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Superior Court of California  
County of Los Angeles

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF LOS ANGELES – CENTRAL CIVIL WEST**

**COORDINATION PROCEEDING  
SPECIAL TITLE [RULE 3.550]**

**SOUTHERN CALIFORNIA GAS LEAK  
CASES**

**THIS DOCUMENT RELATES TO:**  
*Case Nos. BC602973 and BC628120*

**JUDICIAL COUNSEL COORDINATION  
PROCEEDING NO. 4861**

*Case Assigned for All Purposes to the  
Honorable John Shepard Wiley, Jr.  
Department 311*

**NOTICE OF LODGING OF [PROPOSED]  
CONSENT DECREE**

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21 Los Angeles, California 90071-3132

*Attorneys for Defendant  
Southern California Gas Company*

1 Together, the People of the State of California, acting by and through Xavier Becerra,  
2 Attorney General ("Attorney General"), in his independent capacity and on behalf of the  
3 California Air Resources Board ("CARB"), Michael N. Feuer, City Attorney for the City of Los  
4 Angeles ("City Attorney"), and Mary C. Wickham, County Counsel for the County of Los  
5 Angeles ("County Counsel") (collectively, "the People"), the County of Los Angeles (the  
6 "County" and, together with the People, referred to herein as the "Government Plaintiffs"), and  
7 Defendant Southern California Gas Company ("SoCalGas" ) respectfully lodge in this proceeding  
8 the Proposed Consent Decree, attached hereto as Exhibit 1, between Government Plaintiffs and  
9 SoCalGas (collectively "the "Parties"). If approved by the Court, the Consent Decree will resolve  
10 the claims alleged by Government Plaintiffs against SoCalGas in connection with the natural gas  
11 leak from SoCalGas's Aliso Canyon storage facility in October 2015 (Case Nos. BC602973 and  
12 BC628120). ***The Parties are not requesting any action by the Court on the Proposed Consent***  
13 ***Decree at this time.*** At a later date, after the expiration of the public comment period explained  
14 below, the Parties will request Court approval and entry of the proposed Consent Decree.

15 The Proposed Consent Decree includes, as an integral part, a "Mitigation Agreement"  
16 between the Attorney General, CARB, and SoCalGas, which is Appendix A to the Proposed  
17 Consent Decree. The Mitigation Agreement governs the manner in which SoCalGas shall  
18 discharge its obligation under the Proposed Consent Decree to mitigate the methane emissions  
19 attributable to the leak. Pursuant to Paragraph 18 of the Proposed Consent Decree, CARB has  
20 opened a docket on its website (<https://www.arb.ca.gov/lispub/comm/bclist.php>) to solicit and  
21 accept comments from the public on the Mitigation Agreement. The public also can submit  
22 written comments regarding the Mitigation Agreement to CARB at the following address: Clerk  
23 of the Board, California Air Resources Board, 1001 I Street, Sacramento, California 95814. The  
24 period for public comment shall be thirty-five (35) days from the date of lodging of the Proposed  
25 Consent Decree. Upon expiration of that public comment period, CARB shall have twenty-five  
26 (25) days to review and prepare a summary of the comments received. The Parties shall then  
27 advise the Court of any comments received and request that the Court approve and enter the  
28 Consent Decree.

1 The Parties thus lodge the Proposed Consent Decree at this time and will, within 60 days of  
2 the filing of this Notice, request Court approval and entry of the Consent Decree.

3  
4 Respectfully submitted,

5 Dated: August 7, 2018

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10 By: Catherine M. Wieman  
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12 Deputy Attorney General  
13 *Attorneys for Plaintiff the People of the State of*  
14 *California, by and through the Attorney General,*  
15 *in his independent capacity and on behalf of the*  
16 *California Air Resources Board*

15 Dated: August 7, 2018

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1 Dated: August 7, 2018

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5 By: 

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Angeles*

# EXHIBIT

1

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18 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**

19 **COUNTY OF LOS ANGELES – CENTRAL CIVIL WEST**

21 **COORDINATION PROCEEDING**  
22 **SPECIAL TITLE [RULE 3.550]**

23 **SOUTHERN CALIFORNIA GAS LEAK**  
24 **CASES**

25  
26 **THIS DOCUMENT RELATES TO:**  
27 *Case Nos. BC602973 and BC628120*

**JUDICIAL COUNSEL COORDINATION**  
**PROCEEDING NO. 4861**

*Case Assigned for All Purposes to the*  
*Honorable John Shepard Wiley, Jr.*  
*Department 311*

**[PROPOSED] CONSENT DECREE**

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*Southern California Gas Company*

1 The People of the State of California, acting by and through Xavier Becerra, Attorney  
2 General ("Attorney General"), in his independent capacity and on behalf of the California Air  
3 Resources Board ("CARB"), Michael N. Feuer, City Attorney for the City of Los Angeles ("City  
4 Attorney"), and Mary C. Wickham, County Counsel for the County of Los Angeles ("County  
5 Counsel") (collectively, "the People"), the County of Los Angeles (the "County" and, together  
6 with the People, referred to herein as the "Government Plaintiffs"), and Defendant Southern  
7 California Gas Company ("SoCalGas" and, together with Government Plaintiffs, the "Parties")  
8 enter into this Consent Decree (hereinafter, the "Consent Decree") to resolve the claims raised by  
9 Government Plaintiffs in the two complaints, Case Nos. BC602973 and BC628120, coordinated  
10 into the above-captioned Judicial Council Coordination Proceeding ("JCCP") in their entirety.

11 WHEREAS, for purposes of this Consent Decree, the Parties agree that:

12 **The Facility**

13 SoCalGas owns and operates the Aliso Canyon Underground Natural Gas Storage Facility  
14 located at 12801 Tampa Avenue, Northridge, California. The Facility is adjacent to the  
15 community of Porter Ranch. The Facility is the largest natural gas storage field in California and  
16 one of the largest in the United States.

17 **The Incident**

18 On or about October 23, 2015, SoCalGas discovered a natural gas leak at natural gas  
19 storage well SS-25 located at the Facility. Initial efforts to stop the leak were unsuccessful.

20 On January 6, 2016, Governor Brown declared a state of emergency, issuing a Proclamation  
21 in which he directed actions to stop the leak, to protect public health and safety, and to strengthen  
22 oversight of gas storage facilities. The Governor's Proclamation directed CARB to develop a  
23 program to fully mitigate the Incident's emissions of methane that would be funded by SoCalGas,  
24 be limited to projects in California, and prioritize projects that reduce short-lived climate  
25 pollutants.

26 On February 11, 2016, SoCalGas, in coordination with third-party contractors, successfully  
27 intercepted well SS-25 with a relief well and stopped the flow of natural gas through the well.  
28

1 On February 18, 2016, the California Department of Conservation, Division of Oil, Gas &  
2 Geothermal Resources ("DOGGR") confirmed that well SS-25 has been permanently sealed.  
3 After February 18, 2016, various State agencies reported that ambient air quality in the vicinity of  
4 the Facility had returned to pre-Incident levels.

5 As required by the California Public Utilities Commission (the "CPUC") and DOGGR,  
6 SoCalGas has retained an independent third party, Blade Energy Partners ("Blade"), to conduct  
7 an in-depth analysis of the root cause of the Incident (the "Root Cause Analysis"). That analysis  
8 is ongoing. On February 15, 2018, Blade issued its Phase 4 Protocol for Metallurgical  
9 Investigation of the SS-25 Failure (the "Protocol"). The Protocol states that the 7" casing for SS-  
10 25 was inspected on August 30, 2017, and a fully parted casing was identified at an approximate  
11 depth of 887 feet at Joint 22.

12 The cause of the Incident is also being investigated by the CPUC and DOGGR.

#### 13 Temporary Relocation and Cleaning

14 During the Incident, nearby residents complained of odors and physiological symptoms  
15 such as nausea, vomiting, dizziness, nosebleeds, and headaches.

16 From November 2015 through June 2016, SoCalGas implemented, at its expense and  
17 pursuant to a directive of the Los Angeles County Department of Public Health, a motion brought  
18 by the Los Angeles City Attorney, and order of the court, a temporary relocation program for  
19 residents in and around Porter Ranch (the "Temporary Relocation Program"). Residents could  
20 choose whether to participate in the Temporary Relocation Program. Over 8,000 households and  
21 two schools temporarily relocated as part of the Temporary Relocation Program. The Temporary  
22 Relocation Program ended by court order, based upon the position of County officials that it was  
23 safe for relocated residents to return home and a requirement that SoCalGas provide interior  
24 cleaning pursuant to a protocol established by the Department of Public Health for relocated  
25 residents who chose to schedule it prior to returning home.

26 Pursuant to the above court order, during the Temporary Relocation Program, SoCalGas  
27 arranged for the delivery and/or installation of more than 38,000 certified air filtration systems in  
28 homes, schools and businesses in and around Porter Ranch at SoCalGas' expense.



1 Prior to the termination of the Temporary Relocation Program, SoCalGas also, pursuant to  
2 court order, arranged to have over 1,700 homes in Porter Ranch professionally cleaned at  
3 SoCalGas' expense.

4 SoCalGas arranged to have the exteriors of more than 1,200 homes and almost 1,000  
5 vehicles cleaned as a result of complaints of brown spots that were alleged to have been  
6 associated with the Incident.

7 **Other Actions Taken by SoCalGas Since the Incident**

8 Pursuant to CPUC and DOGGR's direction, on November 1, 2016, SoCalGas submitted to  
9 the CPUC and DOGGR a comprehensive Fitness for Service Analysis, including an assessment  
10 of the design, construction, operation and maintenance of the surface facilities, underground  
11 storage wells and reservoir at the Facility. SoCalGas implemented a comprehensive safety review  
12 at the Facility, pursuant to a March 4, 2016 DOGGR Emergency Order, developed in consultation  
13 with the National Laboratories, to verify the mechanical integrity of each well to be returned to  
14 service at the Facility. The comprehensive safety review included: (1) noise and temperature logs;  
15 (2) casing inspection logs; (3) cement bond logs; (4) multi-arm caliper inspections; and  
16 (5) pressure tests. As part of this process, SoCalGas upgraded all operating wells at the Facility  
17 with new tubing and packers to flow natural gas solely through the inner tubing, providing a dual  
18 barrier of protection to mitigate the potential for an uncontrolled release of natural gas from a  
19 well.

20 As of July 2, 2018, 30 wells at the Facility have been plugged and abandoned, while 17  
21 additional wells are planned to be plugged and abandoned.

22 SoCalGas also has developed and implemented a comprehensive program for monitoring,  
23 testing and inspection of the underground storage wells and above-ground facilities at the Facility  
24 that includes: (1) additional well patrols; (2) additional scanning of each well using infrared  
25 thermal imaging cameras; (3) accelerated leak repairs; (4) enhanced employee and contractor  
26 training; and (5) pressure monitors within each operating gas storage well at the Facility to detect  
27 pressure anomalies in real time.



1 On July 29, 2016, SoCalGas submitted a Storage Risk Management Plan (SRMP) pursuant  
2 to DOGGR Emergency Rulemaking Action (14 CCR 1724.9) to identify potential threats and  
3 hazards and measures to mitigate risk. SoCalGas later supplemented the SRMP to identify  
4 potential geologic, seismologic and geotechnical issues at the Facility. Pursuant to DOGGR Order  
5 No. 1118, SoCalGas committed to studying geologic, seismologic, and geotechnical issues to the  
6 satisfaction of DOGGR and in conjunction with the National Laboratories. The study will include  
7 a Probabilistic Seismic Hazard Analysis, a Probabilistic Fault Displacement Hazard Analysis, and  
8 the evaluation of potential mitigation measures, and is anticipated to be completed in November  
9 2018.

10 On September 13, 2016, SoCalGas and the Los Angeles County District Attorney entered  
11 into an agreement to resolve all criminal allegations brought by the District Attorney's office  
12 against SoCalGas relating to the Incident. Pursuant to that settlement, SoCalGas (1) installed and  
13 is operating a fenceline methane monitoring system at the Facility that provides near real-time  
14 and continuous methane monitoring information on a publicly-accessible website  
15 (<https://socalgas.esriemcs.com/MethaneMonitoring/>) (the "Aliso Canyon Website"); (2) revised  
16 and enhanced reporting policies regarding releases or threatened releases of hazardous materials  
17 to the Office of Emergency Services and the applicable Certified Unified Program Agency; and  
18 (3) trained employees responsible for leak detection or reporting at all Los Angeles County  
19 natural gas storage facilities (Aliso Canyon, Playa del Rey, and Honor Rancho) regarding proper  
20 notification procedures in the event of a leak or suspected leak. SoCalGas also agreed, as part of  
21 that settlement, to comply with the requirements of DOGGR Emergency Order 1109 and the  
22 comprehensive safety review by installing Real-Time Pressure Monitors at each natural gas  
23 storage well in operation at the Facility.

24 As part of the South Coast Air Quality Management District's ("SCAQMD") January 28,  
25 2016 Order for Abatement, SoCalGas has implemented enhanced community and agency  
26 notification and reporting procedures related to releases from the Facility. These enhanced  
27 notification procedures include when and how SoCalGas will provide notice to specified  
28

1 recipients in the event of a reportable release, as well as associated training, recordkeeping and  
2 plan review requirements.

3 On May 18, 2018, SoCalGas completed installation of new electric compressors as part of  
4 the Aliso Canyon Turbine Replacement Project. These new electric compressors are planned to  
5 replace older gas compressors at the Facility and further reduce emissions from the Facility.

6 SoCalGas is performing a comprehensive well assessment program at each of its other  
7 underground natural gas storage facilities (Playa del Rey, Honor Rancho, and Goleta) to verify  
8 the mechanical integrity of each well, including: (1) noise and temperature logs; (2) casing  
9 inspection logs; (3) cement bond logs; (4) multi-arm caliper inspections; and (5) pressure tests.  
10 SoCalGas expects to complete this well assessment program at the Playa del Rey, Honor Rancho,  
11 and Goleta facilities by the first quarter of 2020.

12 SoCalGas is upgrading all operating wells at its other underground natural gas storage  
13 facilities (Playa del Rey, Honor Rancho, and Goleta) with new tubing and packers and flowing  
14 natural gas solely through the inner tubing, providing a dual barrier of protection to mitigate the  
15 potential for an uncontrolled release of natural gas from a well.

16 SoCalGas also developed and implemented a comprehensive program for monitoring,  
17 testing and inspection of the underground storage wells and above-ground facilities at each of its  
18 other underground natural gas storage facilities (Playa del Rey, Honor Rancho, and Goleta) that  
19 includes: (1) additional well patrols; (2) accelerated leak repairs; (3) enhanced employee and  
20 contractor training; and (4) pressure monitors within each operating gas storage well at each of its  
21 other underground natural gas storage facilities (Playa del Rey, Honor Rancho, and Goleta) to  
22 detect pressure anomalies in real time.

23 Pursuant to a June 28, 2001 CPUC decision, SoCalGas has ceased using its Montebello  
24 facility as an underground natural gas storage facility and has been in the process of disposing of  
25 the assets which comprise the Montebello natural gas storage field. At SoCalGas' request, on  
26 December 9, 2016, DOGGR rescinded its approval of gas injections into the Montebello facility  
27 effective December 31, 2016.

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On July 25, 2016, the People, acting by and through Mary C. Wickham, County Counsel for the County, and the County filed a separate complaint against SoCalGas in the action captioned, *The People of the State of California, ex rel. Mary C. Wickham, the Los Angeles County Counsel, and County of Los Angeles v. Southern California Gas Company*, Case No. BC628120 (the “County Action”). The County Action seeks injunctive relief and civil penalties for alleged public nuisance under California Civil Code sections 3479 *et seq.*, and California Code of Civil Procedure section 731 and alleged unfair competition under California Business and Professions Code sections 17200 *et seq.* The County Action also seeks specific performance, damages, and cost recovery for alleged breach of a franchise agreement, alleged breach of a lease

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1 agreement, and alleged violation of Los Angeles County Code sections 1.23.010 *et seq.*, and  
2 12.56.010 *et seq.*

3 On May 13, 2016, the County of Los Angeles Department of Public Health issued a  
4 directive requiring SoCalGas to offer home cleaning services to certain residents of and around  
5 Porter Ranch (the "Cleaning Directive"). On July 12, 2016, SoCalGas filed a Petition for Writ of  
6 Mandate challenging the Cleaning Directive in the action captioned *SoCalGas v. County of Los*  
7 *Angeles, County of Los Angeles Department of Public Health, Dr. Jeffrey Gunzenhauser in his*  
8 *official capacity as Interim Health Officer, and Cynthia A. Harding in her official capacity as*  
9 *Interim Director* (the "SoCalGas Petition").

10 On March 8, 2017, the County filed a Petition for Writ of Mandate and Complaint for  
11 Declaratory and Injunctive Relief against DOGGR, Kenneth Harris in his official capacity as  
12 State Oil & Gas Supervisor, the CPUC, Timothy Sullivan in his official capacity as Executive  
13 Director of the CPUC, and SoCalGas, as real party in interest (the "County Petition"). In the  
14 County Petition, the County seeks a writ of mandate directing DOGGR to comply with its  
15 statutory and other duties, injunctive relief and an immediate stay of DOGGR's decision to lift  
16 the moratorium on natural gas injections at the Facility, and a declaration that DOGGR has  
17 violated SB 380, California Government Code section 6253, and the California Public Records  
18 Act.

19 On July 13, 2017, as to the County Action, SoCalGas moved for judgment on the pleadings  
20 seeking dismissal of the County's first four causes of action on the grounds that they are  
21 preempted by Article XII, section 8, of the California Constitution and therefore fail to state  
22 claims for which relief can be granted. On March 7, 2018, the Court denied SoCalGas' Motion  
23 for Judgment on the Pleadings but certified the issue for immediate interlocutory appellate  
24 consideration under California Code of Civil Procedure section 166.1. SoCalGas petitioned the  
25 Court of Appeal for relief by writ of mandate and sought a writ directing the Superior Court to  
26 vacate its order and dismiss the County's causes of action (the "Writ Petition"). The appellate  
27 court denied the Writ Petition. On June 19, 2018, SoCalGas filed a Petition for Review with the  
28 California Supreme Court (the "MJOP Appeal").



1 On July 12, 2017, SoCalGas filed a complaint against the County and the California  
2 Division of Occupational Health and Safety ("Cal/OSHA") in the federal district court for the  
3 Central District of California under the federal Pipeline Safety Act (the "Federal Action"). With  
4 respect to the County, the complaint sought to enjoin the County's efforts to impose and enforce  
5 safety regulations on SoCalGas' facilities without certification by the federal government and a  
6 declaration of the court stating that the County's efforts to regulate safety standards for  
7 SoCalGas' facilities is preempted as a matter of federal law. The district court dismissed  
8 SoCalGas' complaint against both the County and Cal/OSHA, and SoCalGas has filed an appeal  
9 of the district court's decision with the United States Court of Appeals for the Ninth Circuit (the  
10 "Ninth Circuit Appeal").

#### 11 **SB 888**

12 On September 23, 2016, the State of California enacted Senate Bill No. 888 ("SB 888"),  
13 which requires, in part, that any penalty assessed by the CPUC against SoCalGas with respect to  
14 the Incident shall at least equal the amount necessary to reduce the impact on the climate from  
15 greenhouse gases by an amount equivalent to the impact on the climate from the greenhouse  
16 gases emitted by the Incident, as determined by CARB.

17 SB 888 also provides that in determining the amount necessary to fully offset the impact on  
18 the climate from the Incident, the CPUC shall consider the extent to which SoCalGas has  
19 mitigated, or is in the process of mitigating, the impact on the climate from greenhouse gas  
20 emissions resulting from the Incident, provided that the mitigation is consistent with the  
21 conditions identified in SB 888, as determined by CARB.

22 Under SB 888, CARB is responsible for determining an amount equivalent to the impact on  
23 the climate from the greenhouse gases emitted by the Incident and that SoCalGas' mitigation is  
24 consistent with conditions identified in SB 888.

#### 25 **Methane Mitigation**

26 CARB estimates that up to 109,000 metric tons of methane were emitted as a result of the  
27 Incident. Methane is a potent greenhouse gas (GHG) with a relatively short lifespan. GHGs cause  
28 or contribute to climate change. The California Legislature has found that climate change "poses

1 a serious threat to the economic well-being, public health, natural resources, and the environment  
2 of California.” (Cal. Health & Safety Code, § 38501(a).) “The potential adverse impacts of global  
3 warming include the exacerbation of air quality problems, a reduction in the quality and supply of  
4 water to the state from the Sierra snowpack, a rise in sea levels resulting in the displacement of  
5 thousands of coastal businesses and residences, damage to marine ecosystems and the natural  
6 environment, and an increase in the incidences of infectious diseases, asthma, and other human  
7 health-related problems.” (*Id.*) CARB estimates that methane’s climate impacts are approximately  
8 28 times greater than an equivalent weight of carbon dioxide over a 100-year timeframe and 84  
9 times greater over a 20-year timeframe. California has become an international leader in the effort  
10 to reduce GHG emissions.

11         Given methane’s global warming potential, reducing methane emissions is a high priority  
12 for CARB. In 2016, SB 1383 tasked CARB with, among other things, implementing a Short-  
13 Lived Climate Pollutant Reduction Strategy and reducing statewide methane emissions by 40  
14 percent of 2013 levels by 2030. SB 1383 also required CARB, no sooner than January 1, 2024, to  
15 adopt regulations to reduce methane emissions from California livestock and dairy manure  
16 management operations by up to 40 percent of 2013 levels by 2030. As a step in that process, in  
17 2017, CARB approved the Short-Lived Climate Pollutant Reduction Strategy. Relatedly, in 2014,  
18 SB 1371 required the CPUC to adopt rules to reduce methane leaks from intrastate gas pipeline  
19 facilities to advance the State’s GHG reduction goals under the Global Warming Solutions Act.  
20 By March 15, 2018, and in compliance with the rulemaking adopted by CPUC pursuant to SB  
21 1371, California gas utilities filed compliance plans detailing how they would incorporate best  
22 practices for methane leak detection, quantification, and elimination into their gas transmission  
23 operations.

24         On March 31, 2016, pursuant to the Governor’s directive, CARB prepared the Aliso  
25 Canyon Methane Leak Climate Impacts Mitigation Program (the “CARB Mitigation Program”).  
26 The CARB Mitigation Program, which was published for public comment prior to its approval,  
27 identified the reduction of methane from dairy facilities as a favored option to achieve full  
28 mitigation of the climate impacts of the Incident.

1 As defined below, CARB and SoCalGas have agreed that SoCalGas will fund a Mitigation  
2 Account that will reduce methane emissions in the dairy sector in an amount that will fully offset  
3 the impact on the climate from the Incident, meet the threshold of SB 888 for SoCalGas to pay an  
4 amount at least equal to the amount necessary to reduce the impact on the climate from GHGs, be  
5 consistent with the CARB Mitigation Program, catalyze additional emission reductions and  
6 generate significant environmental co-benefits.

