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19 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**

20 **COUNTY OF LOS ANGELES – SPRING STREET COURTHOUSE**

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

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

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

**JUDICIAL COUNCIL COORDINATION
PROCEEDING NO. 4861**

*Case Assigned for All Purposes to the
Honorable Carolyn B. Kuhl,
Department 12*

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

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1 On February 4, 2019, the above-captioned Judicial Council Coordination Proceeding,
2 JCCP No. 4861, was assigned to Judge Carolyn B. Kuhl in Department 12 of the Spring Street
3 Courthouse. On February 8, 2019, Government Plaintiffs and defendant Southern California Gas
4 Company lodged with the Court, pursuant to the Court's request, two binders containing
5 conformed courtesy copies of the documents filed to date in support of and in opposition to two
6 pending motions: (1) Government Plaintiffs' Motion for Entry of Consent Decree; and (2) the
7 Motion of non-party Maas Energy Works, Inc. to Intervene. On February 11, 2019, the Court
8 issued a Minute Order setting the motions identified above for hearing on February 25, 2019 at
9 10:30 a.m. The Court's February 11, 2019 Minute Order also noted that the [Proposed] Consent
10 Decree lodged with the Court in August 2018 includes one redacted document – Exhibit 1 to the
11 Mitigation Agreement, which itself is Appendix A to the Consent Decree – and requests
12 clarification regarding whether Government Plaintiffs are requesting approval of the redacted
13 version of that document.

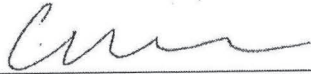
14 In response to the Court's Minute Order, Government Plaintiffs have lodged with the
15 Court today a revised [Proposed] Consent Decree with an unredacted version of the Mitigation
16 Agreement. A copy of the revised [Proposed] Consent Decree is attached hereto as Exhibit A.
17 The [Proposed] Consent Decree lodged today is identical to the document lodged with the Court
18 on August 8, 2018 and attached to the Motion for Entry of Consent Decree in all respects except
19 two: the document lodged today contains an unredacted version of Exhibit 1 to Appendix A to the
20 [Proposed] Consent Decree, and also reflects that this case has been re-assigned to, and the
21 Motion for Entry will be decided by, Judge Carolyn B. Kuhl in Department 12. Government
22 Plaintiffs are requesting that the Court enter the [Proposed] Consent Decree lodged on February
23 15, 2019 as a judgment of the Court.

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Dated: February 15, 2019

Respectfully Submitted,


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Dated: February 15, 2019

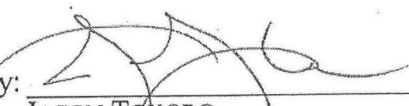
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Dated: February 15, 2019

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EXHIBIT A

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18 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
19
20 **COUNTY OF LOS ANGELES – CENTRAL CIVIL WEST**

21 **COORDINATION PROCEEDING**
22 **SPECIAL TITLE [RULE 3.550]**
23
24 **SOUTHERN CALIFORNIA GAS LEAK**
CASES
25
26 **THIS DOCUMENT RELATES TO:**
Case Nos. BC602973 and BC628120)
27

**JUDICIAL COUNSEL COORDINATION
PROCEEDING NO. 4861**

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

[PROPOSED] CONSENT DECREE

**CONFORMED COPY
ORIGINAL FILED**
Superior Court of California
County of Los Angeles

FEB 25 2019

Sherri R. Carter, Executive Officer/Clerk of Court
By: *[Signature]*, Deputy
Lori M'Greene

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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.
28

The Complaints

On August 8, 2016, the People of the State of California, by and through the Attorney General, in his independent capacity and on behalf of CARB, and by and through the Los Angeles City Attorney, filed a Third Amended Complaint against SoCalGas for Civil Penalties, Permanent Injunction, and Other Equitable Relief¹ (the “Action”). The Action seeks injunctive relief and civil penalties against SoCalGas for alleged public nuisance under California Civil Code sections 3479 *et seq.*, and California Code of Civil Procedure section 731, alleged violation of California Health and Safety Code sections 41700 and 25510, and alleged violation of California Business and Professions Code sections 17200 *et seq.*, pursuant to California Government Code section 12607. In addition, by the Action, CARB and the Attorney General seek full mitigation of the GHG impact of the Incident, under California Health and Safety Code section 41700 and California Government Code section 12607.

