 19. Sempra operates as an energy services holding company worldwide. The
15 Company's SoCalGas segment transmits, distributes, and stores natural gas. As of
16 February 6, 2015, this segment served approximately to 21 million consumers through
17 5.8 million meters in 500 communities. This segment's service territory comprises
18 approximately 20,000 square miles throughout central and Southern California. Sempra
19 was founded in 1998 and is headquartered in San Diego, California.
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22 20. In late October 2015, Sempra's subsidiary SoCalGas discovered a natural
23 gas leak from a well near the Porter Ranch neighborhood in Los Angeles. After local
24 residents reported symptoms including headaches, nausea, and severe nosebleeds,
25 thousands of families were relocated from the area as SoCalGas attempted, so far
26 unsuccessfully, to seal the well.
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1 University study published March 31, 2015, in Environmental Science &
2 Technology found methane emissions from U.S. local natural gas
3 distribution systems, including SoCalGas', are 36 to 70 percent lower than
4 current estimates by the U.S. Environmental Protection Agency.

5 . . .

6 As one of the first local natural gas delivery companies to join the U.S.
7 Environmental Protection Agency in reducing emissions in 1993, SoCalGas
8 is considered a leader in reducing methane emissions. *SoCalGas has*
9 *implemented best management practices resulting in the reduction of more*
10 *than 800,000 metric tons of carbon dioxide equivalent (CO₂e).*
11 Additionally, SoCalGas' modernization program has upgraded pressure
12 valves, eliminated all cast-iron pipe and installed resilient plastic pipe
13 throughout half of its system.

14 (Emphases added.)

15 22. On August 4, 2015, Sempra filed a quarterly report on Form 10-Q with the
16 SEC, announcing the Company's financial and operating results for the quarter ended
17 June 30, 2015 (the "Q2 2015 10-Q"). For the quarter, Sempra reported net income of
18 \$296 million, or \$1.17 per diluted share, on revenue of \$2.37 billion, compared to net
19 income of \$270 million, or \$1.08 per diluted share, on revenue of \$2.68 billion for the
20 same period in the prior year.

21 23. The Q2 2015 10-Q contained signed certifications pursuant to the Sarbanes-
22 Oxley Act of 2002 ("SOX") by the Individual Defendants, stating that the financial
23 information contained in the Q2 2015 10-Q was accurate and disclosed any material
24 changes to Company's internal control over financial reporting.

25 24. On October 23, 2015, SoCalGas discovered the Porter Ranch Leak.

26 25. On October 28, 2015, after a strong gas odor became noticeable to Porter
27 Ranch residents, SoCalGas publicly acknowledged the Porter Ranch Leak.
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1 26. For the next several months, SoCalGas would attempt, unsuccessfully, to
2 seal the well as local residents suffered from headaches, nausea, and severe nosebleeds,
3 and thousands of families were relocated from the area.
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5 27. On November 3, 2015, Sempra filed a quarterly report on Form 10-Q with
6 the SEC, announcing the Company's financial and operating results for the quarter ended
7 September 30, 2015 (the "Q3 2015 10-Q"). For the quarter, Sempra reported net income
8 of \$248 million, or \$0.99 per diluted share, on revenue of \$2.48 billion, compared to net
9 income of \$348 million, or \$1.34 per diluted share, on revenue of \$2.82 billion for the
10 same period in the prior year.
11

12 28. The Q3 2015 10-Q contained signed certifications pursuant to SOX by the
13 Individual Defendants, stating that the financial information contained in the Q3 2015
14 10-Q was accurate and disclosed any material changes to Company's internal control
15 over financial reporting.
16

17 29. On November 12, 2015, SoCalGas issued a bulletin addressing the Porter
18 Ranch Leak, entitled "Aliso Canyon Storage Facility Update." The bulletin stated, in
19 part:
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22 We sincerely apologize for any concern this odor is causing the neighboring
23 communities. However, ***the leak does not pose an imminent threat to***
24 ***health or public safety.*** The well is located in an isolated, mountain area
25 more than a mile away from and more than 1,200 feet higher than the closest
26 home or public area. Scientists agree natural gas is not toxic and that its
27 odorant is not toxic at the minute levels at which it is added to natural gas.
28 Health and air-quality officials said that the levels of the additive found in
air samples taken in Porter Ranch should not pose a health problem.

1 . . .