7 California Government Code section 11415.60 and California Health and Safety Code  
8 section 39600 provide authority for CARB to settle a civil action in a manner that conforms to  
9 statutory constraints and does not violate public policy and to do such acts as may be necessary  
10 for the proper execution of the powers and duties granted by law, respectively.

11 **SB 380**

12 On May 10, 2016, the State of California enacted SB 380. Pursuant to SB 380, the CPUC  
13 and DOGGR were required to confirm the safety of the Facility before authorizing the resumption  
14 of injection of natural gas into the reservoir by following a protocol approved by independent  
15 national laboratories. On July 19, 2017, after a comprehensive safety review of the Facility was  
16 completed, DOGGR certified and the CPUC concurred that “[a]fter fully considering all  
17 qualitative and quantitative data derived during the comprehensive safety review, the November  
18 site inspections, public meetings, written public comment period, and other analysis undertaken in  
19 fulfillment of SB 380 mandates, the Supervisor has determined that the risks of failures identified  
20 during the review have been addressed, that well integrity has been verified, and injection at the  
21 Facility may safely resume.” CPUC and DOGGR determined that limited injection operations at  
22 the Facility could resume, but imposed provisional restrictions on storage capacity at the Facility.  
23 DOGGR found that the Facility could be safely operated at a maximum pressure of 2,926 pounds  
24 per square inch absolute, which translates into a maximum inventory of working gas of  
25 approximately 68.6 Bcf (approximately 80% of the Facility’s maximum capacity).

26 Also pursuant to SB 380, on February 9, 2017, the CPUC opened a proceeding (Order  
27 Instituting Investigation I.17-02-002) to determine the feasibility of reducing or eliminating the  
28



1 use of the Facility while maintaining safe and reliable service and just and reasonable rates. That  
2 proceeding is ongoing.

3 **SB 801**

4 On October 14, 2017, the State of California enacted SB 801, which requires, in part, that  
5 all moneys collected by the CPUC pursuant to any settlements, abatement orders, fines, or  
6 penalties, pursuant to an administrative enforcement or legal proceeding relating to the well  
7 failure at the Facility, unless restricted by a court for another purpose, shall be deposited into the  
8 "Aliso Canyon Recovery Account," which was created by SB 801. Moneys deposited into the  
9 Aliso Canyon Recovery Account may be allocated, upon appropriation by the Legislature, for  
10 purposes of mitigating impacts on local air quality, public health, and ratepayers resulting from  
11 the well failure at Aliso Canyon.

12 **SB 887**

13 On January 1, 2017, the State of California put into effect SB 887, which directed DOGGR  
14 to promulgate new standards for the design, construction, and maintenance of all gas storage  
15 wells in California to ensure that any integrity concerns with a gas storage well are identified and  
16 addressed before they can become a threat to life, health, property, the climate, or natural  
17 resources. Pursuant to SB 887, DOGGR adopted new safety regulations and standards for  
18 underground gas storage facilities, effective October 1, 2018, which it currently enforces through  
19 a Memorandum of Understanding with the CPUC. DOGGR's new regulations took the place of  
20 emergency regulations that had been in effect since 2016. These new regulations include: well  
21 construction standards specifically for wells that are drilled into an underground gas storage  
22 reservoir; mechanical integrity testing; real-time data-gathering systems; production and  
23 withdrawal through designated production tubing only; standards and specifications for risk  
24 management and emergency response plans for underground gas storage projects; monitoring and  
25 inspection requirements; standards and specifications for project data, including technical  
26 documentation of geologic conditions and well schematics; record retention and management  
27 requirements; and requirements for the decommissioning of an underground gas storage project.

1       **WHEREAS**, in order to avoid continued and protracted litigation, the Parties, defined  
2 below, have entered into an agreement to resolve all Settled Matters, defined below, pursuant to  
3 the terms and conditions set forth in this Consent Decree. The Parties believe that this settlement  
4 is fair and in the public interest.

5       **NOW, THEREFORE**, before the taking of any testimony, without the adjudication of any  
6 issue of fact or law, without waiving any defenses or objections as to subject matter jurisdiction  
7 and with the consent of the undersigned Parties, **IT IS HEREBY ADJUDGED, ORDERED,**  
8 **AND DECREED** as follows:

9       **1. JURISDICTION AND VENUE**

10       1.1 This Court has determined that it has jurisdiction over matters alleged in the  
11 Government Plaintiffs' complaints filed in the Action and the County Action. Specifically, this  
12 Court has determined that it has jurisdiction pursuant to the California Constitution, Article VI,  
13 section 10, California Health and Safety Code section 42403, and California Government Code  
14 section 12607.

15       1.2 Venue is proper in this Court pursuant to California Code of Civil Procedure sections  
16 393, subdivision (a), and 731, California Health and Safety Code section 42403, and California  
17 Government Code section 12607, because the alleged violations of law resolved by this Consent  
18 Decree occurred in the County of Los Angeles. Venue also is proper in this Court pursuant to  
19 California Code of Civil Procedure section 395.5, because SoCalGas' principal place of business  
20 is in the County of Los Angeles.

21       **2. APPLICABILITY**

22       The obligations of this Consent Decree apply to and are binding upon the Government  
23 Plaintiffs and upon SoCalGas, as defined in Section 3.13, below. This Consent Decree constitutes  
24 a full and final resolution of the Settled Matters, as defined in Section 3.12, below.

25       **3. DEFINITIONS**

26       The following definitions, as well as any definitions set forth above, apply to this Consent  
27 Decree in its entirety.

1           3.1    **“Aliso Fund”** shall mean a fund or account known as the Aliso Supplemental  
2   Environmental Project Fund that shall be established and funded pursuant to this Consent Decree  
3   and used to fund certain Supplemental Environmental Projects (SEPs) as specified in Appendix D  
4   (the SEP Agreement).

5           3.2    **“Consent Decree”** or **“Decree”** means this Consent Decree and all appendices  
6   attached hereto (listed in Paragraph 31).

7           3.3    **“Day”** means a calendar day unless expressly stated to be a business day. In  
8   computing any period of time under this Consent Decree, where the last day would fall on a  
9   Saturday, Sunday, or federal or California holiday, the period shall run until the close of business  
10   of the next business day.

11          3.4    **“Effective Date”** shall mean the date upon which this Consent Decree is entered by  
12   the Court.

13          3.5    **“Facility”** shall mean the Aliso Canyon natural gas storage facility, a natural  
14   underground reservoir into which SoCalGas injects natural gas for storage and subsequent  
15   withdrawal, that is located at 12801 Tampa Avenue, Northridge, California, and that is owned  
16   and operated by SoCalGas.

17          3.6    **“Incident”** shall mean the leak of natural gas from Well SS-25 at the Facility that was  
18   discovered by SoCalGas on or about October 23, 2015 and was stopped on February 11, 2016.  
19   DOGGR certified that Well SS-25 was permanently sealed on February 18, 2016.

20          3.7    **“Mitigation Agreement”** shall mean the agreement, attached as Appendix A to this  
21   Consent Decree and incorporated by reference herein, that governs the manner in which  
22   SoCalGas will discharge its Mitigation Obligation under this Consent Decree.

23          3.8    **“Mitigation Contribution”** shall mean SoCalGas’ obligation under Paragraph 6.2(a)  
24   of this Consent Decree to pay TWENTY-SIX MILLION FIVE HUNDRED THOUSAND  
25   DOLLARS (\$26,500,000) in accordance with the Mitigation Agreement.

26          3.9    **“Mitigation Reserve”** shall mean SoCalGas’ obligation under Paragraph 6.2(a) of  
27   this Consent Decree to pay SEVEN MILLION SIX HUNDRED THOUSAND DOLLARS  
28   (\$7,600,000) in accordance with the Mitigation Agreement.

1           3.10 **"Mitigation Obligation"** shall mean SoCalGas' obligation, set forth at Paragraph 6.1  
2 of this Consent Decree, to mitigate 109,000 metric tons of methane emissions in accordance with  
3 and pursuant to the terms of the Mitigation Agreement.

4           3.11 **"Parties"** shall mean SoCalGas; the People of the State of California, by and through  
5 the Attorney General, CARB, the City Attorney, and County Counsel; and the County of Los  
6 Angeles.

7           3.12 **"Settled Matters"** shall mean, only as to the Parties to this Consent Decree: (a) each  
8 cause of action and claim for relief in the Action and the County Action and any directive, cause  
9 of action, or claim for relief against the Released Parties that the Government Plaintiffs brought  
10 or could have brought arising from or related to the Incident or the allegations in the Action and  
11 the County Action at the time they were filed; (b) the claims and directives brought by the County  
12 against DOGGR, the CPUC, and SoCalGas in the County Petition, including the MJOP Appeal;  
13 and (c) the claims brought by SoCalGas against the County, including the County Department of  
14 Public Health, in the SoCalGas Petition and the Federal Action, including the Ninth Circuit  
15 Appeal insofar as it applies to the County (and without effect as to other parties to the Ninth  
16 Circuit Appeal). Settled Matters shall not be construed to impair the Attorney General's ability to  
17 bring, or SoCalGas' ability to oppose, an action on behalf of any state agency not a party to this  
18 Consent Decree.

19           3.13 **"SoCalGas"** shall mean (a) the Southern California Gas Company and any wholly-  
20 owned subsidiaries; and (b) the respective officers, directors, shareholders, affiliates, agents,  
21 principals, employees, attorneys, successors, and assigns of the persons and entities described in  
22 (a) immediately above.

23           3.14 **"Released Parties"** shall mean SoCalGas and its parent, Sempra Energy, and Sempra  
24 Energy's wholly owned subsidiaries, and respective officers, directors, shareholders, affiliates,  
25 agents, principals, employees, attorneys, successors, and assigns of the persons and entities  
26 described above.

27           3.15 **"Well SS-25"** shall mean the Standard Sesnon-25 injection well at the Facility (API  
28 03700776).



1           3.16 "WSOC" shall mean the Aliso Canyon Well and Storage Operations Safety  
2 Committee.

3       **4. INJUNCTIVE TERMS**

4           4.1 Methane Monitoring

5           (a) SoCalGas shall maintain the Aliso Canyon Website that will make available to the  
6 public, in near real-time, the fenceline methane-monitoring data collected by SoCalGas at the  
7 Facility. SoCalGas shall continue to collect fenceline methane-monitoring data and make this data  
8 available to the public on the Aliso Canyon Website for a minimum of eight (8) years after the  
9 Effective Date.

10          (b) For the duration of this methane monitoring obligation, if the fenceline monitors  
11 detect methane concentrations in excess of 25 parts per million (ppm) averaged over any thirty  
12 (30) minute period, SoCalGas shall provide public notice of such detection(s) on the Aliso  
13 Canyon Website and post a general explanation of SoCalGas' understanding of the cause of the  
14 detection(s) and the response action(s), if any, to be taken. Within fifteen (15) days of the date of  
15 such detection(s), SoCalGas shall notify the Government Plaintiffs of the detection(s) and  
16 response action(s), if any, taken or to be taken, and shall notify the Government Plaintiffs that  
17 SoCalGas posted this information on the Aliso Canyon Website.

18          (c) For the duration of this methane monitoring obligation, SoCalGas shall submit  
19 quarterly monitoring reports to the Government Plaintiffs that identify each time during the  
20 quarterly reporting period that the results of fenceline methane monitoring detected methane  
21 concentrations in excess of 10 ppm averaged over any thirty (30) minute period. Such reports  
22 shall also identify the cause of the detection(s), if known, and the applicable response action(s), if  
23 any, that were taken by SoCalGas.

24          (d) The requirements set forth in Paragraphs 4.1(a) through 4.1(c), above, shall be in  
25 addition to, and shall not be construed to preempt, preclude, or satisfy any other laws, rules,  
26 regulations, or orders requiring SoCalGas to maintain a website with certain other information or  
27 otherwise report methane detections.

28

1           4.2   Internal Safety Committee

2           (a)   SoCalGas shall establish a WSOC. The WSOC shall meet at least quarterly for  
3   at least eight (8) years following the Effective Date to review safety issues at the Facility. For  
4   purposes of this requirement, "safety issues" includes, but is not limited to, those relating to well  
5   integrity and maintenance and associated unintended leak prevention, and excludes those relating  
6   to occupational health and safety. The WSOC will include a director of storage, at least two  
7   responsible managers, and at least two field supervisors.

8           (b)   The WSOC shall, among other things:

9           (i)   Review operational safety issues and promote safe operations at the  
10   Facility consistent with applicable laws, rules, regulations, or orders;

11           (ii)   Review Facility-related information, materials, or work product to assess  
12   safety at the Facility;

13           (iii)   Make recommendations to SoCalGas for repairs, improvements, policies  
14   and/or upgrades to the Facility or infrastructure therein;

15           (iv)   Facilitate the role of, and work in cooperation with, the Safety  
16   Ombudsman;

17           (v)   In coordination with the Safety Ombudsman, conduct periodic safety  
18   audits or safety-related Strengths, Weaknesses, Opportunities, Threats ("SWOT") analyses of the  
19   Facility; and

20           (vi)   Review CPUC and DOGGR audit reports of the Facility.

21           4.3   Safety Ombudsman

22           (a)   SoCalGas shall select and retain a third-party subsurface gas storage industry  
23   expert who shall act as safety ombudsman for the Facility (the "Safety Ombudsman"). SoCalGas'  
24   selection for Safety Ombudsman shall be subject to the approval of the Government Plaintiffs,  
25   which approval shall not be unreasonably withheld. The Safety Ombudsman shall be supported  
26   by a staff, as necessary, to accomplish the tasks required hereunder. SoCalGas shall retain the  
27   Safety Ombudsman and fund the activities of the Safety Ombudsman for at least eight (8) years  
28   from the Effective Date.

1 (b) The Safety Ombudsman shall, among other things:  
2 (i) Participate in all WSOC meetings;  
3 (ii) Have access to all non-privileged materials, information, records, and  
4 work product in SoCalGas' possession, custody, or control necessary to accomplish the tasks  
5 required hereunder, including materials, information, records, and work product that is in  
6 SoCalGas' possession as a subsidiary of Sempra Energy relating to the Facility. SoCalGas shall  
7 not unreasonably deny access to such information requested by the Ombudsman, nor shall it  
8 withhold information based on a privilege not supported by applicable law;  
9 (iii) Review CPUC and DOGGR audit reports of the Facility;  
10 (iv) Review and evaluate all incidents reported to the public and State and local  
11 agencies pursuant to Paragraph 4.1, above;  
12 (v) Review and advise on the WSOC's efforts, findings, and recommendations for  
13 improvements;  
14 (vi) Serve as a non-exclusive repository for safety-related concerns reported by the  
15 public with respect to the Facility;  
16 (vii) Serve as a point of contact to receive safety complaints or concerns relating to  
17 the Facility from anyone who wishes to remain anonymous, and provide any anonymous reports  
18 of safety concerns to SoCalGas;  
19 (viii) Maintain the confidentiality of the person making any confidentially-made  
20 safety complaints or concerns made by the public relating to the Facility;  
21 (ix) Generate annual reports (the "Annual Reports") that detail the following:  
22 (1) The work of the Safety Ombudsman;  
23 (2) The work of the WSOC;  
24 (3) Recommendations, if any, for improvements related to safety and  
25 prevention of leaks at the Facility.  
26 (x) Provide the Annual Reports to the Attorney General, the City Attorney, County  
27 Counsel, the CPUC, and DOGGR. The Annual Reports shall also be made public via the Aliso  
28 Canyon Website, and the local community shall be provided with an opportunity to comment.



1 The Safety Ombudsman shall schedule at least one public meeting each year wherein the Safety  
2 Ombudsman shall explain and respond to questions regarding the Annual Report(s). If necessary  
3 to address valid concerns regarding confidentiality, security, trade secrets, or any other legally  
4 recognized need for confidentiality, the Safety Ombudsman may produce redacted versions of the  
5 Annual Reports.

6 (c) To ensure continuity, SoCalGas will not terminate the Safety Ombudsman's  
7 contract or replace the Safety Ombudsman except for cause.

#### 8 4.4 Rate Recovery

9 (a) SoCalGas shall not seek rate recovery of, or otherwise pass through to its  
10 customers in any way, any of the following:

11 (i) Penalties paid by SoCalGas to the Attorney General, City, and County as  
12 required by Section 7 of this Consent Decree;

13 (ii) Penalties paid by SoCalGas in connection with the Incident to the District  
14 Attorney and SCAQMD;

15 (iii) The Mitigation Contribution and the Mitigation Reserve as required by  
16 this Consent Decree, as well as any additional monies SoCalGas invests in the Mitigation  
17 Projects, as defined in the Mitigation Agreement;

18 (iv) Payments by SoCalGas for supplemental environmental project(s) as  
19 required by Section 8 of this Consent Decree;

20 (v) Costs paid by SoCalGas for the injunctive provisions as required by  
21 Section 4 of this Consent Decree;

22 (vi) Government agency investigative and/or litigation costs and/or attorneys'  
23 fees paid by SoCalGas pursuant to Section 9 of this Consent Decree; and

24 (vii) Costs associated with the relocation program, home and property  
25 cleaning, and air filtration systems paid by SoCalGas following the Incident.

26 (b) Except as specifically provided in this Consent Decree, nothing in this Consent  
27 Decree shall prohibit SoCalGas from seeking rate recovery for any action taken by SoCalGas  
28 prior to the Effective Date, or any action not specifically required to be performed by this Consent

1 Decree, including actions taken by SoCalGas to comply with CPUC and/or DOGGR regulatory  
2 standards or requirements.

3 **5. PAYMENT OBLIGATION OF SOCALGAS**

4 5.1 SoCalGas shall pay a total of **ONE HUNDRED NINETEEN MILLION FIVE**  
5 **HUNDRED THOUSAND DOLLARS (\$119,500,000)** to resolve the Settled Matters (the "Total  
6 Settlement Payment"). The Total Settlement Payment shall be paid as set forth in Sections 6, 7, 8,  
7 and 9, below, and in Appendices A, B, C, and D hereto, to fund the Mitigation Obligation, the  
8 Mitigation Reserve, civil penalties, Supplemental Environmental Projects ("SEPs"), and costs and  
9 fees incurred by the Government Plaintiffs in investigating the Incident, prosecuting the Action  
10 and County Action, and resolving the claims alleged in the Settled Matters.

11 5.2 All payments required by this Consent Decree, including the Appendices hereto, shall  
12 be made within thirty (30) days of the Effective Date of this Consent Decree. At the time of each  
13 payment made pursuant to Sections 6, 7, 8, and 9, below, and Appendices A, B, C, and D hereto,  
14 SoCalGas shall send an electronic confirmation or copy of each such payment to those  
15 representatives of the Government Plaintiffs identified in Section 19 (Notices), below.

16 **6. METHANE MITIGATION**

17 6.1 SoCalGas shall mitigate at least 109,000 metric tons of methane emissions (the  
18 "Mitigation Obligation") in accordance with and pursuant to the terms of the Mitigation  
19 Agreement.

20 6.2 With respect to the matters addressed in the Mitigation Agreement, notwithstanding  
21 any other provision of this Consent Decree, in the event of a conflict between the terms of the  
22 Mitigation Agreement and the Consent Decree, the terms of the Mitigation Agreement shall  
23 control. The definition of any mitigation-related term in quotation marks below is set forth in the  
24 Mitigation Agreement.

25 (a) Pursuant to the terms of the Mitigation Agreement, SoCalGas will establish a  
26 Mitigation Fund with a "Mitigation Account" and a "Mitigation Reserve Sub-Account" to redress  
27 alleged harm caused by the Incident. SoCalGas shall pay **TWENTY-SIX MILLION FIVE**  
28 **HUNDRED THOUSAND DOLLARS (\$26,500,000)** (the "Mitigation Contribution") into the

1 Mitigation Account and **SEVEN MILLION SIX HUNDRED THOUSAND DOLLARS**  
2 (\$7,600,000) (the "Mitigation Reserve") into the Mitigation Reserve Sub-Account.

3 (b) Pursuant to the terms of the Mitigation Agreement, the Mitigation Contribution  
4 will be invested as loans to finance "Mitigation Projects" sufficient to achieve 109,000 metric  
5 tons of "Mitigation Fund Certified Reductions." When CARB determines that SoCalGas has  
6 accrued sufficient Mitigation Fund Certified Reductions, CARB will issue and file with the Court  
7 the Mitigation Certification.

8 (c) Pursuant to the terms of the Mitigation Agreement, upon CARB's filing of the  
9 Mitigation Certification with the Court, SoCalGas' Mitigation Obligation under Paragraph 6.1 of  
10 this Consent Decree shall be fully discharged.

11 (d) Pursuant to the terms of the Mitigation Agreement, in the event that SoCalGas has  
12 discharged its Mitigation Obligation, the Mitigation Fund is depleted, and the Mitigation Projects  
13 have not achieved 109,000 metric tons of methane emissions reductions, at CARB's request, the  
14 Mitigation Reserve will be transferred to the Mitigation Account to fund "Additional Mitigation  
15 Projects."

16 (e) Pursuant to the terms of the Mitigation Agreement, once the Mitigation Projects have  
17 achieved 109,000 metric tons of methane emissions reductions, at CARB's request, any monies  
18 remaining in the Mitigation Account and the Mitigation Reserve will be transferred to the Aliso  
19 Fund and the Aliso Canyon Recovery Account created by Senate Bill 801.

20 (f) Pursuant to the terms of the Mitigation Agreement, up to \$10 million of loan  
21 repayments of Mitigation Fund monies shall ultimately be transferred to the Aliso Fund, and the  
22 remaining loan repayments of Mitigation Fund monies shall be placed into the Aliso Canyon  
23 Recovery Account created by Senate Bill 801.

24 6.3 The Parties understand and agree that SoCalGas' discharge of its Mitigation  
25 Obligation under this Consent Decree, pursuant to the terms of the Mitigation Agreement,  
26 constitutes the completion of SoCalGas' legal obligation under this Consent Decree to cause full  
27 mitigation of the impact on the climate from the Incident. CARB has determined that the  
28 Mitigation Contribution is at least equal to the amount necessary to reduce the impact on the

1 climate from GHGs by an amount equivalent to the impact on the climate from the GHGs emitted  
2 by the Incident, and is consistent with subdivision (a) of California Public Utilities Code section  
3 972, as established by SB 888, and with the CARB Mitigation Program.

4 6.4 If requested by SoCalGas or the CPUC, CARB shall submit a written statement to the  
5 CPUC in connection with any relevant CPUC proceeding that shall state that SoCalGas'  
6 Mitigation Contribution under Paragraph 6.2 of this Consent Decree is at least equal to the  
7 amount necessary to reduce the impact on the climate from GHGs associated with the Incident,  
8 and that discharge of the Mitigation Obligation constitutes the completion of SoCalGas' legal  
9 obligation under this Consent Decree to cause full mitigation of the impact on the climate from  
10 GHG emissions resulting from the Incident.