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

¹ The Third Amended Complaint is the operative complaint in this Action. The City of Los Angeles first filed a complaint on behalf of the People on December 7, 2015. An Amended Complaint was filed on January 8, 2016 to add the County Counsel of Los Angeles as a co-prosecutor of the People’s nuisance claims. A Second Amended Complaint was filed February 1, 2016, to include as prosecutor the Attorney General, in his independent capacity and on behalf of CARB, and to allege additional claims. On August 8, 2016, after the County of Los Angeles filed a separate and independent complaint, the City and Attorney General amended their complaint for a third time to remove the County as co-prosecutor.

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.

28

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.

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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

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

With copies to the following:

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

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

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

With copies to the following:

Skip Miller
Miller Barondess, LLP
1999 Avenue of the Stars, Suite 1000
Los Angeles, California 90067
Email: smiller@millerbarondess.com

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

With copies to the following:

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

20. EFFECTIVE DATE

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

21. INFORMATION COLLECTION

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

22. MODIFICATION

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

23. SIGNATORIES/SERVICE

23.1 Each of the signatories hereto certifies that he or she is fully authorized to enter into the terms and conditions of this Consent Decree and to execute and legally bind the Party he or 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~~ *Parties Further agree* 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 25th day of February, 2019.

**CAROLYN B. KUHL, JUDGE
COMPLEX CIVIL LITIGATION**

THE HONORABLE CAROLYN B. KUHL

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

Dated: August 7, 2018

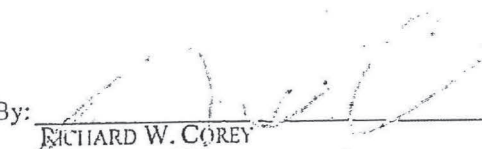
XAVIER BECERRA
Attorney General of California
SALLY MAGNANI
ROBERT W. BYRNE
Senior Assistant Attorneys General
SARAH E. MORRISON
Supervising Deputy Attorney General
ELIZABETH B. RUMSEY
Deputy Attorney General

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

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FOR THE CALIFORNIA AIR RESOURCES BOARD

Dated: August 7, 2018

By: 
RICHARD W. COREY
Executive Officer
California Air Resources Board

Approved as to form:

- 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
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*

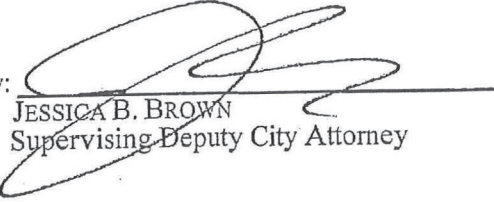
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FOR THE PEOPLE OF THE STATE OF CALIFORNIA, BY AND THROUGH THE
CITY ATTORNEY FOR THE CITY OF LOS ANGELES

Dated: August 7, 2018

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

By:

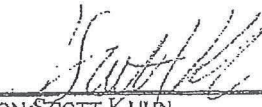


JESSICA B. BROWN
Supervising Deputy City Attorney

1 FOR THE PEOPLE OF THE STATE OF CALIFORNIA, BY AND THROUGH COUNTY
2 COUNSEL FOR THE COUNTY OF LOS ANGELES, AND THE COUNTY OF LOS
3 ANGELES

4 Dated: August 7, 2018


MARY C. WICKHAM
County Counsel

5
6 By: 
7 JON SCOTT KUHN
8 Acting Assistant County Counsel
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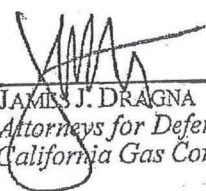
FOR SOUTHERN CALIFORNIA GAS COMPANY

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