2 We have collected and analyzed all available data obtained during the
3 diagnostics, and we are now preparing and planning our approach to stop the
4 flow of gas. We have some of the world's best experts advising us, and they
5 owe their success to their cautious approach.

6 ***The leak site remains safe because it's in a localized area more than a mile
7 away from homes and businesses.***

8 (Emphases added.)

9 30. The statements referenced in ¶¶ 21-23 and ¶¶ 27-29 were materially false
10 and misleading because Defendants made false and/or misleading statements, as well as
11 failed to disclose material adverse facts about the Company's business, operational and
12 compliance policies. Specifically, Defendants made false and/or misleading statements
13 and/or failed to disclose that: (i) SoCalGas lacked the capability to expeditiously repair
14 gas leaks, causing a public hazard; (ii) an extended hazardous gas leak would constitute a
15 serious threat to public health and safety; and (iii) as a result of the foregoing,
16 Defendants' public statements were materially false and misleading at all relevant times.
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20 **The Truth Begins to Emerge**

21 31. On November 23, 2015, displaced Porter Ranch residents filed a class
22 action lawsuit against SoCalGas in California Superior Court, Los Angeles County,
23 seeking damages and an order requiring the Company to disclose information related to
24 the health risks associated with the Porter Ranch Leak.
25

26 32. On news of the lawsuit, Sempra stock fell \$0.80, or 0.79%, to close at
27 \$100.28 on November 24, 2015.
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1 33. As a result of Defendants' wrongful acts and omissions, and the precipitous
2 decline in the market value of the Company's securities, Plaintiff and other Class
3 members have suffered significant losses and damages.
4

5 **Post-Class Period Disclosures**

6 34. On January 6, 2016, post-market, after visiting the Porter Ranch
7 neighborhood and speaking with residents, California Governor Jerry Brown declared a
8 state of emergency.
9

10 35. On February 2, 2016, California Attorney General Kamala D. Harris filed a
11 lawsuit against SoCalGas alleging violations of state health and safety laws.
12

13 36. That same day, Los Angeles County filed criminal charges against
14 SoCalGas for its failure to immediately report the leak following its detection.
15

16 37. On February 18, 2016, nearly four months after SoCalGas discovered the
17 leak, state officials announced that the Porter Ranch Leak was permanently plugged.
18

19 **CLASS ACTION ALLEGATIONS**

20 38. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
21 Procedure 23(a) and (b)(3) on behalf of the Class, as defined above.
22

23 39. The members of the Class are so numerous that joinder of all members is
24 impracticable. The disposition of their claims in a class action will provide substantial
25 benefits to the parties and the Court. Sempra has more than 200 million shares of stock
26 outstanding, owned by hundreds or thousands of persons.
27
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1 40. There is a well-defined community of interest in the questions of law and
2 fact involved in this case. Questions of law and fact common to the members of the
3 Class that predominate over questions that may affect individual Class members include:
4

5 (a) Whether Defendants violated the Exchange Act;

6 (b) Whether Defendants omitted and/or misrepresented material facts;

7 (c) Whether Defendants' statements omitted material facts necessary in
8 order to make the statements, in light of the circumstances under which
9 they were made, not misleading;

10 (d) Whether Defendants knew or recklessly disregarded that their statements
11 were false and misleading;

12 (e) Whether the price of Sempra common stock was artificially inflated
13 during the Class Period; and
14

15 (f) The extent of damages sustained by Class members as a result of
16 Defendants' conduct and the appropriate measure of damages.
17

18 41. Plaintiff's claims are typical of those of the Class because Plaintiff and the
19 Class sustained damages from the same wrongful conduct by Defendants as outlined
20 herein.
21

22 42. Plaintiff will adequately protect the interests of the Class and has retained
23 counsel who are experienced in class action securities litigation. Plaintiff has no
24 interests which conflict with those of the Class.
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1 43. A class action is superior to other available methods for the fair and
2 efficient adjudication of this controversy.

3 **NO SAFE HARBOR**

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5 44. Defendants are not entitled to “safe harbor” protection under the federal
6 securities laws.

7
8 45. Defendants’ statements were not forward-looking, were not accompanied
9 by risk warnings, and/or were accompanied by deficient warnings insufficient to give
10 rise to “safe harbor” protection.

11
12 46. When Defendants spoke, they knew or were reckless in not knowing that
13 their statements were false and or misleading when made.