11 6.5 The intent and scope of 26 U.S.C. section 162, subdivision (f)(2), as to restitution are  
12 uncertain at the time of entry of this Consent Decree. For purposes of 26 U.S.C. section 162,  
13 subdivision (f)(2)(A)(ii), SoCalGas identifies the amount paid pursuant to this Section 6 for  
14 methane mitigation as restitution for the damage or harm caused by the violations of law alleged  
15 in the Action. For purposes of 26 U.S.C. section 162, subdivision (f)(2)(A)(ii) only, the  
16 Government Plaintiffs do not object. The foregoing shall not be construed to relieve SoCalGas of  
17 the burden to establish that this amount paid constitutes restitution for damage or harm caused by  
18 violation(s) of law, pursuant to 26 U.S.C. section 162, subdivision (f)(2)(A)(i). The foregoing  
19 non-objection by the Government Plaintiffs also shall not be used as evidence that such amount  
20 paid is restitution.

## 21 7. CIVIL PENALTIES

22 SoCalGas shall pay **TWENTY-ONE MILLION DOLLARS (\$21,000,000)** for civil  
23 penalties pursuant to California Business and Professions Code section 17206, California  
24 Government Code section 41700, and California Government Code section 26506 to be  
25 distributed to the Attorney General (on behalf of the People only), City, and County in  
26 accordance with the terms of Appendix B (Disbursement of Penalties to Attorney General, City  
27 Attorney, and County Counsel), attached to this Consent Decree and incorporated by reference  
28 herein.



1     **8.     SUPPLEMENTAL ENVIRONMENTAL PROJECTS**

2             8.1    SoCalGas shall pay **FORTY-FIVE MILLION FOUR HUNDRED THOUSAND**  
3     **DOLLARS (\$45,400,000)** to fund supplemental environmental projects selected by the  
4     Government Plaintiffs in their sole discretion pursuant to the Supplemental Environmental  
5     Projects Agreement (the "SEP Agreement") attached as Appendix D to this Consent Decree and  
6     incorporated by reference herein to redress and to account for alleged harm caused by the Incident  
7     and to further address issues relating to public health and the environment. SoCalGas shall  
8     distribute this money to the County and the Attorney General in accordance with Appendix D of  
9     this Consent Decree (the SEP Agreement).

10            8.2    The SEP Agreement provides for establishment of the Aliso Fund. The Aliso Fund  
11    shall be established by the Attorney General as an interest-bearing Special Deposit Fund. The  
12    Aliso Fund shall be organized solely and exclusively for the purpose of funding supplemental  
13    environmental projects that: (a) address issues relating to protection of public health and the  
14    environment and/or redress alleged harm caused by the Incident; and (b) have been or are  
15    approved pursuant to the terms of the SEP Agreement and any modifications thereto. The Aliso  
16    Fund shall be administered by the Fund Administrator. The Fund Administrator shall have the  
17    powers reasonably necessary to implement the purposes of the Aliso Fund pursuant to this  
18    Consent Decree, including the powers and responsibilities specified in Appendix D hereto (the  
19    SEP Agreement). The Fund Administrator shall have authority to receive monies to be deposited  
20    into the Aliso Fund and disburse monies from the Aliso Fund. The Attorney General or the  
21    Attorney General's delegate shall serve as the Administrator of the Aliso Fund. If the Attorney  
22    General provides the City and County with written notice of intent to resign as Fund  
23    Administrator, the Attorney General, the City, and the County may unanimously appoint a third-  
24    party Fund Administrator in accordance with the procedures in Appendix D (the SEP  
25    Agreement).

26            8.3    Pursuant to Paragraph 8.1 of this Consent Decree and Appendix D hereto (the SEP  
27    Agreement), certain payments shall be placed in the Aliso Fund. All funds transferred into the  
28    Aliso Fund and any interest derived therefrom shall not be considered part of the budget of the

1 Attorney General's Office and in no manner shall supplement or cause any reduction of any  
2 portion of the Attorney General's budget. The details regarding the operation of the Aliso Fund,  
3 including the conditions under which the Fund Administrator shall receive and disburse money  
4 from the Aliso Fund, shall be set forth in the SEP Agreement and any modifications thereto or  
5 documents prepared thereunder.

6 8.4 The intent and scope of 26 U.S.C. section 162, subdivision (f)(2), as to restitution are  
7 uncertain at the time of entry of this Consent Decree. For purposes of 26 U.S.C. section 162,  
8 subdivision (f)(2)(A)(ii), SoCalGas identifies the amount paid pursuant to this Section 8 for  
9 Supplemental Environmental Projects as restitution for the damage or harm caused by the  
10 violations of law alleged in the Action. For purposes of 26 U.S.C. section 162, subdivision  
11 (f)(2)(A)(ii) only, the Government Plaintiffs do not object. The foregoing shall not be construed  
12 to relieve SoCalGas of the burden to establish that this amount paid constitutes restitution for  
13 damage or harm caused by violation(s) of law, pursuant to 26 U.S.C. section 162, subdivision  
14 (f)(2)(A)(i). The foregoing non-objection by the Government Plaintiffs also shall not be used as  
15 evidence that such amount paid is restitution.

16 **9. REIMBURSEMENT OF GOVERNMENT PLAINTIFFS' COSTS AND FEES**

17 SoCalGas shall pay **NINETEEN MILLION DOLLARS (\$19,000,000)** to the Government  
18 Plaintiffs for reimbursement of some of the attorneys' fees, costs of investigation, costs of  
19 litigation, and other costs of enforcement incurred by the Government Plaintiffs in investigating,  
20 prosecuting, litigating, and resolving the claims alleged in the Settled Matters, which shall be  
21 distributed in accordance with the terms of Appendix C of this Consent Decree (Disbursement of  
22 Costs and Fees to Government Plaintiffs).

23 **10. NO ADMISSION**

24 Nothing in this Consent Decree shall be construed as an admission or denial by SoCalGas  
25 of jurisdiction or of any liability whatsoever, or of any fact, or that any action that SoCalGas may  
26 have taken, or failed to take, violates California Civil Code sections 3479 *et seq.*, California  
27 Health and Safety Code sections 41700, 42402 through 42402.2, and 25510, SCAQMD Rule 402,  
28 California Business and Professions Code sections 17200, *et seq.*, California Government Code

1 section 12607, or any other state or federal law, statute, or regulation. SoCalGas expressly makes  
2 no admission or denial, implied or otherwise, that it caused or created a nuisance, whether public  
3 or private, continuing or permanent, relating to the Incident and/or the allegations in the Action or  
4 the County Action.

5 **11. DISMISSAL**

6 SoCalGas shall dismiss and/or withdraw the SoCalGas Petition, the Federal Action insofar  
7 as it applies to the County (and without effect as to the other parties to the Federal Action), the  
8 Ninth Circuit Appeal insofar as it applies to the County (and without effect as to the other parties  
9 to the Ninth Circuit Appeal), and the MJOP Appeal within fifteen (15) days of the Effective Date  
10 of this Consent Decree.

11 **12. EFFECT OF SETTLEMENT/ COVENANT NOT TO SUE AND RELEASE**

12 12.1 The Parties agree that the settlement embodied in this Consent Decree is a fair and  
13 reasonable resolution of the Settled Matters and is in the public interest.

14 12.2 In full and complete settlement, satisfaction, and compromise of all the Government  
15 Plaintiffs' claims, and except as expressly provided in Section 13 of this Consent Decree  
16 (Reservation of Rights), the Government Plaintiffs hereby covenant not to sue and forever release  
17 the Released Parties for the Settled Matters.

18 12.3 In full and complete settlement, satisfaction, and compromise of any of SoCalGas'  
19 possible claims, the Released Parties hereby release any and all claims against the Government  
20 Plaintiffs arising out of, related to, or in connection with the Incident that accrued prior to the  
21 Effective Date.

22 **13. RESERVATION OF RIGHTS**

23 13.1 This Consent Decree shall not be construed as relieving the Released Parties of the  
24 obligation to comply with, or authorizing a violation of, any or all federal, state and local laws,  
25 regulations, permits, or rules with respect to the Facility or at the other underground natural gas  
26 storage facilities owned and/or operated by SoCalGas (Honor Rancho, Playa del Rey, and  
27 Goleta), including rules that require the Released Parties to maintain the confidentiality of certain  
28 information. Compliance with this Consent Decree shall be no defense to any action commenced



1 against either of the Released Parties pursuant to any such laws, regulations, permits, or rules.  
2 The Government Plaintiffs do not, by their consent to the entry of this Consent Decree, warrant or  
3 aver in any manner that compliance with any aspect of this Consent Decree will result in  
4 compliance with any provision of the laws at issue in the Settled Matters or with any other  
5 provisions of federal, state, or local laws, regulations, permits, or rules.

6 13.2 This Consent Decree does not impact any Party's right to participate in the  
7 proceeding pending before the CPUC regarding the future of the Facility or any further CPUC  
8 proceeding regarding the Facility and/or any other underground natural gas storage facilities  
9 owned and/or operated by SoCalGas. However, except as specifically set forth in Paragraph 6.4  
10 of this Consent Decree, the Government Plaintiffs shall take no position before the CPUC  
11 concerning the assessment of penalties against SoCalGas with respect to the Settled Matters.

12 13.3 Each of the Released Parties and Government Plaintiffs reserve, and this Consent  
13 Decree is without prejudice to, all rights, claims, and defenses against each other with respect to  
14 all other matters not expressly included in the Settled Matters, including enforcement of the  
15 Consent Decree or the Mitigation Agreement and sharing of information with any regulatory  
16 agency upon request. Except as specifically provided for herein, nothing in this Consent Decree is  
17 intended nor shall it be construed to preclude any of the Government Plaintiffs, or any state,  
18 county, city, or local agency, department, board or entity, from exercising its authority under any  
19 law, statute, or regulation.

20 13.4 Except as specifically provided for in the Consent Decree or otherwise authorized  
21 under applicable law, this Consent Decree does not limit or affect the rights of any Party against  
22 any third parties not party to this Consent Decree, nor does it limit the rights of third parties, not  
23 party to this Consent Decree, against SoCalGas. This Consent Decree shall not be construed to  
24 create rights in, or grant any cause of action to, any third party not party to this Consent Decree.  
25 The Government Plaintiffs shall not be liable for any injury or damage to any person or property  
26 resulting from any act or omission by SoCalGas in carrying out activities pursuant to this Consent  
27 Decree, nor shall the Government Plaintiffs be held as a party to or guarantor of any contract  
28 entered into by SoCalGas in carrying out the requirements of this Consent Decree.

1           13.5 The failure of the Government Plaintiffs to enforce any provision of this Consent  
2 Decree shall neither be deemed a waiver of such provision nor in any way affect the validity of  
3 this Consent Decree. The failure of the Government Plaintiffs to enforce any such provision shall  
4 not preclude them from later enforcing the same or any other provision of this Consent Decree.  
5 Nothing herein shall limit any rights of the Government Plaintiffs to seek any other relief or  
6 remedies provided by law, or the rights of SoCalGas to defend against any request of the  
7 Government Plaintiffs for such other relief or remedies.

8       **14. PARTIES' COSTS AND FEES**

9           Except as set forth herein, including Section 9 of this Consent Decree, the Parties agree that  
10 each of the Parties shall bear their own attorneys' fees and costs as to the Settled Matters.

11       **15. RETENTION OF JURISDICTION**

12           Pursuant to Section 664.6 of the California Code of Civil Procedure, the Court shall retain  
13 continuing jurisdiction to interpret and enforce the provisions of this Consent Decree and to  
14 address any other matters arising out of or regarding this Consent Decree. The Court shall retain  
15 jurisdiction over the Action and the County Action for the purpose of interpreting and enforcing  
16 the provisions of this Consent Decree.

17       **16. REQUEST FOR EXTENSION OF TIME**

18           16.1 If SoCalGas is unable to perform any activity or submit any document within the time  
19 required under this Consent Decree or any other agreement entered into pursuant to or in  
20 furtherance of this Consent Decree, SoCalGas may, prior to expiration of the time, request from  
21 the Government Plaintiffs an extension of time in writing, provided that extensions of time  
22 requested for obligations or deadlines arising under the Mitigation Agreement shall be controlled  
23 by the terms of the Mitigation Agreement. The extension request shall include a justification for  
24 the delay, including a description of the efforts which were made or are being made to mitigate  
25 the effect of the events requiring an extension request and to minimize the length of the  
26 anticipated delay, and propose a new schedule. All such requests shall be in advance of the date  
27 on which the activity or document is due.  
28

1       16.2 Once the Parties have agreed on a new schedule or one has been ordered by the  
2 Court, SoCalGas shall comply with any and all deadlines as if set forth herein.

3       **17. DISPUTE RESOLUTION**

4       In the event that a dispute arises with respect to any Party's compliance with, or the  
5 interpretation of, any term or provision of this Consent Decree, the Parties will use their best  
6 efforts to resolve the dispute informally, provided that disputes arising under the Mitigation  
7 Agreement shall be controlled by the terms of the Mitigation Agreement and disputes arising  
8 under the SEP Agreement shall be controlled by the terms of the SEP Agreement. In the event  
9 that such dispute cannot be resolved informally after the exhaustion of such good faith efforts, a  
10 Party may move the Court for relief.

11       **18. PUBLIC PARTICIPATION AND ENTRY OF CONSENT DECREE**

12       18.1 This Consent Decree shall be lodged with the Court by the Government Plaintiffs  
13 within three (3) court days of execution by the Parties. Upon lodging, CARB shall open a docket  
14 on its website to solicit comments from the public on the Mitigation Agreement only. The docket  
15 shall be open for thirty-five (35) days. Within twenty-five (25) days of the conclusion of the  
16 public comment period on the Mitigation Agreement, the Government Plaintiffs shall submit a  
17 request for entry of the Consent Decree. This request shall include a summary of the public  
18 comments received by CARB.

19       18.2 The Parties agree to use reasonable efforts to defend this Consent Decree against any  
20 challenge, including but not limited to, opposition to its entry and any appeals relating thereto.

21       **19. NOTICES**

22       19.1 Any and all notices between the Parties provided for or permitted under this Consent  
23 Decree or by law shall be made in writing.

24       19.2 Notices pursuant to this Section shall be sent to the Parties at the following addresses,  
25 or to such other place as may from time to time be specified in a notice to each of the Parties  
26 hereto given pursuant to this Section as the address for service of notice on such Party.

1 As to the Attorney General:

Sarah Morrison  
Supervising Deputy Attorney General  
Environment Section  
Office of the Attorney General  
300 South Spring Street, Suite 1702  
Los Angeles, CA 90013  
Email: sarah.morrison@doj.ca.gov

5  
6 As to CARB:

Ellen Peter  
Chief Counsel  
California Air Resources Board  
1001 I Street  
PO Box 2815  
Sacramento, CA 95814  
Email: Ellen.Peter@arb.ca.gov

10 With copies to the following:

11 Abigail.May@arb.ca.gov  
12 Craig.Segall@arb.ca.gov

13 As to the City:

Jessica Brown  
Environmental Justice and Protection Unit,  
Criminal Branch  
Supervising Attorney  
200 N. Main St., City Hall East, 5th Floor  
Los Angeles, California 90012  
Email: Jessica.Brown@lacity.org

17  
18 As to County Counsel:

Mary C. Wickham, County Counsel  
Jon Scott Kuhn, Acting Assistant County Counsel  
648 Hall of Administration  
500 West Temple Street, 6th Floor  
Los Angeles, California 90012  
Email: skuhn@counsel.lacounty.gov

22 With copies to the following:

23 Skip Miller  
24 Miller Barondess, LLP  
1999 Avenue of the Stars, Suite 1000  
25 Los Angeles, California 90067  
26 Email: smiller@millerbarondess.com  
27  
28

1 As to SoCalGas:

General Counsel  
Southern California Gas Company  
555 West 5th Street, GT21C2  
Los Angeles, CA 90013  
Email: SoCalGasGeneralCounsel@semprautilities.com

4 With copies to the following:

6 James D. Dragna, Esq.  
Morgan, Lewis, & Bockius LLP  
300 South Grand Avenue  
Twenty-Second Floor  
Los Angeles, CA 90071  
Email: jim.dragna@morganlewis.com

10 **20. EFFECTIVE DATE**

11 The Effective Date of this Consent Decree shall mean the date upon which this Consent  
12 Decree is entered by the Court.

13 **21. INFORMATION COLLECTION**

14 The Government Plaintiffs and their representatives shall have the right to obtain from  
15 SoCalGas information reasonably necessary to monitor SoCalGas' compliance with this Consent  
16 Decree.

17 **22. MODIFICATION**

18 This Consent Decree may be modified only by a written agreement signed by all the Parties  
19 and subsequent approval by the Court or on a noticed motion by one or more of the Parties with  
20 subsequent approval by the Court. Modification of the Mitigation Agreement shall be controlled  
21 by the terms of the Mitigation Agreement, attached as Appendix A. Modification of the SEP  
22 Agreement shall be controlled by the terms of the SEP Agreement, attached as Appendix D.

23 **23. SIGNATORIES/SERVICE**

24 23.1 Each of the signatories hereto certifies that he or she is fully authorized to enter into  
25 the terms and conditions of this Consent Decree and to execute and legally bind the Party he or  
26 she represents to this document.

1           23.2 This Consent Decree may be signed in counterparts and shall be binding upon the  
2 Parties hereto as if all of said Parties executed the original hereof. The Parties agree that the  
3 delivery of electronic signatures shall be acceptable and shall for all purposes be deemed to have  
4 the same force and effect as original signatures.

5       **24. SEVERABILITY**

6           If any provision of this Consent Decree (including the Mitigation Agreement and/or any  
7 other agreement entered into pursuant thereto), or application thereof to any person or  
8 circumstance, shall be finally determined by the Court to be invalid or unenforceable to any  
9 extent, the remainder of this Consent Decree, or the application of such provision to persons or  
10 circumstances other than those as to which it is held invalid or unenforceable, shall not be  
11 affected thereby, and such provision of this Consent Decree shall be valid and enforced to the  
12 fullest extent permitted by law.

13       **25. INTEGRATION**

14           This Consent Decree constitutes the final and complete agreement of the Parties hereto with  
15 respect to the subject matter hereof and supersedes all prior or contemporaneous negotiations,  
16 promises, covenants, agreements or representations concerning any matters directly, indirectly or  
17 collaterally related to the subject matter of this Consent Decree. It is the intention of the Parties to  
18 this Consent Decree that it shall constitute an integration of all of their discussions, negotiations,  
19 and agreements with respect to the subject matter of this Consent Decree, and each Party  
20 understands that in the event of any subsequent litigation, controversy or dispute concerning any  
21 of its terms, conditions or provisions, no Party hereto shall be permitted to offer or introduce any  
22 oral or extrinsic evidence concerning any other collateral or oral agreement between the Parties to  
23 challenge the validity of any term or provision of this Consent Decree.

24       **26. CHOICE OF LAWS**

25           Any dispute regarding the interpretation of this Consent Decree or the performance of the  
26 Parties pursuant to the terms of this Consent Decree, including the Appendices attached hereto  
27 and incorporated by reference herein, shall be determined under the laws of the State of  
28 California.



1   **27. NO WAIVER**

2       No waiver by any Party hereto of any provision of this Consent Decree, including the  
3    Appendices attached hereto and incorporated by reference herein, shall be deemed to be a waiver  
4    of any other provision of the Consent Decree or of any subsequent breach of the same.

5   **28. REPRESENTATION**

6       The Parties each acknowledge and warrant that they have been represented by independent  
7    counsel in connection with the prosecution and defense of the Action, the County Action, the  
8    negotiations leading to this Consent Decree, and the drafting of this Consent Decree, and that in  
9    interpreting this Consent Decree, the terms of this Consent Decree shall not be construed either in  
10   favor of or against any Party hereto.

11   **29. FINAL JUDGMENT**

12       Upon the Effective Date, this Consent Decree shall constitute a final judgment of the Court  
13   as to the Government Plaintiffs and SoCalGas with respect to the Settled Matters.

14   **30. PUBLIC INTEREST AND TIMING**

15       The Parties agree and the Court finds that this Consent Decree was negotiated in good faith  
16   and that the payments, injunctive relief, mitigation, projects and covenants and other provisions  
17   contained herein are in the public interest. The Court further finds that time is of the essence for  
18   implementation of this Consent Decree and that it should be entered and implemented without  
19   further delay.

20   **31. APPENDICES**

21       The following Appendices (and any attachments thereto) are attached to and made part of  
22   this Consent Decree as if set forth fully herein:

23       **Appendix A:** Mitigation Agreement by and among SoCalGas, CARB, and the Attorney  
24   General

25       **Appendix B:** Disbursement of Penalties to Attorney General, City Attorney, and County  
26   Counsel

27       **Appendix C:** Disbursement of Costs and Fees to Government Plaintiffs

28       **Appendix D:** Supplemental Environmental Projects (SEP) Agreement



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**ORDER**

It is **SO ORDERED, APPROVED, SIGNED, AND ENTERED** this \_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
**THE HONORABLE LISA HART COLE**

1 FOR THE PEOPLE OF THE STATE OF CALIFORNIA, BY AND THROUGH  
2 ATTORNEY GENERAL XAVIER BECERRA

3  
4 Dated: August 7, 2018

XAVIER BECERRA  
Attorney General of California  
SALLY MAGNANI  
ROBERT W. BYRNE  
Senior Assistant Attorneys General  
SARAH E. MORRISON  
Supervising Deputy Attorney General  
ELIZABETH B. RUMSEY  
Deputy Attorney General

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10 By: Catherine M. Wieman  
11 CATHERINE M. WIEMAN  
12 Deputy Attorney General  
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1 FOR THE CALIFORNIA AIR RESOURCES BOARD

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4 Dated: August 7, 2018

By: 

RICHARD W. COREY  
Executive Officer  
California Air Resources Board

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10 Approved as to form:

11 XAVIER BECERRA  
Attorney General of California  
12 SALLY MAGNANI  
ROBERT W. BYRNE  
13 Senior Assistant Attorneys General  
SARAH E. MORRISON  
14 Supervising Deputy Attorney General  
ELIZABETH B. RUMSEY  
15 Deputy Attorney General

16

17 By: 

CATHERINE M. WIEMAN  
Deputy Attorney General  
*Attorneys for Plaintiff the People of the  
State of California, by and through the  
Attorney General, on behalf of the  
California Air Resources Board*

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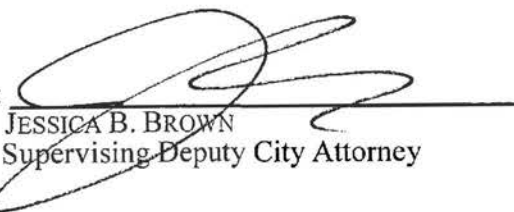
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1 FOR THE PEOPLE OF THE STATE OF CALIFORNIA, BY AND THROUGH THE  
2 CITY ATTORNEY FOR THE CITY OF LOS ANGELES  
3

4 Dated: August 7, 2018

MICHAEL N. FEUER  
City Attorney  
WILFREDO R. RIVERA  
Deputy Chief  
JACLYN ROMANO  
NICK KARNO  
Deputy City Attorneys

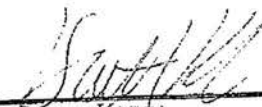
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11 Supervising Deputy City Attorney  
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FOR THE PEOPLE OF THE STATE OF CALIFORNIA, BY AND THROUGH COUNTY  
COUNSEL FOR THE COUNTY OF LOS ANGELES, AND THE COUNTY OF LOS  
ANGELES

Dated: August 7, 2018

MARY C. WICKHAM  
County Counsel

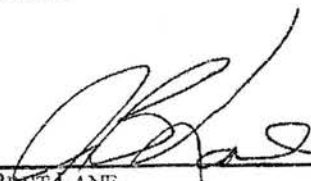
By:   
JON SCOTT KUHN  
Acting Assistant County Counsel



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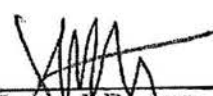
FOR SOUTHERN CALIFORNIA GAS COMPANY

Dated: August 6, 2018

By:   
BRET LANE  
President and Chief Operating Officer  
The Southern California Gas Company

Approved as to form:

MORGAN LEWIS & BOCKIUS LLP  
DAVID L. SCHRADER  
DEANNE L. MILLER  
YARDENA R. ZWANG-WEISSMAN

By:   
JAMES J. DRAGNA  
*Attorneys for Defendant Southern  
California Gas Company*

# **APPENDIX**

## **A**

## APPENDIX A TO CONSENT DECREE

### MITIGATION AGREEMENT

The following Mitigation Agreement is between and among the Southern California Gas Company (“SoCalGas”), the California Air Resources Board (“CARB”), and the Attorney General of the State of California (“Attorney General”) (together, “Parties”).

