

Cal-Water wins \$49.7 million in gasoline-additive settlement

WATER COMPANY WINS \$49.7 MILLION IN SETTLEMENT

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A San Jose-based water company will receive \$49.7 million as part of a national deal to settle a lawsuit with oil companies over water contamination from the gasoline additive MTBE.

California Water Service Co. is one of 156 plaintiffs in the case, which was filed in 2003 and 2004 against a dozen major refiners. The \$422 million settlement agreement will be filed with the federal court for the Southern District of New York in Manhattan.

A total of 27 drinking water wells owned by the company, known as Cal-Water, were contaminated by MTBE starting more than a decade ago. Of those, two wells were in South San Francisco, four were in Salinas, two were in Marysville north of Sacramento, and the other 19 were in the Bakersfield and Los Angeles areas.

MTBE, or methyl tertiary butyl ether, was added to gasoline in low levels starting in the late 1970s. In the early 1990s, however, Congress required states with high smog levels to add larger amounts of such oxygenates to gasoline.

Critics said the move, pushed by former Senate leaders Bob Dole and Tom Daschle, was an effort to

boost sales of ethanol, another oxygenate made from Midwestern corn. California and other states where corn is not grown chose MTBE instead, but the chemical leaked from thousands of gas stations, polluting water and giving it a turpentine-like smell. After it caused widespread water pollution, MTBE was banned in more than 20 states, including California in 2003, and replaced by ethanol. California won approval from Congress in 2006 for a waiver from the oxygenate mandate.

Oil companies had argued they should not be liable for MTBE cleanup costs because they were required to use oxygenates. But Vic Sher, a San Francisco attorney representing the California water companies, said the companies knew of MTBE's problems and should have told regulators the risk and retooled gas pumps and tanks to reduce leakage.

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