14
15 47. Plaintiff will rely upon the presumption of reliance established by the fraud-
16 on-the-market doctrine in that, among other things:

- 17 (a) Defendants made public misrepresentations or failed to disclose material
18 facts during the Class Period;
- 19 (b) The omissions and misrepresentations were material;
- 20 (c) The Company’s stock trade in an efficient market;
- 21 (d) The Company’s shares were liquid and traded with moderate to heavy
22 volume during the Class Period;
- 23 (e) The Company’s stock traded on the NYSE, and it was covered by
24 multiple analysts;
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1 (f) The misrepresentations alleged would tend to induce a reasonable
2 investor to misjudge the value of the Company's stock; and

3 (g) Plaintiff and other members of the Class purchased Sempra common
4 stock between the time Defendants misrepresented and/or failed to
5 disclose material facts and the time the true facts were disclosed, without
6 knowledge of the misrepresented or omitted facts.
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8

9 48. At all relevant times, the market for Sempra's common stock was efficient
10 for the following reasons, among others:
11

12 (a) As a regulated issuer, Sempra filed period public reports with the SEC;
13 and

14 (b) Sempra regularly communicated with public investors via established
15 market communication mechanisms, including through regular
16 dissemination of press releases on the major news wire services and
17 through other wide-ranging public disclosures, such as communications
18 with the financial press, securities analysts and other similar reporting
19 services.
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23 **COUNT I**

24 **(Against All Defendants For Violations of**
25 **Section 10(b) and Rule 10b-5 Promulgated Thereunder)**

26 49. Plaintiff repeats and realleges each and every allegation contained above as
27 if fully set forth herein.
28

1 50. This Count is asserted against Defendants and is based upon Section 10(b)
2 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the
3 SEC.
4

5 51. During the Class Period, Defendants engaged in a plan, scheme, conspiracy
6 and course of conduct, pursuant to which they knowingly or recklessly engaged in acts,
7 transactions, practices and courses of business which operated as a fraud and deceit upon
8 Plaintiff and the other members of the Class; made various untrue statements of material
9 facts and omitted to state material facts necessary in order to make the statements made,
10 in light of the circumstances under which they were made, not misleading; and employed
11 devices, schemes and artifices to defraud in connection with the purchase and sale of
12 securities. Such scheme was intended to, and, throughout the Class Period, did: (i)
13 deceive the investing public, including Plaintiff and other Class members, as alleged
14 herein; (ii) artificially inflate and maintain the market price of Sempra securities; and
15 (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire
16 Sempra securities and options at artificially inflated prices. In furtherance of this
17 unlawful scheme, plan and course of conduct, Defendants, and each of them, took the
18 actions set forth herein.
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24 52. Pursuant to the above plan, scheme, conspiracy and course of conduct, each
25 of the Defendants participated directly or indirectly in the preparation and/or issuance of
26 the quarterly and annual reports, SEC filings, press releases and other statements and
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1 documents described above, including statements made to securities analysts and the
2 media that were designed to influence the market for Sempra securities. Such reports,
3 filings, releases and statements were materially false and misleading in that they failed to
4 disclose material adverse information and misrepresented the truth about Sempra's
5 business, operations, and internal controls.
6

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8 53. By virtue of their positions at Sempra, Defendants had actual knowledge of
9 the materially false and misleading statements and material omissions alleged herein and
10 intended thereby to deceive Plaintiff and the other members of the Class, or, in the
11 alternative, Defendants acted with reckless disregard for the truth in that they failed or
12 refused to ascertain and disclose such facts as would reveal the materially false and
13 misleading nature of the statements made, although such facts were readily available to
14 Defendants. Said acts and omissions of Defendants were committed willfully or with
15 reckless disregard for the truth. In addition, each Defendant knew or recklessly
16 disregarded that material facts were being misrepresented or omitted as described above.
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20 54. Information showing that Defendants acted knowingly or with reckless
21 disregard for the truth is peculiarly within Defendants' knowledge and control. As the
22 senior managers and/or directors of Sempra, the Individual Defendants had knowledge
23 of the details of Sempra's business, operations, and internal controls.
24

25
26 55. The Individual Defendants are liable both directly and indirectly for the
27 wrongs complained of herein. Because of their positions of control and authority, the
28

1 Individual Defendants were able to and did, directly or indirectly, control the content of
2 the statements of Sempra. As officers and/or directors of a publicly-held company, the
3 Individual Defendants had a duty to disseminate timely, accurate, and truthful
4 information with respect to Sempra's businesses, operations, and internal controls. As a
5 result of the dissemination of the aforementioned false and misleading reports, releases
6 and public statements, the market price of Sempra securities was artificially inflated
7 throughout the Class Period. In ignorance of the adverse facts concerning Sempra's
8 business and financial condition which were concealed by Defendants, Plaintiff and the
9 other members of the Class purchased or otherwise acquired Sempra securities at
10 artificially inflated prices and relied upon the price of the securities, the integrity of the
11 market for the securities and/or upon statements disseminated by Defendants, and were
12 damaged thereby.