#### *Introduction and Summary*

The intent of this Introduction and Summary is solely to summarize the terms of this Mitigation Agreement. In the event of a conflict between the language set forth in this Introduction and Summary and the terms and conditions set forth in the numbered sections of this Mitigation Agreement, the latter shall control. Capitalized terms are defined below.

SoCalGas has entered into a Consent Decree with the City of Los Angeles, the County of Los Angeles, the Attorney General, and CARB (together, “Government Plaintiffs”) to resolve legal claims against SoCalGas in connection with the natural gas leak from SoCalGas’s Aliso Canyon Natural Gas Storage Facility in October 2015 (“Consent Decree”). This Mitigation Agreement, which is Appendix A to that Consent Decree, includes the terms governing the discharge of SoCalGas’s “Mitigation Obligation” under the Consent Decree, that is, the obligation to mitigate 109,000 metric tons of methane emissions. This Mitigation Agreement fulfills the requirements from Governor Brown’s January 6, 2016, Emergency Proclamation for SoCalGas to pay for a mitigation program developed by CARB that causes full mitigation, that is limited to projects in California, and that prioritizes projects that reduce short-lived climate pollutants. The Mitigation Projects developed pursuant to this Mitigation Agreement will be dairy-digester biomethane projects, which were proposed in CARB’s March 31, 2016, Aliso Canyon Climate Impacts Mitigation Program and will conform to the Program’s objectives and mandatory project criteria.

Pursuant to the terms set forth below, SoCalGas will establish a Mitigation Fund as a trust. SoCalGas will transfer the Mitigation Contribution required under the Consent Decree to a Mitigation Account opened by the Mitigation Fund and serve as initial Administrator of the Mitigation Fund. The function of SoCalGas’s payment of the Mitigation Contribution is to cause full mitigation of the Aliso Canyon leak; it is not a payment in lieu of penalties to CARB (nor is mitigation a Supplemental Environmental Project). The Mitigation Fund will be managed by a Trustee, who will enter into an administrative services agreement with the Administrator.

The Mitigation Fund will disburse the Mitigation Contribution to support Mitigation Projects. For the First (Mitigation) Project, the Mitigation Fund will provide partial financing, in the form of loans, to the Dairy Projects, organized into three Clusters, which will capture, upgrade, and



***People v. Southern California Gas Company, JCCP No. 4861***  
**Los Angeles Superior Court, Case Nos. BC602973 and BC628120**

inject biomethane into a common carrier pipeline. Taken together, all Clusters included in the First Project are expected to achieve the Mitigation Obligation by mid-2020 and achieve a reduction of at least 109,000 metric tons of methane emissions reductions within ten years of initial operation. In the event it is reasonably determined that the First Project as implemented will not achieve 109,000 metric tons of methane emissions reductions, the Administrator will work with CARB to pursue investment from the Mitigation Fund into one or more Additional Mitigation Projects.

The methane emissions reductions associated with each Mitigation Project supported by the Mitigation Fund will be projected over a ten-year time period starting on the day when such Mitigation Project achieves Commercial Operation and in accordance with the CARB Quantification Protocol. When CARB certifies the Mitigation Projects are collectively projected to achieve at least 109,000 metric tons of methane emissions reductions, CARB will issue and file with the Court a Mitigation Certification, certifying that SoCalGas's Mitigation Obligation under the Consent Decree has been discharged. SoCalGas shall then appoint a successor Administrator to replace SoCalGas. The successor Administrator will administer the Mitigation Fund until 109,000 metric tons of methane emissions reductions are achieved. At the time of the appointment of the successor Administrator, SoCalGas shall automatically cease to be the Administrator or to have any access to or authority over the Mitigation Fund.

At specific milestones set forth in this Mitigation Agreement, the Trustee will transfer funds from the Mitigation Fund, including sums received as repayments of principal and interest from Borrowers, to the Aliso Canyon Recovery Account or to the Aliso Fund. The Administrator may modify the amounts transferred to serve the purposes of this Mitigation Agreement and the Governor's Proclamation to achieve 109,000 metric tons of methane emissions reductions. The successor Administrator will make a final transfer of all monies in the Mitigation Fund to either the Aliso Canyon Recovery Account or the Aliso Fund after 109,000 metric tons of methane emissions reductions are achieved and after all anticipated repayments of principal and interest from Borrowers are received.

**1. Definitions**

Capitalized terms used but not defined in this Mitigation Agreement shall have the meaning ascribed to them in the Consent Decree. In the event of a discrepancy between the definitions in the Consent Decree and in this Mitigation Agreement, the definitions set forth in this Mitigation Agreement shall prevail for purposes of interpreting the Mitigation Agreement.

- a. **"Additional Mitigation Project"** shall mean a project meeting the requirements set forth in, and approved by CARB in accordance with, Section 3.b of this

Mitigation Agreement that causes methane emissions reductions pursuant to this Mitigation Agreement.

- b. **“Additional Mitigation Project Proposal”** shall mean any proposal for an Additional Mitigation Project submitted by the Administrator or any proposal for an Additional Mitigation Project accepted through the public solicitation process set forth in Section 3.b.
- c. **“Administrator”** shall mean the entity that administers the Mitigation Fund in accordance with this Mitigation Agreement, the Mitigation Fund Agreement, and the Loan Agreements. Among other things, the Administrator (or a subcontractor or delegate of the Administrator) will act as the administrative agent under the Loan Agreements. SoCalGas shall be the initial Administrator, followed by a third-party successor Administrator appointed by SoCalGas after SoCalGas achieves its Mitigation Obligation.
- d. **“Administrative Services Agreement”** shall mean the agreement entered into between the Trustee and the Administrator, pursuant to which the Administrator will manage the Mitigation Fund. Such agreement shall meet the conditions set forth in this Mitigation Agreement, including but not limited to those set forth in Sections 2 through 9, below.
- e. **“Aliso Fund”** shall mean the fund or account that will be established and funded pursuant to the Consent Decree and used to fund Supplemental Environmental Projects (“SEPs”) as specified in the SEP Agreement (Appendix D to the Consent Decree).
- f. **“Aliso Canyon Recovery Account”** shall mean the Treasury Account created by Senate Bill (“SB”) 801 (Stats. 2017, ch. 814) that will receive funds from the Mitigation Fund in accordance with this Mitigation Agreement.
- g. **“Annual Emissions Reduction Verification Report”** shall mean a report prepared by a CARB-Accredited Verifier and paid for by the Project Entity, on an annual basis after the IE Operational Certification is issued, that quantifies the methane emissions reductions achieved by a Mitigation Project over the previous year (twelve months) in accordance with the applicable CARB Quantification Protocol.
- h. **“Borrower”** shall mean the borrower of Mitigation Fund moneys under a Loan Agreement.



- i. **“CARB-Accredited Verifier”** shall mean a body accredited by CARB to verify projected greenhouse gas (“GHG”) emissions reductions pursuant to California Code of Regulations section 95978 or approved by CARB for purposes of verifying methane emissions reductions pursuant to this Mitigation Agreement.
- j. **“CARB Quantification Protocol”** shall mean, with respect to a Dairy Project for purposes of Mitigation Certification, the Dairy Digester GHG Emission Reduction Calculator for FY 2016-17 dated May 2, 2017, developed by CARB and, with respect to any other Mitigation Project for purposes of Mitigation Certification or verification, any quantification protocol proposed by the Administrator and approved by CARB and applicable at the time the projected methane emissions reductions are being certified by CARB or verified by a CARB-Accredited Verifier.
- k. **“Cluster”** shall mean a combination of Dairy Project(s) and a Common Facility where the Dairy Project(s) capture and collect biogas and transmit such biogas to the same Common Facility for conditioning into biomethane.
- l. **“Commercial Operation”** shall mean, with respect to a Dairy Project, the condition whereby a Dairy Project is actively capturing and collecting biogas and transferring it to a Common Facility. **“Commercial Operation”** shall mean, with respect to a Common Facility, the condition whereby a Common Facility is actively upgrading, processing and/or conditioning biogas into biomethane for injection into the common carrier pipeline. With respect to any other Mitigation Project, **“Commercial Operation”** shall have the specific meaning set forth in any project-specific Additional Mitigation Project Proposal or Loan Agreement, but shall generally mean that condition whereby the Mitigation Project is operating and causing methane emissions reductions.
- m. **“Common Facility”** shall mean any facility or facilities that gather biogas from a Dairy Project or Dairy Projects in a Cluster; upgrade, process or condition such biogas into biomethane; and/or inject such biomethane into, or interconnect with, the common carrier pipeline.
- n. **“Construction Costs”** shall mean the total funds necessary for the construction of a Mitigation Project, provided that, with respect to the First Project and any similar Mitigation Project, such cost of construction shall be calculated for each Dairy Project individually and the cost of construction shall include a portion of the funds necessary for construction of the applicable Common Facility that are utilized by a Dairy Project.

- o. **“Court”** shall have the meaning set forth in Section 16.e.
- p. **“Dairy Project”** shall mean the facilities that capture and collect biogas at an individual dairy farm for transmission to a Common Facility.
- q. **“First Project”** shall consist of the Dairy Projects and Common Facilities included in (1) the Hanford/Kings County Dairy Cluster, (2) the Tulare County Dairy Cluster, and (3) the Bakersfield/Kern County Dairy Cluster, in each case as described in Section 3.a.i and Exhibit 1, Part 1.
- r. **“Force Majeure”** shall mean any event arising from causes beyond the control of SoCalGas that delays or prevents the performance of any obligation of SoCalGas under this Mitigation Agreement, despite SoCalGas’s reasonable best efforts to fulfill the obligation. “Force Majeure” does not include financial inability.
- s. **“Funding Threshold Requirement”** shall mean the requirement that any Mitigation Project receive at least twenty (20) percent of the Construction Costs of that Mitigation Project (or, in the case of the First Project and any similar Mitigation Project, the Construction Costs of each Dairy Project comprising such Mitigation Project, including the allocated portion of the costs of the Common Facility) from the Mitigation Fund, as set forth in Section 4.a, below.
- t. **“IE Operational Certification”** shall mean the report prepared by the Independent Engineer retained by the Administrator certifying that a Mitigation Project has achieved Commercial Operation.
- u. **“Independent Engineer”** shall mean an engineering firm selected by the Administrator that employs a licensed professional engineer with experience in dairy energy projects.
- v. **“Loan Agreement”** shall mean an agreement between the Mitigation Fund (as lender), a Borrower, the Administrator and any agent parties thereto (e.g., the administrative agent, collateral agent and/or depositary agent) that contains terms and conditions governing the making of loans from the Mitigation Fund to the Borrower to fund a portion of the costs of construction of a Mitigation Project pursuant to this Mitigation Agreement, together with any ancillary agreements entered into in connection therewith (which may include, among other things, a guarantee agreement, a security agreement, a pledge agreement, and a depositary agreement) that the Administrator deems is reasonably necessary to extend credit and secure the interests of the Mitigation Fund in the collateral as described

therein. Any such agreement shall meet the conditions set forth in this Mitigation Agreement, including but not limited to those set forth in Sections 3, 4, 5, and 8, below.

- w. **“Local Rules”** shall mean the civil procedure and other rules governing and applicable to matters before the Superior Court of the State of California, County of Los Angeles.
- x. **“Mitigation Account”** shall mean an account established by the Mitigation Fund with a financial institution to hold the Mitigation Contribution.
- y. **“Mitigation Certification”** shall mean the written notice issued by CARB and filed with the Court that certifies that 109,000 metric tons of Mitigation Fund Certified Reductions have been achieved and SoCalGas has discharged its Mitigation Obligation under the Consent Decree, pursuant to the terms of this Mitigation Agreement.
- z. **“Mitigation Contribution”** shall mean the payment of twenty-six million and five hundred thousand (\$26,500,000.00) made to the Mitigation Fund by SoCalGas in accordance with the Consent Decree and Section 2.c below, which shall be used to effectuate SoCalGas’s Mitigation Obligation and is not accepted in lieu of any penalties.
- aa. **“Mitigation Fund”** shall mean a statutory trust established under Delaware law that will invest the Mitigation Contribution in the Mitigation Projects. SoCalGas shall be the settlor and CARB shall be the beneficiary of the Mitigation Fund on behalf of the public.
- bb. **“Mitigation Fund Agreement”** shall mean the trust agreement between the Trustee and SoCalGas as settlor of the Mitigation Fund that establishes the Mitigation Fund and governs its administration by the Trustee and the Administrator. Such agreement shall meet the conditions set forth in this Mitigation Agreement, including but not limited to those set forth in Sections 2 and 8, below.
- cc. **“Mitigation Fund Certified Reduction”** shall mean the reduction of methane emissions (in metric tons) projected over the 10-year period following the relevant Commercial Operation date, quantified in accordance with the CARB Quantification Protocol and as approved by CARB pursuant to Section 4.f, based on a Projected Emissions Reduction Report for a Mitigation Project, accounting

for any discounting applied pursuant Section 5.g and the schedule set forth in Exhibit 2. With respect to any Dairy Project, Cluster, or Common Facility, only on-site methane emissions reductions attributable to the Mitigation Project shall be eligible for certification.

- dd. **“Mitigation Obligation”** shall mean SoCalGas’s obligation arising under the Consent Decree to mitigate 109,000 metric tons of methane emissions, which obligation shall be discharged in accordance with and pursuant to the terms set forth herein.
- ee. **“Mitigation Project”** shall mean the First Project or any Additional Mitigation Project that:
  - i. Causes methane emissions reductions that are not required by law or regulation and that would otherwise not occur in a business-as-usual scenario;
  - ii. Complies with all terms in this Mitigation Agreement;
  - iii. Receives a loan from the Mitigation Fund in an amount sufficient to satisfy the Funding Threshold Requirement; and
  - iv. Causes methane emissions reductions that are intended to count towards the Mitigation Obligation.
- ff. **“Mitigation Project Proceeds”** shall mean any consideration received by the Mitigation Fund in connection with a loan made to any Mitigation Project, including the payment or repayment of any loan principal, interest, or fees.
- gg. **“Mitigation Reserve”** shall mean the sum of seven million six hundred thousand dollars (\$7,600,000.00) that will be deposited by SoCalGas into a sub-account of the Mitigation Fund (“Mitigation Reserve Account”) in accordance with the Consent Decree, for use, as necessary, towards mitigation, pursuant to Section 6 below. Once 109,000 metric tons of methane emissions reductions have actually been achieved, any funds remaining in the Mitigation Reserve Account shall be transferred to the Aliso Fund in accordance with Section 6.
- hh. **“Project Entity”** shall mean the owner of a Mitigation Project, including a Dairy Project, a Common Facility or a Cluster. The Project Entity may or may not be the same entity acting as the Borrower under a Loan Agreement.



- ii. **“Projected Emissions Reduction Report”** shall mean a report prepared by the Project Entity at the time of the IE Operational Certification that quantifies the estimated Mitigation Fund Certified Reductions associated with a Mitigation Project on an *ex ante* basis (that is, that quantifies the projected methane emissions reductions) in accordance with the CARB Quantification Protocol.
- jj. **“Solicitation Coordinator”** shall have the meaning set forth in Section 2.d.
- kk. **“Trustee”** shall mean a duly licensed, professional trust company selected by SoCalGas and acting solely in its role as the Trustee of the Mitigation Fund.

2. **Mitigation Fund**

- a. Purpose. The Mitigation Fund will support Mitigation Projects for the purpose of reducing methane emissions and enabling SoCalGas to discharge its Mitigation Obligation. All reductions of methane emissions shall be projected over a 10-year time period starting on the date of Commercial Operation of each Mitigation Project in accordance with the CARB Quantification Protocol.
- b. Establishment. SoCalGas shall use commercially reasonable efforts to enter into a Mitigation Fund Agreement with the Trustee to establish the Mitigation Fund within thirty (30) calendar days following the effective date of the Consent Decree. Among other things, the Mitigation Fund Agreement shall include a mechanism for CARB, at the time of appointment of a successor Administrator, to (1) cause Mitigation Project Proceeds or any remaining Mitigation Fund monies to be transferred to an account administered by the successor Administrator, and (2) cause the Mitigation Fund Agreement (and thus the Mitigation Fund) to be terminated, to cause the Mitigation Account to be closed, and/or to cause the Trustee’s obligations thereunder to otherwise be terminated.
- c. Mitigation Contribution. Within five (5) calendar days following the establishment of the Mitigation Fund, SoCalGas shall transfer or deposit the Mitigation Contribution to the Mitigation Account opened by the Mitigation Fund.
- d. Administration. The Mitigation Fund Agreement shall provide that the Trustee shall enter into an Administrative Services Agreement with SoCalGas, as initial Administrator of the Mitigation Fund, pursuant to which the SoCalGas shall manage the Mitigation Fund in accordance with this Mitigation Agreement until the Mitigation Obligation has been discharged. After CARB has filed the



Mitigation Certification with the Court, SoCalGas shall appoint a third party, subject to CARB's approval (which shall be provided as soon as practicable and shall not be unreasonably withheld) to serve as the successor Administrator of the Mitigation Fund. Upon such appointment of the successor Administrator, SoCalGas shall automatically cease (1) to be the Administrator and, if applicable, the administrative agent under the Loan Agreements, and (2) to have any access to or authority over the Mitigation Fund.

The successor Administrator shall manage the Mitigation Fund in accordance with this Mitigation Agreement until all Mitigation Project Proceeds and the Mitigation Reserve have been transferred out of the Mitigation Account in accordance with Section 6. In the event that a public solicitation is conducted to identify and select Additional Mitigation Projects pursuant to Section 3.b.vi, the successor Administrator shall also cause the Mitigation Fund to retain an independent, reasonably qualified third party consultant, engineer or other expert (a "Solicitation Coordinator") to conduct such solicitation in accordance with this Mitigation Agreement.

- e. Mitigation Fund Operations. The Mitigation Fund shall enter into Loan Agreements with Borrowers to lend funds for any Mitigation Project in accordance with the Consent Decree and this Mitigation Agreement.
- f. Discharge of Mitigation Obligation. When the aggregate Mitigation Fund Certified Reductions from all Mitigation Projects is equal to or exceeds 109,000 metric tons, CARB shall promptly, and in any event within thirty (30) calendar days, issue and file with the Court the Mitigation Certification. Upon filing the Mitigation Certification with the Court, SoCalGas's Mitigation Obligation under the Consent Decree and this Mitigation Agreement shall have been discharged and terminated in full.
- g. Loan Proceeds. All Mitigation Project Proceeds received from Borrowers in accordance with the Loan Agreements shall be returned to the Mitigation Account.
- h. Final Transfers of Funds. The Mitigation Fund shall hold the Mitigation Contribution and all Mitigation Project Proceeds in the Mitigation Account; provided that the Mitigation Fund shall transfer such funds to the Aliso Canyon Recovery Account or the Aliso Fund at the times and in the amounts set forth in Section 6 of this Mitigation Agreement.

- i. Successor Mitigation Fund. In the event SoCalGas has appointed a successor Administrator and CARB has caused the Trustee to close the Mitigation Account and transfer remaining funds to a new account administered by the successor Administrator, all references in this Mitigation Agreement to the Mitigation Fund or Mitigation Account shall refer to this new account.

**3. Mitigation Projects**

**a. First Project**

- i. The Dairy Projects, Common Facilities, and Clusters described in Part 1 of Exhibit 1 to this Mitigation Agreement are the First Project and are intended by the Parties to meet the Mitigation Obligation in full.
- ii. CARB agrees that the First Project meets the conditions of this Mitigation Agreement and that the Mitigation Contribution may be directed to the development of the First Project without any additional approval.
- iii. All projected methane emissions reductions associated with the First Project shall be calculated in accordance with the CARB Quantification Protocol.
- iv. The Mitigation Fund shall enter into Loan Agreements to loan money to fund the Dairy Projects, Common Facilities and Clusters included in the First Project in an amount that meets the Funding Threshold Requirement. Dairy Projects, Common Facilities, and/or Clusters each may be owned and operated by separate entities. Each Loan Agreement may include other ancillary agreements that are necessary and customary for credit facilities of this type. The Borrower may be the Project Entity, an affiliate of the Project Entity, or a legal entity that has contracted directly or indirectly with a Project Entity at the level of a Dairy Project, Common Facility or Cluster.

**b. Additional Mitigation Projects**

- i. Determination of Need for Additional Mitigation Projects to Satisfy the Mitigation Obligation: If the Administrator or CARB reasonably determines that the First Project is unlikely to result in a quantity of Mitigation Fund Certified Reductions sufficient to satisfy the Mitigation Obligation, the Administrator may pursue one or more additional Mitigation Projects in accordance with Sections 3.b.i.1 (for pre-approved

Dairy Projects), 3.b.i.2 (for additional Dairy Projects), or 3.b.i.3 (Additional Mitigation Projects) to achieve methane emissions reductions necessary to satisfy the Mitigation Obligation. The Administrator may also issue a public solicitation for Additional Mitigation Projects pursuant to Section 3.b.vi.

