

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

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

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.

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

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 administrating 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

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

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

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

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,

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

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

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

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).

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

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, 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.

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

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,

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

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

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

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, ad 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.

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

(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 administrating 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

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

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

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

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 pollutants¹, toxic air contaminants², and/or GHG emissions³, 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

¹ 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.

² 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.

³ 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.

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

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").

(1) 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.

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

(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.

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

(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.

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

(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

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

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.

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

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: _____

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: _____

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