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17 56. During the Class Period, Sempra securities were traded on an active and
18 efficient market. Plaintiff and the other members of the Class, relying on the materially
19 false and misleading statements described herein, which the Defendants made, issued or
20 caused to be disseminated, or relying upon the integrity of the market, purchased or
21 otherwise acquired shares of Sempra securities at prices artificially inflated by
22 Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known
23 the truth, they would not have purchased or otherwise acquired said securities, or would
24 not have purchased or otherwise acquired them at the inflated prices that were paid. At
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1 the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of
2 Sempra securities was substantially lower than the prices paid by Plaintiff and the other
3 members of the Class. The market price of Sempra securities declined sharply upon
4 corrective disclosure of the fraud alleged herein to the injury of Plaintiff and Class
5 members.
6

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8 57. By reason of the conduct alleged herein, Defendants knowingly or
9 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and
10 Rule 10b-5 promulgated thereunder.
11

12 58. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff
13 and the other members of the Class suffered damages in connection with their respective
14 purchases, acquisitions and sales of the Company's securities during the Class Period,
15 upon the corrective disclosure that the Defendants had been disseminating
16 misinformation to the investing public.
17

18 19 **COUNT II**

20 **(Violations of Section 20(a) of the** 21 **Exchange Act Against The Individual Defendants)**

22 59. Plaintiff repeats and realleges each and every allegation contained in the
23 foregoing paragraphs as if fully set forth herein.
24

25 60. During the Class Period, the Individual Defendants participated in the
26 operation and management of Sempra, and conducted and participated, directly and
27 indirectly, in the conduct of Sempra's business affairs. Because of their senior positions,
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1 they knew the adverse non-public information about Sempra’s business, operations, and
2 internal controls.

3 61. As officers and/or directors of a publicly owned company, the Individual
4 Defendants had a duty to disseminate accurate and truthful information with respect to
5 Sempra’s business, operations, and internal controls, and to correct promptly any public
6 statements issued by Sempra which had become materially false or misleading.
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9 62. Because of their positions of control and authority as senior officers, the
10 Individual Defendants were able to, and did, control the contents of the various reports,
11 press releases, SEC filings, and other public statements which Sempra disseminated in
12 the marketplace during the Class Period concerning Sempra’s business, operations, and
13 internal controls. Throughout the Class Period, the Individual Defendants exercised their
14 power and authority to cause Sempra to engage in the wrongful acts complained of
15 herein. The Individual Defendants therefore, were “controlling persons” of Sempra
16 within the meaning of Section 20(a) of the Exchange Act. In this capacity, they
17 participated in the unlawful conduct alleged which artificially inflated the market price
18 of Sempra securities.
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23 63. Each of the Individual Defendants, therefore, acted as a controlling person
24 of Sempra. By reason of their senior management positions and/or being directors of
25 Sempra, as well as their roles in signing and/or SOX certifying the Company’s SEC
26 filings at issue, each of the Individual Defendants had the power to direct the actions of,
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1 and exercised the same to cause, Sempra to engage in the unlawful acts and conduct
2 complained of herein. Each of the Individual Defendants exercised control over the
3 general operations of Sempra and possessed the power to control the specific activities
4 which comprise the primary violations about which Plaintiff and the other members of
5 the Class complain.
6

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8 64. By reason of the above conduct, the Individual Defendants are liable
9 pursuant to Section 20(a) of the Exchange Act for the violations committed by Sempra.
10

11 **PRAYER FOR RELIEF**

12 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

13 A. Determining that the instant action may be maintained as a class action
14 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the
15 Class representative;
16

17 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class
18 by reason of the acts and transactions alleged herein;
19

20 C. Awarding Plaintiff and the other members of the Class prejudgment and
21 post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other
22 costs; and
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24 D. Awarding such other and further relief as this Court may deem just and
25 proper.
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DEMAND FOR TRIAL BY JURY

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Plaintiff hereby demands a trial by jury.