1. Pre-Approved Additional Dairy Project listed in Part 2 of Exhibit 1: The Administrator may select one or more additional Dairy Projects that are listed in Part 2 of Exhibit 1 ("Part 2 Dairy Projects") and connected to a Common Facility included in the First Project, and add such Part 2 Dairy Project(s) to the First Project (or substitute such Part 2 Dairy Project(s) for Dairy Projects already included in the First Project), provided that any such Part 2 Dairy Project(s) (a) meets the Funding Threshold Requirement, (b) requires investment from the Mitigation Account to complete construction, and (c) complies with relevant terms of this Mitigation Agreement, including Sections 4, 5, and 8. The Administrator shall submit to CARB notice of the selection of a Part 2 Dairy Project that includes an explanation of how the Dairy Project meets the Funding Threshold Requirement. A Part 2 Dairy Project shall be deemed approved by CARB and included in the First Project thirty (30) days after the Administrator's submission of notice, unless CARB notifies the Administrator of its reasonable basis for disagreeing that the Funding Threshold Requirement is met. For the avoidance of doubt, Part 2 Dairy Projects approved (or deemed approved) by CARB pursuant to this Section 3.b.i.1 shall become part of the First Project and shall not constitute Additional Mitigation Projects.
2. Additional Dairy Project: The Administrator may select one or more additional Dairy Projects that are similar to those described in Exhibit 1 and connected to a Common Facility included in the First Project, and add such additional Dairy Project(s) to the First Project (or substitute such additional Dairy Project(s) for Dairy Projects already included in the First Project), provided that any such additional Dairy Project(s) (a) meets the Funding Threshold Requirement, (b) requires investment from the Mitigation Account to complete construction, and (c) complies with relevant terms of this Mitigation Agreement, including Sections 4, 5, and 8. The Administrator shall submit to CARB an explanation of how a selected additional Dairy Project meets the requirements (a)-(c) above. The Administrator may not proceed with an additional Dairy Project pursuant to this Section 3.b.i.2 without the express



approval of CARB, which approval shall be provided as soon as practicable and shall not be unreasonably withheld. If CARB does not either approve such a project or provide, in writing, a reasonable explanation for withholding such approval within sixty (60) calendar days of the Administrator's request, the project shall be deemed approved. For the avoidance of doubt, additional Dairy Projects approved (or deemed approved) by CARB pursuant to this Section 3.b.i.2 shall become part of the First Project and shall not constitute Additional Mitigation Projects.

3. Additional Mitigation Project: The Administrator may propose an Additional Mitigation Project that meets the requirements of Section 3.b.iii by submitting to CARB a proposal that contains information set out in Section 3.b.iv. The Administrator may not proceed with an Additional Mitigation Project without the express approval of CARB. CARB shall review the proposal in accordance with Section 3.b.v.
- ii. Determination of Need for Additional Mitigation Projects After the Mitigation Obligation is Satisfied: If, after the Mitigation Obligation has been satisfied, CARB reasonably determines that the existing Mitigation Projects are unlikely to result in or are not resulting in annual verified methane emissions reductions consistent with the Mitigation Fund Certified Reductions associated with them – that is, if actual emissions reductions do not equal projected emissions reductions – CARB may notify the Administrator of the circumstances and the Administrator shall pursue a public solicitation pursuant to Section 3.b.vi to identify and select an Additional Mitigation Project(s).
  - iii. Additional Mitigation Project Requirements. Each Additional Mitigation Project shall comply with the following requirements, unless other requirements are agreed to in writing by CARB and the Administrator:
    1. The project is located in California and causes on-site methane emissions reductions in California.
    2. The project's methane emissions reductions are not otherwise mandated by law or regulation and would not otherwise occur in a business-as-usual scenario.
    3. The project needs support, including debt or equity, from the Mitigation Fund in an amount that satisfies the Funding Threshold

Requirement to implement the activities and construct the facilities that will result in methane emissions reductions.

4. The project falls into one or more of the following categories:
  - a. Generates significant and quantifiable reductions in methane emissions within the agriculture or waste sectors;
  - b. Promotes a more sustainable energy infrastructure by promoting energy efficiency and decreasing reliance on fossil fuels while achieving methane emissions reductions in California; or
  - c. Addresses emissions from methane “hot spots” not presently targeted under federal, state, or local laws.

iv. Proposal Contents. An Additional Mitigation Project Proposal shall include, at a minimum, the following information:

1. A description of the project, including its location, interested parties, the manner in which it will achieve methane emissions reductions, benefits to affected or disadvantaged communities, impact on the environment, and other project information relevant to the project’s ability to achieve the proposed methane emissions reductions;
2. The financial support level and structure necessary to cause the reduction of methane emissions, and justification for the project’s economic viability during the period of operation proposed to generate methane emissions reductions as an Additional Mitigation Project;
3. The timeline for the proposed project construction, operation, and methane emissions reductions;
4. The anticipated annual and cumulative methane emissions reductions associated with the project, relative to standard industry practice and/or as compared to business-as-usual operations at the project;
5. The proposed protocol used to quantify projected methane emissions reductions associated with the project, along with an explanation of how these reductions are real, permanent, additional, and verifiable;



6. The identity of a CARB-Accredited Verifier that shall verify the projected methane emissions reductions associated with the project; and
  7. The cost-effectiveness of the proposed methane emissions reductions.
- v. Proposal Review, Revisions and Acceptance.
1. CARB shall accept or reject the Additional Mitigation Project Proposal by notifying the Administrator in writing within sixty (60) calendar days of the submission of the proposal. CARB shall approve the Additional Mitigation Project Proposal if CARB determines it meets the requirements of Sections 3.b.iii-iv. CARB may reject an Additional Mitigation Project Proposal if CARB reasonably determines the proposed Additional Mitigation Project cannot achieve methane emissions reductions as proposed. (Alternatively, CARB may approve such Additional Mitigation Project with a reduced level of expected methane emissions reductions reasonably determined by CARB.) Any rejection of a proposal shall be in writing and state the basis of the rejection in reasonable detail.
  2. If CARB rejects an Additional Mitigation Project Proposal, the Administrator shall have thirty (30) calendar days from the date of notice of rejection to submit a new or revised proposal to CARB. CARB shall review any new or revised Additional Mitigation Project Proposal in accordance with Section 3.b.v.1.
  3. The Administrator shall have the opportunity to submit three Additional Mitigation Project Proposals in total, including any revised proposals, for each needed Additional Mitigation Project. If CARB rejects three Additional Mitigation Project Proposals, CARB may require the Administrator to pursue the issuance of a public solicitation in accordance with Section 3.b.vi.
- vi. Solicitation. If a competitive solicitation is necessary to identify Additional Mitigation Projects, then the following shall apply:
1. The Administrator or a Solicitation Coordinator shall issue, in consultation with CARB, a public solicitation for Additional Mitigation Project Proposals containing the information described in Section 3.b.iv for Additional Mitigation Projects that meet the requirements described in Section 3.b.iii above. The Administrator

or Solicitation Coordinator, as applicable, may require the submission of project information in addition to that described in Section 3.b.iv. If the solicitation is issued before the Mitigation Obligation is satisfied, the Administrator or Solicitation Coordinator, as applicable, shall issue the solicitation within sixty (60) calendar days of CARB rejecting the last of the Administrator's proposals.

2. The Administrator or Solicitation Coordinator, as applicable, shall review the Additional Mitigation Project Proposals submitted through a public solicitation for compliance with the requirements in Sections 3.b.iii and 3.b.iv. The Administrator or Solicitation Coordinator, as applicable, shall consult with CARB for purposes of technical advice on project-proposal review and selection to ensure selected projects meet the requirements in Sections 3.b.iii and iv. The Administrator or Solicitation Coordinator, as applicable, may select a proposed Additional Mitigation Project to become a Mitigation Project and, in consultation with CARB, decide the amount of Mitigation Fund investment that Mitigation Project shall receive.
  3. If the Administrator or Solicitation Coordinator, as applicable, does not select an Additional Mitigation Project from the submissions received in response to its public solicitation before the Mitigation Obligation is satisfied, the Administrator shall again have the right to submit Additional Mitigation Project Proposals in accordance with Sections 3.b.i-v before CARB may require the issuance of another public solicitation for Additional Mitigation Projects. If the Solicitation Coordinator does not select an Additional Mitigation Project from the submissions received in response to its public solicitation after the Mitigation Obligation is satisfied, the Solicitation Coordinator shall conduct another public solicitation pursuant to this section.
- vii. Selection, Investment, and Requirements: Upon CARB's approval of an Additional Mitigation Project or the selection of an Additional Mitigation Project through a public solicitation process pursuant to Section 3.b.vi, the Administrator shall cause the Mitigation Fund to enter into a Loan Agreement for the Additional Mitigation Project, which shall require the Borrower to comply with relevant terms of this Mitigation Agreement, including Sections 3.c, 4, and 7. If an Additional Mitigation Project is pursued by the Administrator before the Mitigation Obligation is satisfied,

SoCalGas shall be responsible for contributing to the Mitigation Fund the amount necessary to reach the Funding Threshold Requirement for the Additional Mitigation Project, if there are insufficient funds available in the Mitigation Fund; such funds are not to be paid out of the Mitigation Reserve. The Loan Agreement shall be consistent in substance and format with the proposal submitted by the Administrator or selected via the public solicitation process, as applicable.

**4. Limitations on Use of Mitigation Funds**

- a. Monies provided by the Mitigation Fund shall be applied to Mitigation Projects in a manner that meets the Funding Threshold Requirement. Subject to Section 4.d, each Borrower shall be required under the Loan Agreement to not accept or to return any portion of funding or reimbursement from a public grant or program that would cause the applicable Mitigation Project to be unable to comply with the Funding Threshold Requirement.
- b. Funding from the Mitigation Fund shall not be directed to project costs that are paid for by public grants (e.g., the California Department of Food and Agriculture's Dairy Digester Research and Development Program, or any other program funded by the Greenhouse Gas Reduction Fund); that are reimbursed pursuant to Assembly Bill ("AB") 2313 (Stats. 2016, ch. 571); that receive rate-based funding pursuant to SB 1383 (Stats. 2016, ch. 395) as a dairy biomethane pilot project; or that are otherwise paid for by public monies.
- c. Notwithstanding the foregoing, funds provided pursuant to a Loan Agreement may be directed to project costs that are reimbursed subsequently by a public funding source; provided, however, that the Loan Agreement shall require the Borrower to either return such funds to the Mitigation Fund or re-direct such funds to pay for project costs that are not covered by a public funding source. The Loan Agreement shall require the Borrower to show the expected timing and uses of the loan proceeds and any public funding in its itemization of projects costs and to update such information annually or at the reasonable request of the Administrator.
- d. If a Borrower accepts (and does not return within ninety (90) calendar days) funding or reimbursement from a public program in violation of Section 4.a or uses loan proceeds in violation of Section 4.b, CARB may request that the Administrator take any action authorized in the Loan Agreement or at law to obtain any available redress.



- e. The foregoing limitations on use of Mitigation Fund monies shall be set forth in any Loan Agreement.

**5. Methane Emissions Reductions Accounting**

- a. Project Entity Obligations. Each Borrower shall be obligated under the Loan Agreement to cause each applicable Project Entity to comply with the following:
  - i. Notify CARB and the Administrator when the applicable Mitigation Project has achieved Commercial Operation;
  - ii. Prepare and transmit to the Administrator a Projected Emissions Reduction Report; and
  - iii. Provide access to the Mitigation Project and Mitigation Project documentation, and provide assistance, as reasonably requested, to the Administrator, CARB, SoCalGas, the Independent Engineer and the CARB-Accredited Verifier.
- b. IE Operational Certification. The Administrator shall engage an Independent Engineer to issue an IE Operational Certification for each Mitigation Project.
- c. Borrower Coordination. Each Borrower shall be obligated under the Loan Agreement to cause each applicable Project Entity to coordinate in good faith with the Independent Engineer to prepare the IE Operational Certification and the Projected Emissions Reduction Report or to make revisions to the Projected Emissions Reduction Report as reasonably required by the Independent Engineer, the Administrator, or CARB.
- d. Transmission to CARB. The Administrator shall transmit the Projected Emissions Reduction Report and the IE Operational Certification to CARB as soon as reasonably practicable after both documents are complete.
- e. Individual Dairy Projects. For the First Project, the Administrator may satisfy the requirements in Sections 5.a through 5.d regarding preparation of the Projected Emissions Reduction Report and the IE Operational Certification at the level of any individual Dairy Project within the First Project, any Cluster within the First Project, or the entire First Project as long as the IE Operational Certification contains sufficient detail to confirm that each individual component of the First Project is in operation. To the extent it covers more than one Dairy Project, however, the Projected Emissions Reduction Report must include a separate

CARB Quantification Protocol calculation for each Dairy Project and supporting documentation for the inputs and assumptions utilized for each Dairy Project calculation.

- f. CARB Review and Determination. Within sixty (60) calendar days of their submission, CARB shall review the documents submitted pursuant to Section 5.d, to ensure that such quantification is in material compliance with the CARB Quantification Protocol and is based on factually supported inputs and assumptions. CARB may conduct on-site verifications of operations and documentation as necessary and appropriate to make this determination. If CARB reasonably determines the documentation is sufficient, CARB shall approve, in writing, the quantification of Mitigation Fund Certified Reductions set forth in the Projected Emissions Reduction report. If CARB reasonably determines that the quantification does not meet those requirements, CARB may reject the quantification of proposed Mitigation Fund Certified Reductions set forth in the Projected Emissions Reduction Report and send a written justification for its determination with reasonable detail to the Administrator. CARB may also propose an appropriate quantification of Mitigation Fund Certified Reductions based on the materials submitted to CARB or any other information known to CARB. In the event that CARB does not approve or reject the quantification of proposed Mitigation Fund Certified Reductions within sixty (60) calendar days after the submission of documents pursuant to Section 5.d, which sixty (60) calendar day period may be extended by up to an additional sixty (60) calendar days to the extent that CARB, within that time, notifies the Administrator of the need and a reasonable justification for an extension of that deadline, the Mitigation Fund Certified Reductions set forth in the Projected Emissions Reduction Report shall be deemed approved by CARB. In the event that CARB rejects the quantification of Methane Certified Reductions, the Administrator shall have thirty (30) calendar days from the date of receipt of such notice from CARB to correct any deficiency identified by CARB and to submit revised documents pursuant to Section 5.d. Upon receipt of such revised documentation, CARB shall undertake a new review in accordance with this Section 5.f.
- g. Mitigation Obligation Determination. For the purpose of establishing whether SoCalGas has met the Mitigation Obligation pursuant to Section 2.f above, CARB shall count and include 100% of all Mitigation Project Certified Reductions associated with (i) all Dairy Projects comprising the First Project and (ii) any Additional Mitigation Project, provided that the IE Operational Certification



confirms that Commercial Operation of such Dairy Project or Additional Mitigation Project was achieved prior to January 1, 2024. The quantity of Mitigation Project Certified Reductions that will be counted toward the Mitigation Obligation attributable to any Dairy Project, Cluster or Additional Mitigation Project that achieved Commercial Operation on or after January 1, 2024, as confirmed in the applicable IE Operational Certification, shall be adjusted in accordance with the schedule set forth in Exhibit 2.

- h. Annual Emissions Reduction Verification Report. Each Borrower shall be obligated under the Loan Agreement to require each applicable Project Entity to prepare and submit to CARB and the Administrator an Annual Emissions Reduction Verification Report for the applicable Mitigation Project and any other information reasonably requested by the Administrator or CARB by March 1 of each year following Commercial Operation during the period for which the Mitigation Project's methane emissions reductions are attributed to certified Mitigation Fund Certified Reductions.
- i. Ongoing Review: CARB shall have authority to verify that a Mitigation Project and/or the Administrator are in compliance with the terms of this Mitigation Agreement or other relevant agreement, including that the Project is consistent with information submitted in reports to the IE Operational Engineer, the Administrator, the CARB-Accredited Verifier, and to CARB, and that the Mitigation Project is otherwise achieving mitigation in the manner and amount reported to CARB.
- j. Loan Agreement Remedy. Where CARB reasonably determines that a Borrower has breached the terms of the Loan Agreement or has submitted false or materially misleading information in any submission to CARB, the Administrator, or a CARB-Accredited Emission Verifier, CARB may request that the Administrator take any action authorized in the Loan Agreement or at law to obtain any available relief.

**6. Transfer of Funds**

- a. Within ten (10) calendar days following the date that is five (5) years after submission of the Mitigation Certification to the Court, the Mitigation Fund shall hold or transfer all Mitigation Project Proceeds contained in the Mitigation Fund as follows:
  - i. One-third shall remain in the Mitigation Fund;

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- ii. One-third shall be transferred to the Aliso Canyon Recovery Account; and
  - iii. One-third shall be transferred to the Aliso Fund.
- b. Within ten (10) calendar days following the date on which CARB determines that the Mitigation Projects have actually reduced 109,000 metric tons of methane, which is expected to be ten (10) years after submission of the final IE Operational Certification, the Mitigation Fund shall hold or transfer all funds contained in the Mitigation Fund as follows:
- i. \$10 million shall be transferred to the Aliso Fund, less the amount transferred pursuant to Section 6.a.iii;
  - ii. The remaining Mitigation Reserve or any Mitigation Project Proceeds from Mitigation Projects that received investment from the Mitigation Reserve shall be transferred to the Aliso Fund;
  - iii. An amount determined by CARB to be necessary to close the Mitigation Fund shall remain in the Mitigation Fund; and
  - iv. All remaining funds not held or transferred in accordance with 6.b.i through 6.b.iii shall be transferred to the Aliso Canyon Recovery Account.
- c. If the Mitigation Fund continues to receive Mitigation Project Proceeds after monies are transferred pursuant to Section 6.b, any such Mitigation Project Proceeds accumulated to date shall be transferred to the Aliso Canyon Recovery Account every twelve (12) months (or more often as deemed appropriate by CARB in consultation with the Administrator).
- d. When all Loan Agreements have terminated and the Administrator does not reasonably expect any contingent liability to arise in connection with the Loan Agreements, the Mitigation Fund shall transfer all remaining funds left in the Mitigation Account to the Aliso Canyon Recovery Account, less any amount necessary to close and terminate the Mitigation Fund.
- e. CARB may modify or cancel the transfers under Sections 6.a. and 6.b as necessary to ensure that there are sufficient monies in the Mitigation Fund to ensure that 109,000 metric tons of methane emissions reductions occurs expeditiously and effectively.

**7. Use of Mitigation Reserve**

- a. The purpose of the Mitigation Reserve is to provide consideration for SoCalGas's right to discharge its Mitigation Obligation in advance of CARB's certifying that 109,000 metric tons of methane emissions reductions have actually been achieved by the Mitigation Projects supported by the Mitigation Fund.
- b. The Mitigation Reserve is only to be used when three conditions are met: (1) SoCalGas has discharged its Mitigation Obligation; (2) the Mitigation Fund is depleted; and (3) the Mitigation Projects have not achieved 109,000 metric tons of methane emissions reductions.
- c. Where the conditions set forth in Section 7.b are met, the Mitigation Reserve shall be used to replenish the Mitigation Fund, which shall continue to be administered by the Administrator to fund Mitigation Projects in accordance with the terms herein.

**8. Reporting**

- a. The Administrator shall notify CARB as soon as reasonably possible after it becomes aware of a modification to a Mitigation Project, its Mitigation Fund investment, or any agreement applicable to the Mitigation Project that will materially affect methane emissions reductions, Mitigation Fund repayments, or compliance with any other term applicable to the Mitigation Project set forth in this Mitigation Agreement. The Administrator shall provide CARB with a justification for the modification.
- b. Each Borrower shall be obligated under the Loan Agreement to require the applicable Project Entity to provide the information below to the Administrator in quarterly reports before the Mitigation Project achieves Commercial Operation and in annual reports thereafter. The Project Entity shall continue to provide annual reports to the Administrator until the methane emissions reductions projected to be achieved by the Mitigation Project have been achieved. The Administrator shall provide CARB access to these reports upon request. The reports to the Administrator shall include:
  - i. The total funds received from the Mitigation Fund to date and in the preceding calendar quarter for a quarterly report or the preceding calendar year for an annual report;

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- ii. The itemization of expenditures paid for using funds received from the Mitigation Fund to date and in the preceding calendar quarter for a quarterly report or the preceding calendar year for an annual report;
  - iii. The amount of funds received from a public program and what project components the funds have been or will be directed to;
  - iv. The payment of principal, interest, and fees made to the Mitigation Fund to date and in the preceding calendar quarter for a quarterly report or the preceding calendar year for an annual report;
  - v. The balance of outstanding loans made from the Mitigation Fund as of the end of the preceding quarter for a quarterly report or the preceding calendar year for an annual report; and
  - vi. The status of any construction and operation or the timeline for any further development of the applicable Mitigation Project.
- c. On a quarterly basis, the Administrator shall prepare and submit to CARB, who will make it available on its public website, the following information about the Mitigation Fund and its activities:
- i. The funds available in the Mitigation Fund;
  - ii. High-level itemization of the use of funds by the Mitigation Fund;
  - iii. A cumulative and calendar year accounting of the amount the Mitigation Fund has paid out from the Mitigation Account and all sub-accounts to any recipient;
  - iv. The payments of principal, interest, and fees received from Mitigation Projects to date, separated by payment type;
  - v. The total Mitigation Fund Certified Reductions quantified to date; and
  - vi. For each Mitigation Project:
    - 1. A description of the Project Entity;
    - 2. A description of the Mitigation Project;
    - 3. The funds already distributed to and yet to be distributed to the Borrower pursuant to the Loan Agreement;



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4. The payments of principal, interest and fees to the Mitigation Fund from the Borrower to date;
  5. The amount and source of public monies received by the Mitigation Project; and
  6. Upon issuance of the IE Operational Certification and CARB's approval of the quantification of the Mitigation Fund Certified Reductions set forth in a Projected Emissions Reduction Report in accordance with Section 5.f above:
    - a. The total amount of Mitigation Fund Certified Reductions calculated for the Mitigation Project; and
    - b. The total amount of methane emissions reductions achieved to date by the Mitigation Project and verified in accordance with Section 5.h above.
  - d. Any submission to CARB pursuant to this Section 8 that the Administrator or the Project Entity deems to include confidential business information or trade secrets shall be marked to identify that claim by the entity.
  - e. If CARB determines that information additional to that specified in Section 8 is necessary to identify whether the Mitigation Agreement is being implemented in accordance with its terms and conditions, CARB shall notify the Administrator, and the Administrator shall agree in writing to supply CARB with the necessary additional information to the extent reasonably possible.
- 9. CARB Right of Review and Approval of Auxiliary Agreements**
- a. Any agreement necessary to achieve the purpose of this Mitigation Agreement, including but not limited to the Administration Services Agreement, any Loan Agreement, and the Mitigation Fund Agreement (but excluding any lease, construction, supply, revenue, operating, or maintenance agreements and any other non-finance-related Mitigation Project documents), shall expressly name CARB as a party to or a third-party beneficiary on behalf of the public of such agreement or otherwise state that CARB shall have the right to enforce the terms of the agreement on behalf of the public.
  - b. Whether or not CARB is a party to any such agreement that is material (excluding any lease, construction, supply, revenue, operating, or maintenance agreements and any other non-finance-related project documents), CARB shall have right of



review and must expressly approve of such agreement before it can be executed by the parties to the agreement, which approval shall not be unreasonably withheld.

**10. Timing**

Time is of the essence in the performance of the Mitigation Obligation.

**11. Force Majeure**

- a. SoCalGas shall use reasonable best efforts to mitigate and promptly address any impacts attributable to a Force Majeure event, so as to minimize any delay or impairment of its ability to fulfill any of its obligations under this Mitigation Agreement.
- b. SoCalGas shall notify CARB within ten (10) working days, in writing, of the date it becomes aware of a Force Majeure event that may delay or prevent the performance of any obligation under this Mitigation Agreement; provided that any failure by SoCalGas to notify CARB of a Force Majeure event within such ten (10) working day period shall not constitute a breach of this Mitigation Agreement and shall result only in a reduction of any extension of time to which SoCalGas otherwise would be entitled on a day-for-day basis for the period of the delay in providing such notice. The written submission shall include appropriate documentation and specify (i) the basis for declaring Force Majeure; (ii) the anticipated duration of the event and associated delay or impairment; and (iii) the efforts that were made or are being made to mitigate the effect of the Force Majeure event and to minimize the length of the anticipated delay or impairment. SoCalGas shall include with any notice all available documentation supporting the claim that the delay or impairment was or will be attributable to Force Majeure.
- c. Failure to comply with the above requirements shall preclude SoCalGas from asserting any claim of Force Majeure for that event for the period of time of such failure to comply, and for any additional delay caused by such failure.
- d. SoCalGas shall be deemed to know of any circumstance about which SoCalGas or any entity controlled by SoCalGas knew or should have known.
- e. In the event SoCalGas is delayed in performing an obligation under this Mitigation Agreement as a result of Force Majeure, then SoCalGas, on written notice to CARB as set forth above, shall be provided a reasonable extension of

time to accommodate any such delay, including a reasonable extension of the dates set forth in Exhibit 2 hereto.

**12. Rate Recovery and Environmental Credits**

- a. As set forth in the Consent Decree, SoCalGas shall not seek rate recovery of, or otherwise pass through to its customers in any way, any payment made by SoCalGas toward the discharge of its Mitigation Obligation, including the Mitigation Contribution and Mitigation Reserve, as well as any additional monies SoCalGas invests in the Mitigation Projects.
- b. Receipt, transfer, and sales of environmental credits shall occur in compliance with applicable laws and regulations.

**13. Modification and Amendment**

After its execution and prior to the termination of SoCalGas's rights and obligations under this Mitigation Agreement pursuant to Section 15 below, this Mitigation Agreement shall be modified or amended solely by agreement of the Parties. Any such modification, and the assent of each party thereto, must be in writing.

**14. Limitations**

- a. SoCalGas (i) shall not retain any ownership or residual interest whatsoever with respect to any Mitigation Fund assets, including but not limited to the Mitigation Contribution made by SoCalGas to the Mitigation Fund pursuant to the terms of the Consent Decree, and (ii) shall not have any liabilities with respect to the Mitigation Fund (to the Administrator or otherwise) other than the funding obligations expressly set forth herein and in the Consent Decree.
- b. The Mitigation Fund and CARB shall have no liability whatsoever to any person or party for any liability of SoCalGas.

**15. Term**

After (1) the aggregate Mitigation Fund Certified Reductions from all Mitigation Projects is equal to or exceeds 109,000 metric tons of methane, (2) CARB has submitted the Mitigation Certification to the Court, and (3) SoCalGas has appointed a successor Administrator, SoCalGas's rights and obligations under this

Mitigation Agreement shall automatically, and without any requirement for further action by any party, be terminated and discharged.

**16. Dispute Mediation and Resolution**

- a. Dispute Resolution. Unless otherwise expressly provided for herein, the dispute resolution procedures of this Section 16 shall be the exclusive mechanism to resolve any dispute between or among the Parties to this Mitigation Agreement.
- b. Informal Dispute Resolution. Any dispute arising in connection with this Mitigation Agreement shall first be the subject of informal negotiations among all Parties. The dispute shall be considered to have arisen when the disputing party sends to the other parties a written notice clearly stating the matter in dispute (the "Notice of Dispute"). The Parties shall meet and confer in an effort to resolve the dispute. If it becomes apparent that the Parties cannot resolve the dispute by informal negotiations, then any party may invoke formal dispute resolution procedures as set forth below.
- c. Formal Dispute Resolution. A party ("disputing party") may invoke formal dispute resolution procedures by serving on the other parties a written statement of position setting forth the relevant facts and legal principals applicable to the matter in dispute (the "Statement of Position"). The Statement of Position shall include, but need not be limited to, any factual data, analysis, or opinion supporting the disputing party's position and any supporting documentation and legal authorities relied upon by the disputing party. Any party or parties opposing the disputing party's position ("opposing party") shall serve its Statement of Position within thirty (30) calendar days of receipt of the disputing party's Statement of Position, which shall also include, but need not be limited to, any factual data, analysis, or opinion supporting the opposing party's position and any supporting documentation and legal authorities relied upon by the opposing party or parties. If the parties are unable to consensually resolve the dispute within thirty (30) calendar days after the opposing party serves its Statement of Position on the disputing party, or earlier, by mutual agreement of all parties to the dispute, any such party may file with the Court a motion for judicial review of the dispute in accordance with the following subparagraph.
- d. Judicial Review. Any party to the dispute may seek judicial review of the dispute by filing with the Court and by serving on the other party or parties to the dispute a motion requesting judicial resolution of the dispute. The motion shall contain a written statement of the moving party's position on the matter in dispute,

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including any supporting factual data, analysis, opinion, documentation, and legal authorities, and shall set forth the relief requested and the proposed timeline within which the dispute must be resolved for orderly administration of the Mitigation Fund. The responding party shall respond to the motion within the time period allowed by the Local Rules of the Court, and the moving party may file a reply memorandum, to the extent permitted by the Local Rules.

- e. Jurisdiction. The Superior Court of the State of California, County of Los Angeles (the “Court”) shall be the sole and exclusive forum for the purposes of enforcing the Mitigation Agreement and resolving disputes thereunder, and CARB and SoCalGas expressly consent to such jurisdiction.

**17. Governing Law**

This Mitigation Agreement shall be governed under the laws of the state of California.

*[Signatures follow]*

***People v. Southern California Gas Company, JCCP No. 4861***  
**Los Angeles Superior Court, Case Nos. BC602973 and BC628120**

Dated: August 7, 2018

XAVIER BECERRA  
Attorney General of California  
SALLY MAGNANI  
ROBERT W. BYRNE  
Senior Assistant Attorneys General  
SARAH E. MORRISON  
Supervising Deputy Attorney General  
ELIZABETH B. RUMSEY  
Deputy Attorney General

By: Catherine M. Wieman  
CATHERINE M. WIEMAN  
Deputy Attorney General

Dated: August \_\_, 2018

CALIFORNIA AIR RESOURCES BOARD

By: \_\_\_\_\_  
RICHARD W. COREY  
Executive Officer

Dated: August \_\_, 2018

SOUTHERN CALIFORNIA GAS COMPANY

By: \_\_\_\_\_  
BRET LANE  
President and Chief Operating Officer



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CATHERINE M. WIEMAN  
Deputy Attorney General

Dated: August 7, 2018

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Supervising Deputy Attorney General  
ELIZABETH B. RUMSEY  
Deputy Attorney General

By: \_\_\_\_\_  
CATHERINE M. WIEMAN  
Deputy Attorney General

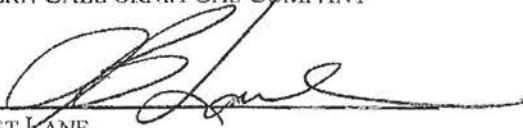
Dated: August \_\_\_, 2018

CALIFORNIA AIR RESOURCES BOARD

By: \_\_\_\_\_  
RICHARD W. COREY  
Executive Officer

Dated: August 6, 2018

SOUTHERN CALIFORNIA GAS COMPANY

By:  \_\_\_\_\_  
BRET LANE  
President and Chief Operating Officer

*People v. Southern California Gas Company*, JCCP No. 4861  
Los Angeles Superior Court, Case Nos. BC602973 and BC628120

Approved as to form:

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Attorney General of California  
SALLY MAGNANI  
ROBERT W. BYRNE  
Senior Assistant Attorneys General  
SARAH E. MORRISON  
Supervising Deputy Attorney General  
ELIZABETH B. RUMSEY  
Deputy Attorney General

By: Catherine M. Wieman  
CATHERINE M. WIEMAN  
Deputy Attorney General  
*Attorneys for Plaintiff the People of the  
State of California, by and through the  
Attorney General, on behalf of the  
California Air Resources Board*

MORGAN LEWIS & BOCKIUS LLP  
DAVID L. SCHRADER  
DEANNE L. MILLER  
YARDENA R. ZWANG-WEISSMAN

By: \_\_\_\_\_  
JAMES J. DRAGNA  
*Attorneys for Defendant Southern  
California Gas Company*

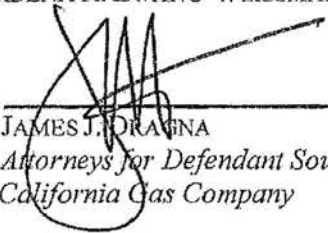
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By: \_\_\_\_\_  
CATHERINE M. WIEMAN  
Deputy Attorney General  
*Attorneys for Plaintiff the People of the  
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YARDENA R. ZWANG-WEISSMAN

By: \_\_\_\_\_  
  
JAMES J. DRAGANA  
*Attorneys for Defendant Southern  
California Gas Company*

**EXHIBIT 1**  
**FIRST PROJECT**

Part 1  
First Project – Dairy Projects

Dairy Project	Cluster	Project Entity	Location	10-Year Estimated CH4 Mitigation Amount (in MT)
[Dairy 1]	[REDACTED]	[REDACTED]	[REDACTED]	9,049
[Dairy 2]	[REDACTED]	[REDACTED]	[REDACTED]	12,186
[Dairy 3]	[REDACTED]	[REDACTED]	[REDACTED]	10,485
[Dairy 4]	[REDACTED]	[REDACTED]	[REDACTED]	15,206
[Dairy 5]	[REDACTED]	[REDACTED]	[REDACTED]	8,867
[Dairy 6]	[REDACTED]	[REDACTED]	[REDACTED]	9,694
[Dairy 7]	[REDACTED]	[REDACTED]	[REDACTED]	14,011
[Dairy 8]	[REDACTED]	[REDACTED]	[REDACTED]	6,346
[Dairy 9]	[REDACTED]	[REDACTED]	[REDACTED]	12,834
[Dairy 10]	[REDACTED]	[REDACTED]	[REDACTED]	5,954
[Dairy 11]	[REDACTED]	[REDACTED]	[REDACTED]	5,505
[Dairy 12]	[REDACTED]	[REDACTED]	[REDACTED]	7,296



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Part 2

First Project – Pre-Approved Additional Dairy Projects

Dairy Farm	Cluster	Digester Entity	Location	10-Year Estimated CH4 Mitigation Amount (in MT)
[Dairy A]	[REDACTED]	[REDACTED]	[REDACTED]	4,761
[Dairy B]	[REDACTED]	[REDACTED]	[REDACTED]	4,840
[Dairy C]	[REDACTED]	[REDACTED]	[REDACTED]	7,199
[Dairy D]	[REDACTED]	[REDACTED]	[REDACTED]	6,660
[Dairy E]	[REDACTED]	[REDACTED]	[REDACTED]	5,412

**EXHIBIT 2**

**MITIGATION DISCOUNTING SCHEDULE**

<b>Mitigation Project Commercial Operation Date Beginning After</b>	<b>Percentage of Mitigation Fund Certified Reductions Counted Toward Satisfaction of the Mitigation Obligation</b>
1/1/2017	100%
1/1/2018	100%
1/1/2019	100%
1/1/2020	100%
1/1/2021	100%
1/1/2022	100%
1/1/2023	100%
1/1/2024	45%
1/1/2025	39%
1/1/2026	33%
1/1/2027	27%
1/1/2028	21%
1/1/2029	15%
1/1/2030	9%
1/1/2031	3%
1/1/2032 (and every year thereafter)	0%

# **APPENDIX**

## **B**

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**APPENDIX B TO CONSENT DECREE**

**Disbursement of Civil Penalties to Attorney General, City Attorney, and County Counsel**

Pursuant to California Government Code section 26506, civil penalties in a civil action brought jointly in the name of the People of the State of California by the Attorney General and any combination of one or more district attorneys or city attorneys shall be paid as approved by the Court.

Pursuant to Section 7 of the Consent Decree resolving the claims of the People of the State of California, by and through the Attorney General (in his individual capacity and on behalf of the California Air Resources Board), the City Attorney for the City of Los Angeles, County Counsel for the County of Los Angeles, and the County of Los Angeles, the Parties, as defined in the Consent Decree, agree that the Southern California Gas Company shall make payments to the Attorney General, City Attorney, and County Counsel as civil penalties as set forth below.

<b>Attorney General's Office</b>	<b>\$7,000,000</b>
<b>Los Angeles City Attorney's Office</b>	<b>\$7,000,000</b>
<b>Los Angeles County Counsel's Office</b>	<b>\$7,000,000</b>
<b>Total Civil Penalties</b>	<b>\$21,000,000</b>

**ATTORNEY GENERAL'S OFFICE:** The Southern California Gas Company shall pay \$7,000,000 as civil penalties to the California Attorney General's Office pursuant to Government Code section 26506, Health and Safety Code sections 41700 and 42400, *et seq.*, and Business and Professions Code section 17200, *et seq.* The check provided for the Attorney General's portion of civil penalties shall be made payable to the "California Department of Justice Litigation Deposit Fund." The check shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973, ProLaw LA2016950003). The check shall be delivered to Sarah Morrison, Supervising Deputy Attorney General, Environment Section, Office of the Attorney General, 300 South Spring Street, Suite 1702, Los Angeles, CA 90013. The money paid to the Attorney General shall be administered by the California Department of Justice and shall be used by the Environment Section of the Public Rights Division of the Attorney General's Office, until all funds are exhausted, for any of the following purposes: (1) implementation of the Attorney General's authority to protect the environment and natural resources of the State of California pursuant to Government Code sections 12600, *et seq.*, and as Chief Law Officer of the State of California pursuant to Article V, section 13, of the California Constitution; (2) enforcement of laws related to the protection of the environment and natural resources of the State of California; (3) enforcement of the Unfair Competition Law, Business and Professions Code sections 17200, *et seq.*, as it relates to protection of the environment and natural resources of the State of California; and (4) other environmental actions or initiatives which benefit the State of California and its citizens, as determined by the Attorney General. Such funding may be used for the costs of the Attorney General's investigation, filing fees and other court costs, payments to expert witnesses and technical consultants, purchase of equipment, laboratory analyses, personnel costs, travel costs, and

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other costs necessary to pursue environmental actions or initiatives investigated or initiated by the Attorney General for the benefit of the State of California and its citizens.

CITY OF LOS ANGELES: The Southern California Gas Company shall pay \$7,000,000 as civil penalties to the Los Angeles City Attorney's Office pursuant to Business and Professions Code sections 17200, *et seq.* The check provided to the Los Angeles City Attorney's Office shall be made payable to the "City of Los Angeles." The check shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973). The check shall be delivered to Jessica B. Brown, Supervising Deputy City Attorney, Environmental Justice and Protection Unit, Los Angeles City Attorney's Office, 200 N. Main St., 5<sup>th</sup> Floor City Hall East, Los Angeles, CA 90012.

COUNTY OF LOS ANGELES: The Southern California Gas Company shall pay \$7,000,000 as civil penalties to the Los Angeles County Counsel's Office pursuant to Business and Professions Code sections 17200, *et seq.* The check provided to County Counsel's Office shall be made payable to the "County of Los Angeles." The check shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC628120). The check shall be delivered to Office of County Counsel, Attn: Scott Kuhn, Acting Assistant County Counsel, 500 W. Temple, Suite 652, Los Angeles, California 90012.



# **APPENDIX**

## **C**

**People v. Southern California Gas Company, JCCP No. 4861  
Los Angeles Superior Court, Case Nos. BC602973 and BC628120**

**APPENDIX C TO CONSENT DECREE**

**Disbursement of Costs and Fees to Attorney General, CARB,  
City Attorney, and County Counsel**

Pursuant to Section 9 of the Consent Decree resolving the claims of the People of the State of California, by and through the Attorney General (in his individual capacity and on behalf of the California Air Resources Board), the City Attorney for the City of Los Angeles, and County Counsel for the County of Los Angeles and on behalf of the County individually, the Parties, as defined in the Consent Decree, have determined that the Southern California Gas Company shall make payments to the Attorney General, the California Air Resources Board, the City Attorney of the City of Los Angeles, and the County of Los Angeles as partial reimbursement of the attorneys' fees, costs of investigation, costs of litigation, and other costs of enforcement incurred by those same entities in investigating, prosecuting, litigating, and resolving the claims alleged in the Settled Matters, as defined in the Consent Decree, as set forth below.

<b>Agency</b>	<b>Total Costs to Agency</b>
Attorney General's Office	\$2,351,503.49
California Air Resources Board	\$1,230,584.52
City of Los Angeles	\$2,835,670.69
County of Los Angeles	\$12,582,241.30
<b>Total</b>	<b>\$19,000,000</b>

**ATTORNEY GENERAL'S OFFICE:** SoCalGas shall pay \$2,351,503.49, to the Attorney General's Office for reimbursement for investigative costs, attorneys' fees, and other enforcement costs incurred in connection with this matter. The check provided for the Attorney General's portion of the fees and costs shall be made payable to the "California Department of Justice Litigation Deposit Fund." The check shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number in this matter (JCCP No. 4861, BC602793, ProLaw LA2016950003). The check shall be delivered to Sarah Morrison, Supervising Deputy Attorney General, Environment Section, Office of the Attorney General, 300 South Spring Street, Suite 1702, Los Angeles, CA 90013. The money paid to the Attorney General shall be administered by the California Department of Justice and shall be used by the Environment Section of the Public Rights Division of the Attorney General's Office, until all funds are exhausted, for any of the following purposes: (1) implementation of the Attorney General's authority to protect the environment and natural resources of the State of California pursuant to Government Code sections 12600, *et seq.*, and as Chief Law Officer of the State of California pursuant to Article V, section 13, of the California Constitution; (2) enforcement of laws related to protection of the environment and natural resources of the State of California; (3) enforcement of the Unfair Competition Law, Business and Professions Code sections 17200, *et seq.*, as it relates to protection of the environment and natural resources of the State of California; and (4) other environmental actions or initiatives which benefit the



**People v. Southern California Gas Company, JCCP No. 4861  
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State of California and its citizens as determined by the Attorney General. Such funding may be used for the costs of the Attorney General's investigation, filing fees and other court costs, payments to expert witnesses and technical consultants, purchase of equipment, laboratory analyses, personnel costs, travel costs, and other costs necessary to pursue environmental actions or initiatives investigated or initiated by the Attorney General for the benefit of the State of California and its citizens.

**CALIFORNIA AIR RESOURCES BOARD:** SoCalGas shall pay \$1,230,584.52 to the California Air Resources Board for reimbursement for investigative costs, attorneys' fees, and other costs incurred in connection with this matter. The check provided to the California Air Resources Board shall be made payable to the "California Air Resources Board." The check shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973), and shall state "To be deposited into the APCF for the settlement" on the memo line. The check shall be delivered to California Air Resources Board, Attn: Accounting, PO Box 1436, Sacramento, CA 95812.

**CITY OF LOS ANGELES:** SoCalGas shall pay in two separate checks (1) \$2,689,366.98 as reimbursement to the City of Los Angeles for work done by the Los Angeles City Attorney's Office for investigative costs, attorney's fees, and for other enforcement, investigation and abatement costs incurred by City of Los Angeles Agencies in connection with the matter; (2) \$20,784.65 as reimbursement to the Los Angeles City Attorney's Office for litigation expenses for enforcement of the Unfair Competition Law, Business and Professions Code section 17200, *et seq.* Both checks shall be made payable to the "City of Los Angeles." The checks shall be provided to the Los Angeles City Attorney's Office and delivered to Jessica B. Brown, Supervising Deputy City Attorney, Environmental Justice and Protection Unit, Los Angeles City Attorney's Office, 200 N. Main St., 5<sup>th</sup> Floor City Hall East, Los Angeles, CA 90012. Each check shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973).

SoCalGas shall also pay \$125,519.06 as reimbursement for work done by Advanced Discovery on behalf of the Los Angeles City Attorney's Office for litigation expenses, specifically an e-discovery platform. Such payment shall be made payable to "Advanced Discovery." The check shall be delivered c/o Jessica B. Brown, Supervising Deputy City Attorney, Environmental Justice and Protection Unit, Los Angeles City Attorney's Office, 200 N. Main St., 5<sup>th</sup> Floor City Hall East, Los Angeles, CA 90012. The check shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973).

**COUNTY OF LOS ANGELES:** SoCalGas shall pay \$12,582,241.30 to the County of Los Angeles as reimbursement for work done by the Los Angeles County Counsel's Office for investigative costs, attorney's fees, and other enforcement costs, and for other enforcement, investigation, and abatement costs incurred by County of Los Angeles Agencies in connection with the matter. The check provided to County Counsel's Office shall be made payable to the "County of Los Angeles." The check shall bear on its face

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the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC628120). The check shall be delivered to Office of County Counsel, Attn: Scott Kuhn, Acting Assistant County Counsel, 500 W. Temple, Suite 652, Los Angeles, California 90012.

# **APPENDIX**

## **D**



**APPENDIX D TO CONSENT DECREE**

**SUPPLEMENTAL ENVIRONMENT PROJECTS (SEP) AGREEMENT**

**1. Introduction and Summary**

The following Supplemental Environmental Projects (“SEP”) Agreement is between and among the Attorney General of the State of California (“Attorney General”), the Los Angeles City Attorney (“LACA”), County Counsel for the County of Los Angeles (“County Counsel”), and the County of Los Angeles (“County”) (together, the “Parties”). The intent of this Introduction and Summary is solely to summarize the terms of this Supplemental Environmental Projects (“SEP”) Agreement. In the event of a conflict between the language set forth in this Introduction and Summary and the terms and conditions set forth in the numbered sections of this SEP Agreement, the latter shall control.

The Southern California Gas Company (“SoCalGas”) has entered into a Consent Decree with the LACA, County Counsel, the County, the Attorney General, and the California Air Resources Board (“CARB”) to resolve legal claims against SoCalGas in connection with the natural gas leak from SoCalGas’ Aliso Canyon Natural Gas Storage Facility (the “Facility”) in October 2015. Pursuant to the Consent Decree, SoCalGas will pay \$45.4 million for SEPs to be selected solely by the Attorney General, the LACA, and the County Counsel in accordance with this SEP Agreement. In accordance with the Mitigation Agreement, \$7.6 million from the “Mitigation Reserve” (plus interest earned and the proceeds associated with its repayment) and up to \$10 million from the Mitigation Project Proceeds may be added to the \$45.4 million, for a total of up to \$63 million available to fund selected SEPs.

This SEP Agreement establishes the Aliso Supplemental Environmental Project Fund, which shall operate as set forth below and pursuant to Fund Guidelines and which shall serve as a repository for the funds described above. This SEP Agreement also identifies the Approved SEPs and the criteria for as-yet unidentified SEPs that will be carried out using these funds. The Fund Guidelines shall be established through a public process following entry of the Consent Decree. Other documents, including SEP Grant Agreements, shall be developed by the Aliso Fund Committee following entry of the Consent Decree.

**2. Definitions**

The following definitions, as well as any definitions set forth above and below, apply to this SEP Agreement in its entirety. Capitalized terms used but not defined in this SEP Agreement shall have the meaning ascribed to them in the Consent Decree and/or Mitigation Agreement. In the event of a discrepancy between the definitions in the Consent Decree and/or Mitigation Agreement and in this SEP Agreement, the definitions set forth in this SEP Agreement shall prevail for purposes of interpreting the SEP Agreement.

2.1 “Aliso Supplemental Environmental Project Fund” (or “Aliso Fund”) shall mean the fund or account that shall be established and funded pursuant to the Consent Decree

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and Section 3.7, below. The purpose of the Aliso Fund is to fund certain SEPs as specified in this Agreement. The Aliso Fund shall be administered by the Fund Administrator.

2.2 **“Aliso Fund Committee”** shall mean the three-person committee with the responsibilities as set forth in Section 3.7(h) below. The Aliso Fund Committee shall be comprised of one representative each from the Attorney General, LACA, and the County Counsel.

2.3 **“Approved SEP”** means the SEP projects identified in Sections 3.1 through 3.6, below.

2.4 **“DTSC”** shall mean the California Department of Toxic Substances Control.

2.5 **“Environmental Justice Community”** shall mean an area identified as a “disadvantaged community” by the California Environmental Protection Agency in its most recent designation pursuant to California Health and Safety Code section 39711, subdivision (a)(1).

2.6 **“Fund Administrator”** shall mean the entity authorized to administer the Aliso Fund, as set forth in Section 3.7(f), below.

2.7 **“Fund Guidelines”** shall mean guidelines established by the Aliso Fund Committee, subject to a public comment process that shall, at a minimum, include standards for the Aliso Fund Committee to use in selecting projects to receive SEP funding.

2.8 **“LAC DHS”** shall mean the Los Angeles County Department of Health Services.

2.9 **“LAC DPH”** shall mean the Los Angeles County Department of Public Health.

2.10 **“Mitigation Agreement”** means the Mitigation Agreement, as defined in the Consent Decree and in Appendix A thereto.

2.11 **“OEHHA”** shall mean the California Office of Environmental Health Hazards Assessment.

2.12 **“SCAQMD”** shall mean the South Coast Air Quality Management District.

2.13 **“SEP Grant Agreement”** shall mean a written agreement between a SEP Recipient and the Aliso Fund Committee whereby the SEP Recipient agrees to comply with the terms established by the Aliso Fund Committee for a SEP receiving funds from the Aliso Fund, specifically including the SEP Fund Recipient Responsibilities set forth herein.

2.14 **“SEP Fund Recipient”** shall mean a recipient of SEP funds allocated under this SEP Agreement.

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**3. Allocation of SEP Funds**

The Attorney General, LACA, and the County Counsel agree that the SEP funds paid by SoCalGas pursuant to the Consent Decree shall be directed to the Aliso Fund, or to another specified SEP Recipient, and ultimately allocated to the specific projects described in Sections 3.1 through 3.6, as set forth below. The Attorney General, LACA, and the County Counsel agree that for SEP Funds not specifically allocated in Sections 3.1 through 3.6, the Aliso Fund SEP funds shall be used to grant funds to environmental projects in accordance with Section 3.7, as set forth below.

**3.1 SEP No. 1: Improvement of Air Quality at Public Schools in Environmental Justice Communities in the City or County of Los Angeles.**

(a) SoCalGas shall pay **SEVEN MILLION ONE HUNDRED THOUSAND DOLLARS (\$7,100,000)** to the Aliso Fund for the purpose of funding SCAQMD's installation of air filtration systems in public schools in Environmental Justice Communities in the City or County of Los Angeles.

(i) SCAQMD shall utilize this funding to install high performance air filtration systems in classrooms and common areas of public schools in Environmental Justice Communities in the Los Angeles Unified School District ("LAUSD") and/or other public school districts serving Environmental Justice Communities in the City or County of Los Angeles. The schools selected shall be those that are heavily impacted by air pollutants, but have not yet received funding for air filtration systems. SCAQMD shall select schools by focusing on reaching the youngest children in the most impacted areas first. SCAQMD shall also attempt to identify schools in Environmental Justice Communities of Los Angeles County where no schools have received funding for school air filtration systems.

(ii) SCAQMD may utilize the funding provided by this SEP to install air filtration systems in selected public schools in Environmental Justice Communities, conduct post-installation testing to verify the performance of the systems and report test results, train school staff on the maintenance of these systems to ensure proper and efficient operation, and provide a five-year supply of replacement filters. SCAQMD may use the funding provided by this SEP to reimburse actual staff costs for preparation of any reports required by the SEP Fund Recipient Responsibilities, the Fund Guidelines, any SEP Grant Agreement, and/or requested by the Aliso Fund Committee, and for reasonable administrative costs, and/or third-party contractor fees incurred by the SCAQMD for implementing this SEP. SCAQMD shall make every effort to keep the costs of administering this SEP low, and in no event shall SCAQMD's costs for administration of this SEP exceed five percent (5%) of the funding provided by this SEP.

(iii) To the extent there remain funds provided by this SEP that are insufficient to pay for installation of another air filtration system, SCAQMD may utilize such funds to purchase additional air filters for the air filtration systems purchased through this SEP or otherwise or combine these funds with other available funds in SCAQMD's "Fund 75" to



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purchase additional air filtration systems, so long as the funds are expended at public schools that meet the criteria set forth in Section 3.1(a)(i), above.

(b) SoCalGas shall make the payment identified in Section 3.1(a) within thirty (30) days of entry by the Court of the Consent Decree. If this payment is made by check, the check shall be made payable to "California Department of Justice" and shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973, ProLaw LA2016950003). SoCalGas shall deliver this payment to: Office of the Attorney General, 300 S. Spring Street, Suite 1702, Los Angeles, California 90013, Attention: Sarah Morrison, Supervising Deputy Attorney General, Environment Section. In the alternative, SoCalGas may request to make this payment by wire transfer. SoCalGas shall provide notice of this payment as required by Section 19 of the Consent Decree.

(c) The Attorney General shall cause the payment to be deposited into the Aliso Fund, earmarked only for expenditure as set forth in this Section.

(d) The Aliso Fund Committee shall request that SCAQMD agree to the terms of this SEP, as set forth in this SEP Agreement, and the SEP Fund Recipient Responsibilities in Section 3.7(i), below.

(e) Within fifteen (15) days of the date that the Aliso Fund Committee has executed a SEP Grant Agreement with SCAQMD stating that it will comply with the terms of this SEP and the SEP Fund Recipient Responsibilities, and received full and complete information from SCAQMD about SCAQMD's existing "Fund 75", and written instructions on how to deposit these funds into Fund 75, the Aliso Fund Committee will authorize the Attorney General to disburse these funds to SCAQMD for deposit into Fund 75 and use as described above.

**3.2 SEP No. 2: Enhanced Air Monitoring and Environmental Reporting in Porter Ranch and Other Locations in Los Angeles County**

(a) SoCalGas shall pay **THREE MILLION DOLLARS (\$3,000,000)** to the Aliso Fund for development of a Community Air Monitoring Fund that will fund the projects described below. It is anticipated that OEHHA, CARB, and/or SCAQMD will be selected to create this fund and implement the following projects:

(i) The funds from this SEP shall be utilized to develop a real-time air monitoring network and a symptom and incident reporting system in Porter Ranch and the communities surrounding the Facility. Representatives from OEHHA, CARB, and/or SCAQMD, and/or one or more academics experienced in establishing community-based air monitoring programs, will consult with residents of Porter Ranch and neighboring communities to identify monitoring locations and constituents to monitor for, and to establish parameters of any analysis/study that will be conducted utilizing the monitoring results. The air monitoring network shall monitor for, at a minimum, methane, toxic air contaminants (including BTEX compounds), and/or criteria air pollutants. The data collected from the air monitoring network shall be made available to the public in near real-time by publishing the results on a public website to inform

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the community about the quality of, and constituents in, the air. The methane data will supplement the readings being collected by SoCalGas at the fenceline between the Facility and the community of Porter Ranch. The public shall be able to utilize the same website to report local environmental and public health concerns in the communities surrounding the Facility.

(ii) The funds from this SEP also shall be used to develop a real-time air monitoring network and a symptom and incident reporting system in one or more Environmental Justice Communities within the County that does not already have an air monitoring network and/or a symptom and incident reporting system in place. Representatives from OEHHA, CARB, and/or SCAQMD, and/or one or more academics experienced in establishing community-based air monitoring programs, shall identify and prioritize Environmental Justice Communities for receipt of these funds. Non-profit entities, government entities, or academic institutions may apply to receive these funds to implement air monitoring programs that meet the objectives of this SEP. Potential communities shall be reviewed and approved by the Aliso Fund Committee. Once a community is selected, representatives from OEHHA, CARB, and/or SCAQMD, and/or one or more experienced academics, as well as residents of the community, shall work together to identify monitoring locations and constituents to monitor for, and to establish parameters of any analysis/study that will be conducted utilizing the monitoring results. The data collected from the air monitoring network shall be made available to the public in near real-time by publishing the results on a public website to inform the community about the quality of, and constituents in, the air. The public shall be able to utilize the same website to report local environmental and public health concerns in the areas surrounding their community.

(iii) If there are funds from this SEP remaining after compliance with Sections 3.2(a)(i) and (ii), the funds from this SEP also may be utilized for responsive measures to help mitigate the effects of any pollution identified through the air monitoring or public reporting described above. If the air monitoring or public reporting described above reveals that there are elevated levels of pollutants or toxins in the community, State and local agencies may request that either funds provided by this SEP or the Aliso Fund described in Section 3.7, below, be used for such responsive measures. Use of such funds for responsive measures shall be approved by the Aliso Fund Committee in its sole discretion.

(iv) If there are funds from this SEP remaining after compliance with Sections 3.2(a)(i) and (ii), the funds from this SEP may also be used to help SCAQMD implement air monitoring projects in Environmental Justice Communities within the County. In order to request funds, SCAQMD will provide the Aliso Fund Committee with a written request that details the need for the funds, the use of the funds, and the expected benefits of their use. The Aliso Fund Committee shall determine, pursuant to the Fund Guidelines and in its sole discretion, whether such funds may be used in this manner.

(b) SoCalGas shall make the payment identified in Section 3.2(a) within thirty (30) days of entry by the Court of the Consent Decree. If this payment is made by check, the check shall be made payable to "California Department of Justice" and shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973, ProLaw LA2016950003). SoCalGas shall deliver this payment to: Office of the Attorney General, 300 S. Spring Street, Suite 1702, Los Angeles,



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California 90013, Attention: Sarah Morrison, Supervising Deputy Attorney General, Environment Section. In the alternative, SoCalGas may request to make this payment by wire transfer. SoCalGas shall provide notice of this payment as required by Section 19 of the Consent Decree.

(c) The Attorney General shall cause this payment to be deposited into the Aliso Fund, earmarked only for expenditure as set forth in this Section.

(d) The Aliso Fund Committee shall select the recipient(s) for these SEP funds. The Aliso Fund Committee shall request written agreement from each selected SEP Fund Recipient(s) that it will comply with the terms of this SEP, as set forth in this SEP Agreement, and the SEP Fund Recipient Responsibilities in Section 3.7(i), below.

(e) Within fifteen (15) days of the date that any selected recipient of these funds has executed a SEP Grant Agreement stating, among other things, that it will comply with the terms of this SEP and the SEP Fund Recipient Responsibilities in Section 3.7(i), below, and has provided written notice of where the funds should be sent, the Aliso Fund Committee will authorize the Attorney General to disburse these funds to such SEP Fund Recipient.

**3.3 SEP No. 3: Los Angeles Breathmobile**

(a) SoCalGas shall pay **TWO MILLION DOLLARS (\$2,000,000)** to the County to purchase, or help subsidize the purchase of, up to three (3) new electric Breathmobile mobile asthma clinics and related infrastructure for use by the LAC+USC Breathmobile Program in the areas that are most heavily impacted by air pollution. Such vehicles and infrastructure shall be purchased using all available State and local subsidies and incentives, including but not limited to incentives available through CARB's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) program; these SEP funds shall be used for the remainder of the purchase price of the vehicles and infrastructure.

(b) SoCalGas shall make the payment identified in Section 3.3(a) within thirty (30) days of entry by the Court of the Consent Decree. SoCalGas shall direct this payment to "County of Los Angeles" and shall deliver this payment to: Office of County Counsel, Attn: Scott Kuhn, Acting Assistant County Counsel, 500 West Temple Street, Suite 652, Los Angeles, California 90012. SoCalGas shall provide notice of this payment as required by Section 19 of the Consent Decree.

(c) LAC DHS shall cause the payment to be deposited into an interest-bearing escrow account, earmarked only for expenditures as set forth in this Section. The vendor selected by LAC DHS to provide electric Breathmobiles and related infrastructure shall provide LAC DHS with invoices relating to such purchases and shall provide all documentation supporting such invoices to LAC DHS. LAC DHS shall review the invoices for reasonableness and pay the invoices out of its General Fund and be reimbursed out of the funds held in the interest-bearing escrow account.

(d) As a condition of receiving the SEP payment allocated in this Section, the County agrees to the terms of this SEP, as set forth in this SEP Agreement, and agrees to comply

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with the SEP Fund Recipient Responsibilities in Section 3.7(i), below. The County is not required to execute an additional SEP Grant Agreement for this SEP.

**3.4 SEP No. 4: Purchase of Electric School Buses and Infrastructure for LAUSD and/or School Districts within County of LA**

(a) SoCalGas shall pay **THREE MILLION DOLLARS (\$3,000,000)** to the Aliso Fund for the purpose of purchasing electric school buses and related infrastructure for use in public schools in LAUSD or other school districts within Los Angeles County that serve Environmental Justice Communities that are most heavily impacted by air pollution. Such vehicles and related infrastructure shall be purchased using all available State and local subsidies and incentives, including but not limited to incentives available through CARB's HVIP program; this SEP shall be used for the remainder of the purchase price of the vehicles and related infrastructure. In the event that LAUSD is not interested in purchasing additional electric school buses or conducting additional pilot projects using electric school buses, the Aliso Fund Committee described in Section 3.7(h), below, will work with CARB and SCAQMD to identify other school districts within Los Angeles County that would like to purchase electric buses and provide grants of these funds for this purpose.

(b) SoCalGas shall make the payment identified in Section 3.4(a) within thirty (30) days of entry by the Court of the Consent Decree. If this payment is made by check, the check shall be made payable to "California Department of Justice" and shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973, ProLaw LA2016950003). SoCalGas shall deliver this payment to: Office of the Attorney General, 300 S. Spring Street, Suite 1702, Los Angeles, California 90013, Attention: Sarah Morrison, Supervising Deputy Attorney General, Environment Section. In the alternative, SoCalGas may request to make this payment by wire transfer. SoCalGas shall provide notice of this payment as required by Section 19 of the Consent Decree.

(c) The Attorney General shall cause the payment to be deposited into the Aliso Fund, earmarked only for expenditure as set forth in this Section.

(d) The Aliso Fund Committee shall select the recipient(s) of these SEP funds. The Aliso Fund Committee shall request agreement from each selected SEP Fund Recipient(s) that it will comply with the terms of this SEP, as set forth in this SEP Agreement, and the SEP Fund Recipient Responsibilities in Section 3.7(i), below.

(e) Within fifteen (15) days of the date that each selected recipient(s) of these funds has executed a SEP Grant Agreement stating, among other things, that it will comply with the terms of this SEP and the SEP Fund Recipient Responsibilities in Section 3.7(i), below, and has provided written notice of where the funds should be sent, the Aliso Fund Committee will authorize the Attorney General to disburse these funds to the SEP Fund Recipient(s).

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**3.5 SEP No. 5: Study of Long-Term Health Effects of Exposure to Natural Gas and its Constituents**

(a) SoCalGas shall pay **TWENTY-FIVE MILLION DOLLARS (\$25,000,000)** to the County for the purpose of conducting a study of the long-term effects of exposure to natural gas and its constituents, including but not limited to methane (hereinafter "Health Study" or "Study"). The implementation of the Health Study shall be overseen by LAC DPH, which will work closely with a scientific advisory panel, consisting of identified experts in the field chosen from the California Department of Public Health, OEHHA, SCAQMD, CARB, US EPA, California EPA, and/or LAC DPH, as well as at least one academic experienced in conducting similar long-term health studies (the "Advisory Committee"). The Advisory Committee shall have an odd number of members.

(b) LAC DPH will retain a third party to conduct the Health Study and will consult with the Advisory Committee as part of the solicitation process of that third party. The current estimated cost for startup and the first three years of the Health Study is \$13 million.

(c) The broad goals of the Health Study shall be to contribute to the understanding of the potential short and long-term health impacts of exposure to natural gas and/or the constituents of natural gas. The specific goals of the Health Study shall be determined in advance of the Study by the Advisory Committee.

(d) At the conclusion of the third year of the Study, the Advisory Committee shall conduct a science-based analysis of the Study. The Advisory Committee shall evaluate the merits of continuing the Health Study and estimating how many additional years are warranted by no later than sixty (60) days into the fourth year of the Study. If the Advisory Committee concludes that the Study should be continued, then the Health Study will continue for another year. Such evaluation shall happen every year, with a formal determination whether to continue the Study to be made not more than sixty (60) days into each new year of the Study, until the Study's completion. If at any time the Advisory Committee, in its sole discretion, determines that the Study is not likely to meet the specific goals of the Study, LAC DPH shall cause the remainder of the \$25 million set aside for the Health Study to revert to the Aliso Fund, described in Section 3.7, below.

(e) SoCalGas shall make the payment identified in Section 3.5(a) within thirty (30) days of entry by the Court of the Consent Decree. SoCalGas shall direct this payment to "County of Los Angeles," and shall deliver such payment to: Office of County Counsel, Attn: Scott Kuhn, Acting Assistant County Counsel, 500 W Temple, Suite 652, Los Angeles, California 90012. SoCalGas shall provide notice of this payment as required by Section 19 of the Consent Decree.

(f) LAC DPH shall cause the payment to be deposited into an interest-bearing escrow account, earmarked only for expenditure as set forth above. The third party chosen to conduct the Health Study shall submit monthly invoices to LAC DPH for services rendered, and shall maintain all documentation supporting such invoices for the duration of the Health Study.



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LAC DPH shall review the invoices for reasonableness and pay the invoices out of its General Fund and be reimbursed out of the funds held in the interest-bearing escrow account.

(g) As a condition of receiving the SEP payment allocated in this Section, the County agrees to the terms of this SEP, as set forth in this SEP Agreement, and agrees to comply with the SEP Fund Recipient Responsibilities in Section 3.7(i), below. The County is not required to execute an additional SEP Grant Agreement for this SEP.

(h) If any funds allocated for this SEP are not used for their intended purpose within ten (10) years after disbursement of the funds, the County shall cause all remaining funds to be deposited into the Aliso Fund described in Section 3.7, below.

**3.6 SEP No. 6: Lead-Based Paint Abatement in and around Boyle Heights and Maywood, California**

(a) SoCalGas shall pay **FIVE MILLION TWO HUNDRED THOUSAND DOLLARS (\$5,200,000)** to the County to be used to abate lead-based paint from the interior and exterior of residential structures in and around Boyle Heights and Maywood, California and nearby areas (the "Boyle Heights/Maywood Area"). The homes selected by LAC DPH for lead-based paint abatement must be in a community that has suffered impacts of releases from the now closed Exide Technologies, Inc. lead-acid battery recycling facility in Vernon, California (the "former Exide Facility").

(i) DTSC is conducting a removal action to address lead-contaminated soil outside of approximately 2,500 sensitive land use properties in the neighborhoods surrounding the former Exide Facility. Many of these homes are older homes that have lead-based paint on the exterior and/or interior of the home. LAC DPH has the authority to order an owner of residential property to abate lead-based paint hazards from a residential property. The abatement of lead-based paint hazards is expensive, and many property owners in the Boyle Heights/Maywood Area need assistance to fully abate these hazards. Coordinating efforts will result in cost efficiencies and help to fully address lead hazards at these properties.

(ii) LAC DPH shall utilize the funds from this SEP to retain a contractor to conduct both testing and abatement of lead-based paint on the interior and/or exterior of the selected homes. LAC DPH and this third-party contractor will coordinate with DTSC, DTSC's contractor, and the home residents regarding the abatement of lead-based paint hazards.

(iii) To the extent feasible, the lead-based paint abatement conducted pursuant to this SEP will not in any way impede or hinder DTSC's implementation of its removal action at any property.

(b) SoCalGas shall make the payment identified in Section 3.6(a) within thirty (30) days of entry by the Court of the Consent Decree. SoCalGas shall direct this payment to "County of Los Angeles," and shall deliver this payment to: Office of County Counsel, Attn: Scott Kuhn, Acting Assistant County Counsel, 500 W Temple, Suite 652, Los Angeles,

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California 90012. SoCalGas shall provide notice of this payment as required by Section 19 of the Consent Decree.

(c) LAC DPH shall cause the payment to be deposited into an interest-bearing escrow account, earmarked only for expenditure as set forth in this Section.

(d) The third-party contractor selected by LAC DPH to conduct the lead-based paint abatement shall submit monthly invoices to LAC DPH for services rendered, and shall maintain all documentation supporting such invoices for the duration of the lead-based paint abatement project. LAC DPH shall review the invoices for reasonableness and pay the invoices out of its General Fund and be reimbursed out of the funds held in the interest-bearing escrow account.

(e) As a condition of receiving the payment for this SEP, the County agrees to the terms of this SEP, as set forth in this SEP Agreement, and agrees to comply with the SEP Fund Recipient Responsibilities in Section 3.7(i), below. The County is not required to execute an additional SEP Grant Agreement for this SEP.

(f) If any funds allocated for this SEP are not used for their intended purpose within seven (7) years after disbursement of the funds, the County shall cause all remaining funds to be deposited into the Aliso Fund described in Section 3.7, below.

**3.7 Aliso Supplemental Environmental Project Fund**

(a) **Aliso Fund.** Pursuant to the Consent Decree, an account known as the Aliso Supplemental Environmental Project Fund (the "Aliso Fund") shall be established by the Attorney General as an interest-bearing Special Deposit Fund Account pursuant to California Government Code sections 16370, *et seq.* The Attorney General (or other Fund Administrator) shall receive monies to be deposited into the Aliso Fund and disburse monies from the Aliso Fund pursuant to the Consent Decree and this SEP Agreement. Pursuant to Section 8 of the Consent Decree and this SEP Agreement, certain payments shall be placed into the Aliso Fund.

(b) **Purpose of the Fund.** The Aliso Fund shall be organized solely and exclusively for the purpose of funding SEPs that: (a) address issues relating to protection of public health and/or the environment and/or alleged harm caused by the Incident; and (b) have been or are approved pursuant to the terms of this SEP Agreement. The funds in the Aliso Fund shall be used to fund grants for projects in the South Coast Air Basin for the benefit of the citizens of California, including several of the projects that are described in Sections 3.1 through 3.6, above, and projects that will be approved by the Aliso Fund Committee pursuant to Sections 3.7(g) and (h), below, and the Fund Guidelines. The Aliso Fund Committee also shall use any funds directed to the Aliso Fund pursuant to the Mitigation Agreement (Appendix A to the Consent Decree) to fund grants to projects that cause the reduction of criteria air pollutant emissions, toxic air contaminants, and/or greenhouse gas emissions.

(c) **Fund Guidelines.** The Aliso Fund shall be administered in accordance with guidelines created by the Aliso Fund Committee, which shall be subject to a public comment process and comport with the requirements of this SEP Agreement. The Fund



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Guidelines shall include standards for the Aliso Fund Committee to use in selecting projects to receive SEP funding.

(d) **Fund Deposits.**

(i) In addition to the payments specified above in Sections 3.1, 3.2, and 3.4, SoCalGas shall, within thirty (30) days of entry of the Consent Decree, pay to the California Attorney General the sum of **ONE HUNDRED THOUSAND DOLLARS (\$100,000)**, which sum shall be deposited in the Aliso Fund. If this payment is made by check, the check shall be made payable to "California Department of Justice" and shall bear on its face the case name ("People v. Southern California Gas Company") and the internal docket number for this matter (JCCP No. 4861, BC602973, ProLaw LA2016950003). SoCalGas shall deliver this payment to: Office of the Attorney General, 300 S. Spring Street, Suite 1702, Los Angeles, California 90013, Attention: Sarah Morrison, Supervising Deputy Attorney General, Environment Section. In the alternative, SoCalGas may request to make this payment by wire transfer. SoCalGas can, at its discretion, combine this payment with the payments described in Sections 3.1, 3.2, and 3.4 above, for a total single payment of **THIRTEEN MILLION TWO HUNDRED THOUSAND DOLLARS (\$13,200,000)**.

(ii) The Aliso Fund may also include future contributions pursuant to the Consent Decree and Mitigation Agreement, including:

(1) Mitigation Reserve. To the extent all or part of the \$7.6 million "Mitigation Reserve" sum deposited in the "Mitigation Reserve Sub-Account" (as defined in the Mitigation Agreement) is not used for mitigation under the Mitigation Agreement, any remaining Mitigation Reserve funds, plus any accrued interest, shall be deposited in the Aliso Fund. This deposit, if any, may occur in or after 2031.

(2) Mitigation Project Proceeds. Up to a total of \$10 million of "Mitigation Project Proceeds" held in the "Mitigation Fund" (as defined in the Mitigation Agreement) may be deposited into the Aliso Fund if CARB determines that certain milestones relating to the methane mitigation have been achieved and the funds are no longer needed to achieve full mitigation. Two deposits, if any, may occur: one in 2026, and one in 2031.

(3) Returned SEP Monies. Except as set forth in Sections 3.5 and 3.6, above, any funds allocated for any SEP project that are (1) not allocated by the SEP Recipient for use for their intended purpose by five (5) years after the disbursement, and (2) otherwise not used for the designated SEP, shall be returned to the Fund Administrator by the SEP Fund Recipient and deposited into the Aliso Fund. All SEP Fund Recipients shall agree to this provision as a condition of their receipt of project funding.

(iii) Interest. The Aliso Fund shall also include all interest accrued on monies in the Aliso Fund. As a condition to receipt of SEP funds under this SEP Agreement, all SEP Fund Recipients shall agree that any interest earned and not used for projects shall be deposited or returned into the Aliso Fund.

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**(e) Fund Disbursements.**

(i) Monies from the Aliso Fund shall be used solely and exclusively for the following, and shall be disbursed only within the following parameters.

(1) To fund each of the SEPs identified in Sections 3.1, 3.2, and 3.4, above. Monies allocated in the SEP Agreement for these SEPs shall be reserved in the Aliso Fund until distribution in accordance with the terms of this SEP Agreement.

a. Within fifteen (15) days of the date that the Aliso Fund Committee has entered into a SEP Grant Agreement with each of the SEP Fund Recipients for each of the SEPs described in Sections 3.1, 3.2, and 3.4, above, and received written instructions on where to deposit such funding, the Aliso Fund Committee will provide written notice authorizing the Attorney General to disburse this funding to the SEP Fund Recipient.

(2) To fund grants for additional SEPs selected by the Aliso Fund Committee, in consultation with CARB, based on the Aliso Fund Project Criteria listed in Section 3.7(g), below, and as further specified in the Fund Guidelines. The funding of additional SEPs may only occur after a SEP Fund Recipient has entered into a SEP Grant Agreement.

(3) To reimburse the Attorney General (or other Fund Administrator) for administrative tasks performed for the Aliso Fund, as described in Section 3.7(f), below. For the Attorney General, the amount of reimbursement will be based on the actual hours worked by the Attorney General's Office staff and the hourly rate actually charged by the staff performing the task. The Attorney General's Office shall make every effort to keep the costs of administering the Aliso Fund low.

(4) To reimburse any contractor hired by the Attorney General to perform the functions of the Fund Administrator pursuant to Section 3.7(f)(ii), below. The Aliso Fund Committee shall reimburse any such third party for the reasonable costs of performing Fund Administrator functions.

(ii) The Aliso Fund shall not be used to compensate any member of the Aliso Fund Committee for any time spent carrying out his or her responsibilities, as defined here and in the Fund Guidelines.

(iii) The Fund Guidelines shall specify how funding shall be issued to selected projects.

**(f) Aliso Fund Administrator.**

(i) The Aliso Fund shall be administered by the Fund Administrator. The Fund Administrator shall have the powers reasonably necessary to implement the purposes of the Aliso Fund set forth in the Consent Decree and this SEP Agreement.

(ii) The Attorney General or the Attorney General's delegate shall serve as the Fund Administrator, except in the event a third-party Fund Administrator is



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appointed as provided in Section 3.7(f)(vii), below. The Attorney General's delegate shall serve at the pleasure of the Attorney General. The Attorney General shall notify the County Counsel and LACA in writing of the appointment of any delegate Fund Administrator. The Attorney General may hire a contractor(s) to perform the functions of the Fund Administrator, and the performance of such contractor(s) will be overseen by the Attorney General.

(iii) Within three (3) months of the end of any calendar year, the Fund Administrator shall provide the Aliso Fund Committee with an itemized statement of the costs incurred in administering the Aliso Fund during that year.

(iv) The Fund Administrator shall have authority to accept monies into the Aliso Fund and disburse the monies from the Aliso Fund in accordance with the Consent Decree, this SEP Agreement, the Fund Guidelines, any SEP Grant Agreement(s), and any directives from the Aliso Fund Committee.

(v) The Fund Administrator shall perform, at the expense of the Aliso Fund, administrative tasks as necessary or appropriate to implement the purposes of the Aliso Fund. Such tasks may include, but are not limited to, the following:

(1) Tracking/oversight of individual projects that receive funding from the Aliso Fund;

(2) Tracking/oversight of overall funds, including funds received into and disbursed from and interest accrued on the Aliso Fund;

(3) Preparation of annual reports and posting of the same on the Fund Administrator's website; and

(4) Any other responsibilities identified in the Fund Guidelines.

(vi) The Fund Administrator shall maintain, and present to the Aliso Fund Committee upon request, all documents to substantiate the administrative tasks performed and the reasonable costs thereof while funds are in the Aliso Fund.

(vii) Termination of Fund Administrator. The rights, powers, and duties of the Fund Administrator will terminate when this SEP Agreement terminates.

(viii) Selection and Appointment of Third-Party Fund Administrator. If the Attorney General provides written notice to LACA and the County Counsel of its intent to resign as Fund Administrator, the Aliso Fund Committee shall use their best efforts to unanimously select a third-party Fund Administrator to perform the functions under this Section, subject to unanimous approval by the Attorney General, LACA, and the County Counsel. If the Attorney General, LACA, and the County Counsel are unable to reach agreement on a third-party Fund Administrator, any one member may request that the Court appoint a new Fund Administrator. Upon appointment, the third-party Fund Administrator shall have the powers and duties of the Fund Administrator under this SEP Agreement. Once a third-party Fund Administrator is appointed, the Aliso Fund Committee may authorize the Attorney General to

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transfer all funds remaining in the Aliso Fund Special Deposit Account established in the California Treasury to a new account established by the third-party Fund Administrator and approved by the Attorney General, LACA, and County Counsel.

**(g) Aliso Fund Project Criteria.**

(i) Eligible Projects for funds from the Mitigation Project Proceeds must meet the following criteria:

- (1) Reduce criteria air pollutants<sup>1</sup>, toxic air contaminants<sup>2</sup>, and/or GHG emissions<sup>3</sup>, in the South Coast Air Basin;
- (2) Not directly benefit SoCalGas, Sempra Energy, or subsidiaries of either; and
- (3) Go beyond the requirements of federal, state, and local law.

(ii) Eligible projects for funds from sources other than the Mitigation Project Proceeds must meet the following criteria:

- (1) Reduce criteria air pollutants, toxic air contaminants and/or GHG emissions in the South Coast Air Basin, or support efforts to monitor or improve air quality in areas that are most heavily impacted by air pollution in the South Coast Air Basin;
- (2) Not directly benefit SoCalGas, Sempra Energy, or subsidiaries of either;
- (3) Go beyond the requirements of federal, state, and local law; and
- (4) When feasible, projects should be selected that receive funding from other available funding sources, including but not limited to State, local, or federal incentive programs, so as to maximize the number of projects the Aliso Fund can support and the benefits it ultimately leverages.

(iii) During the project selection process, the Aliso Fund Committee shall give preference to eligible projects that reduce air pollution in Environmental Justice

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<sup>1</sup> Air pollutants, for purposes of this SEP Agreement and the Aliso Fund, include criteria pollutants designated under the California Ambient Air Quality Standards or the Federal Ambient Air Quality Standards.

<sup>2</sup> Toxic air contaminants, for purposes of this SEP Agreement and the Aliso Fund, include those identified by CARB pursuant to California Health and Safety Code sections 39660-62.

<sup>3</sup> Greenhouse gas emissions, for purposes of this SEP Agreement and the Aliso Fund, include those identified in California Code of Regulations, title 17, section 95810.

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Communities with a priority for those in the City or County of Los Angeles.

(iv) During the project selection process, the Aliso Fund Committee may give preference to eligible projects that advance nascent or novel technologies that reduce criteria air pollutants, toxic air contaminants, or greenhouse gas emissions that are economically and technologically feasible.

(v) When allotting money for projects, the Aliso Fund Committee shall make every effort to fund a variety of different projects.

(h) **Aliso Fund Committee.**

(i) The Fund Administrator's responsibilities, including receipt and disbursement of funds from the Aliso Fund for SEP projects, will be overseen by a committee comprised of three members, one of which will be selected by each of: (1) LACA; (2) the County Counsel; and (3) the Attorney General (the "Aliso Fund Committee").

(I) The Aliso Fund Committee shall consult with CARB on the development of the Fund Guidelines, SEP Fund Recipient Responsibilities, project-proposal review and selection, SEP Grant Agreements, and fund disbursements. CARB shall be a technical advisor to the Aliso Fund Committee on matters within its expertise, and other matters relevant to the disbursement from the Aliso Fund.

(ii) The Aliso Fund Committee shall make decisions regarding the selection of recipients for Aliso Fund grants based on the Aliso Fund Grant Criteria and the Fund Guidelines. Approval of SEP grants for amounts under \$250,000 requires at least a majority vote of the Aliso Fund Committee. Approval of SEP grants for amounts of \$250,000 or more requires the unanimous vote of the Aliso Fund Committee. A SEP Fund Recipient shall not receive SEP grants from the Aliso Fund of more than \$500,000 in a one-year period, unless the SEP grant to exceed this limit is approved by the unanimous vote of the Aliso Fund Committee. A SEP grant shall not be approved if the disbursement of funds for the SEP grant would reduce the balance of unallocated funds in the Aliso Fund to under \$100,000.

(iii) If the Aliso Fund Committee approves a SEP proposal and enters into a SEP Grant Agreement with the selected SEP Fund Recipient, the Aliso Fund Committee shall request in writing that the Attorney General (or other Fund Administrator) make disbursements from the Aliso Fund for the approved SEP grant.

(iv) The Aliso Fund Committee shall take action to recover SEP funds from any SEP Fund Recipient that fails to comply with the SEP Fund Recipient Responsibilities, the SEP Grant Agreement, or any other Aliso Fund Committee requirements or standards.

(v) The Aliso Fund Committee shall have the following additional responsibilities:

(1) Fund Guidelines: The Aliso Fund Committee shall establish the Fund Guidelines.



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(2) Grant Selection Process: The Aliso Fund Committee shall establish standards and procedures to be used to review and to approve applications for grants or services to be funded by the Aliso Fund, which shall be contained in the Fund Guidelines. Such standards shall include, but not be limited to, those relating to scope of work of the grant applications and grants, general terms, reporting, any cap on per-project disbursements, and recapture of funds.

(3) SEP Fund Recipient Guidelines: The Aliso Fund Committee shall have authority to establish additional guidelines and procedures to be complied with by SEP Fund Recipients, consistent with the SEP Fund Recipient Responsibilities in Section 3.7(i), below.

(4) SEP Grant Agreements: The Aliso Fund Committee shall draft any SEP Grant Agreement with the SEP Fund Recipient.

(5) Selection of Third Party Fund Administrator: The Aliso Fund Committee shall have authority to select a third-party Fund Administrator in accordance with Section 3.7(f)(viii). If the third-party Fund Administrator is approved by the Attorney General, LACA, and the County Counsel, the Aliso Fund Committee shall have authority to negotiate and enter into a contract with the third-party administrator, including the procedures for processing funds in the Aliso Fund.

(6) Reporting: By March 31 of each year, the Aliso Fund Committee shall prepare an annual report to the Attorney General, the LACA, and the County Counsel detailing the use of the funds in the Aliso Fund during the prior calendar year. The Attorney General shall publish such reports on the Attorney General's website.

(7) Meetings: The Aliso Fund Committee shall meet as often as necessary, and not less than annually, to perform its functions. Aliso Fund Committee members may participate in a meeting through use of telephone or video conference, rather than meet in person.

(8) Aliso Fund Committee Action Absent Meeting: Any action required or permitted to be taken by the Aliso Fund Committee may be taken without a meeting pursuant to Section 3.7(h)(7), above, if all Committee members vote in writing on such proposed action. Where obtained at a meeting of the members, such consent may be memorialized in minutes of the meeting.

(9) Management of Funds: The funds in the Aliso Fund shall be managed to achieve the purposes of the Aliso Fund, described above, and in compliance with the Fund Guidelines.

(10) Payment of Administrative Costs: The Aliso Fund Committee shall, within thirty (30) days of receipt of an annual administrative costs statement that complies with the terms of this SEP Agreement, authorize payment from the Aliso Fund.

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(11) Audits: The funds in the Aliso Fund shall be subject to audits in compliance with the Fund Guidelines.

(vi) Except as provided in Section 3.7(h)(ii), any vote or decision of the Aliso Fund Committee shall be by a unanimous vote of the Aliso Fund Committee. If the Aliso Fund Committee is unable to reach a unanimous decision on any proposed action, including relating to identification of SEP Recipients pursuant to Section 3.7(h)(ii), above, any member of the Aliso Fund Committee may invoke the dispute resolution provisions in Section 4.3, below.

**(i) SEP Fund Recipient Responsibilities.**

(i) In addition to any responsibilities imposed by any SEP Fund Recipient Guidelines established by the Aliso Fund Committee, a SEP Fund Recipient shall have the following responsibilities:

(1) The SEP Fund Recipient shall use the SEP funds only for the purposes described herein and/or in the applicable SEP Grant Agreement.

(2) The SEP Fund Recipient shall comply with the terms of this SEP Agreement and any applicable SEP Grant Agreement, as well as any requirements set forth in any SEP Fund Recipient Guidelines created by the Aliso Fund Committee.

(3) The SEP Fund Recipient shall maintain sufficient records for auditing purposes to substantiate any expenditure of the SEP funds.

(4) The SEP Fund Recipient shall provide to the Aliso Fund Committee upon request all documents to substantiate the funds expended and work completed to implement the SEP. The SEP Fund Recipient shall provide these documents, or any reports summarizing the status of expenditures of the SEP funds, to the Aliso Fund Committee within thirty (30) calendar days of any such request. The Aliso Fund Committee may place reasonable reliance on the accuracy of reports or other information provided by the SEP Fund Recipient to satisfy this obligation.

(5) Except as set forth in Sections 3.5 and 3.6, above, the SEP Fund Recipient shall return to the Aliso Fund any funds allocated for any SEP project that are not used by the SEP Fund Recipient for their intended purpose by five (5) years after disbursement of the funds. Any written agreement by SEP Fund Recipients required by this SEP Agreement or other documentation disbursing SEP funds to a specific project shall contain a provision to this effect.

(6) If the Aliso Fund Committee determines that the SEP Fund Recipient has violated or is violating the terms of this SEP Agreement or any applicable SEP Grant Agreement, the SEP Fund Recipient shall return the SEP funds to the Aliso Fund, if demanded by the Aliso Fund Committee.

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**(j) Fund Termination.**

(i) The Aliso Fund shall remain in place until December 31, 2036 (the “Fund Termination Date”).

(ii) The Aliso Fund may only be terminated upon receipt by the Fund Administrator of written authorization from the Aliso Fund Committee to terminate the Aliso Fund.

(iii) The Aliso Fund Committee may unanimously approve an extension of the Fund Termination Date.

(iv) The Aliso Fund Committee shall provide written authorization to the Fund Administrator to terminate the Aliso Fund on the Fund Termination Date or sooner if there are no funds remaining in the Aliso Fund and no reasonable expectation that funds shall be deposited or returned to the Aliso Fund.

(v) In the event there is any amount of funds remaining in the Aliso Fund sixty (60) days prior to the Aliso Termination Date, the Aliso Fund Committee shall issue a public plan and timeline for final disbursement of the funds from the Aliso Fund in a manner consistent with the Aliso Fund.

**4. Miscellaneous Provisions**

**4.1 Timing**

(a) Time is of the essence in the performance of all obligations identified in this SEP Agreement.

**4.2 Modification and Amendment**

(a) After its execution, this SEP Agreement shall be modified or amended solely by mutual agreement of the Attorney General, LACA, and the County Counsel. Any such modification, and the assent of each party thereto, must be in writing.

**4.3 Dispute Resolution**

(a) Dispute Resolution. Unless otherwise expressly provided for herein, the dispute resolution procedures of this SEP Agreement shall be the exclusive mechanism to resolve any dispute between or among the parties to this SEP Agreement.

(b) Informal Dispute Resolution. Any dispute arising in connection with this SEP Agreement shall first be the subject of informal negotiations. The dispute shall be considered to have arisen when the disputing party sends to the counterparty a written notice clearly stating the matter in dispute (the “Notice of Dispute”). If it becomes apparent to either

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party that the parties cannot resolve the dispute by informal negotiations, then either party may invoke formal dispute resolution procedures as set forth below.

(c) Formal Dispute Resolution. A party may invoke formal dispute resolution procedures, by serving on the counterparty a written statement of position setting forth the relevant facts and legal principles applicable to the matter in dispute (the "Statement of Position"). The Statement of Position shall include, but need not be limited to, any factual data, analysis, or opinion supporting the disputing party's position and any supporting documentation and legal authorities relied upon by the disputing party. The counterparty shall serve its Statement of Position within thirty (30) calendar days of receipt of the disputing party's Statement of Position, which shall also include, but need not be limited to, any factual data, analysis, or opinion supporting the counterparty's position and any supporting documentation and legal authorities relied upon by the counterparty. If the disputing parties are unable to consensually resolve the dispute within thirty (30) calendar days after the counterparty serves its Statement of Position on the disputing party, or earlier, by mutual agreement of the parties, either party may file with the Court a motion for judicial review of the dispute in accordance with subsection (d).

(d) Judicial Review. Either party may seek judicial review of the dispute by filing with the Court and by serving on the counterparty a motion requesting judicial resolution of the dispute. The motion shall contain a written statement of the party's position on the matter in dispute, including any supporting factual data, analysis, opinion, documentation, and legal authorities, and shall set forth the relief requested and the proposed timeline within which the dispute must be resolved for orderly administration of the Aliso Fund. The counterparty shall respond to the motion within the time period allowed by the Local Rules of the Court, and the moving party may file a reply memorandum, to the extent permitted by the Local Rules.

(e) Jurisdiction. The Superior Court of the State of California, County of Los Angeles (the "Court") shall be the sole and exclusive forum for the purposes of enforcing the SEP Agreement and resolving disputes thereunder, and the Attorney General, LACA, the County Counsel, and the County expressly consent to such jurisdiction.



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4.4 **Governing Law**

(a) This SEP Agreement shall be governed under the laws of the State of California.

The undersigned parties hereby enter into this Agreement.

**FOR THE CITY OF LOS ANGELES**

Dated:

August 7, 2018



Name: Jessica B. Brown

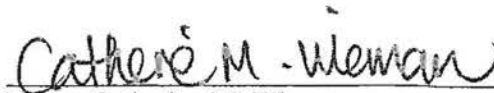
Title: Supv. DCA

For/Attorneys for: Plaintiff the People  
of the State of California, by and through  
the Los Angeles City Attorney

**FOR THE ATTORNEY GENERAL**

Dated:

August 7, 2018



Name: Catherine M. Wieman

Title: Deputy Attorney General

For Plaintiff the People  
of the State of California, by and through  
the Attorney General

**FOR COUNTY COUNSEL AND THE COUNTY OF LOS ANGELES**

Dated: \_\_\_\_\_

Name: Jon Scott Kuhn

Title: Acting Assistant County Counsel

For Plaintiff the People of the State of California, by and  
through County Counsel for the County of Los Angeles,  
and the County of Los Angeles

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**FOR THE CITY OF LOS ANGELES**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name: Jessica B. Brown  
Title:  
For/Attorneys for: Plaintiff the People  
of the State of California, by and through  
the Los Angeles City Attorney's Office

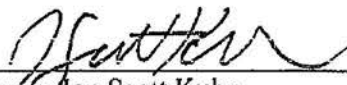
**FOR THE ATTORNEY GENERAL**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name: Catherine M. Wieman  
Title: Deputy Attorney General  
For Plaintiff the People  
of the State of California, by and through  
the Attorney General

**FOR COUNTY COUNSEL AND THE COUNTY OF LOS ANGELES**

Dated: August 7, 2018

  
\_\_\_\_\_  
Name: Jon Scott Kuhn  
Title: Acting Assistant County Counsel  
For Plaintiff the People of the State of California, by and  
through County Counsel for the County of Los Angeles,  
and the County of Los Angeles