

APPENDIX A

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

_____)	
Rita Boppana,)	
)	
Complainant,)	
)	
vs.)	Case 00-05-010
)	(Filed May 11, 2000)
Southern California Gas Company,)	
)	
Defendant.)	
_____)	
And Related Matters.)	Case 00-05-011
)	(Filed May 11, 2000)
)	Case 00-05-012
_____)	(Filed May 11, 2000)

SETTLEMENT AGREEMENT

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COMPANY

September 10, 2007

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SETTLEMENT AGREEMENT

In accordance with Article 12 of the Rules of Practice and Procedure of the Public Utilities Commission of the State of California ("Commission"), Southern California Gas Company ("SoCalGas") and the Grassroots Coalition ("GR") hereby submit the following Settlement Agreement ("SA") for Commission approval.^{1/} The justification for Commission approval of the SA is set forth in the "Motion of Southern California Gas Company and the Grassroots Coalition for Adoption of Settlement Agreement and Dismissal of Proceedings" filed concurrently herewith.

^{1/} Counsel for SoCalGas has been authorized by GR to sign this SA on GR's behalf.

SPECIFIC TERMS OF SETTLEMENT AGREEMENT

(1) SoCalGas accepts responsibility for any natural gas outside SoCalGas' Playa del Rey ("PDR") storage reservoir that: (1) is its storage gas; (2) uses an active or abandoned SoCalGas well as a conduit to migrate to the surface or from one underground zone to another; or (3) originates from any SoCalGas underground pipeline. For purposes of this settlement, "storage gas" is defined as any natural gas that SoCalGas has ever injected underground at its PDR storage operations. "Pipeline gas" is defined as gas flowing through SoCalGas' pipeline(s) in the PDR area at any point in time.

(2) SoCalGas shall undertake a soil gas monitoring program as described in Attachment "A" hereto. The analyses described in Attachment "A" shall be performed by a qualified consultant selected by SoCalGas in consultation with the Commission.

(3) In approving this settlement, the Commission will specifically order SoCalGas to undertake the monitoring program described in Attachment "A." SoCalGas will provide the results of the analyses detailed in Attachment "A" to the Commission Utilities Safety and Reliability Branch ("USRB") and will post them on its website. If SoCalGas or the Commission determines that the results of testing indicate that SoCalGas storage or pipeline gas is present outside the storage reservoir, or that one of its active or abandoned wells is acting as a conduit for non-storage gas to migrate to the surface or from one underground zone to another, SoCalGas will, in conjunction with the USRB and the California Division of Oil, Gas, and Geothermal Resources ("DOGGR"), immediately

investigate the source of this gas and take corrective actions to stop any flow of SoCalGas storage gas outside of its PDR storage reservoir, any flow of leaking SoCalGas pipeline gas, or any flow of non-storage gas using a SoCalGas active or abandoned well as a conduit to migrate to the surface, into the nearby soil, or from one underground zone to another.

(4) SoCalGas will monitor subsidence at the entire 460-acre land surface that is immediately above SoCalGas' underground storage reservoir for a period of 5 years. SoCalGas will submit the results of such monitoring to the USBR and will post the results on its website. Should this program produce any evidence of subsidence on the land above SoCalGas' storage field, SoCalGas will immediately investigate the cause of this subsidence and provide a report to the USBR and to DOGGR. SoCalGas will also post a copy of this report on its website. If SoCalGas concludes that the subsidence is in any way caused by SoCalGas' underground storage operations, including its water pumping operations, SoCalGas will propose to the USBR and to DOGGR a water injection program or other appropriate steps designed to arrest any such subsidence.

(5) SoCalGas will maintain the reservoir pressure in the "Townsite" area of its storage reservoir at no greater than 2400 psi by its fluid pumping operations for as long as SoCalGas operates a storage field at PDR.

(6) SoCalGas agrees to continue to take the actions set forth in Attachment "B" to minimize emissions and odors at its PDR storage facility.

(7) Within two months of abandoning a well at its PDR storage operations, SoCalGas will install soil gas monitoring probes on the lot where the

abandoned well is located at a depth of four feet in a manner similar to that described in Attachment "A," except that at least one such probe will be located directly above the abandoned well. If no "gaseous anomaly" (as that term is used in Attachment "A") is found using the four-foot probes for a period of two months, SoCalGas will remove these probes and may proceed to sell or otherwise dispose of the subject lot. If any "gaseous anomaly" is identified by such probes, SoCalGas will install 20-foot probes as described in Attachment "A." If the 20-foot probes are installed, SoCalGas will monitor for gas for a period of no less than six months. If no detectable quantities of natural gas are identified for a period of six consecutive months, SoCalGas will remove these probes and may sell or otherwise dispose of the subject lot.

(8) SoCalGas shall post on its website the chemical composition of the natural gas that is withdrawn from the PDR storage field, and will update this information monthly.

(9) If SoCalGas should release any liquid to the atmosphere that reaches any PDR residence, SoCalGas shall test the liquid for Polychlorinated Biphenyls ("PCBs"), metals, and volatile organic compounds and will post the results of this analysis on its website. SoCalGas will also post on its website the PCB content of liquid collected at the Del Rey Junction station as those liquids are periodically collected and analyzed.

(10) Within 60 days of Commission approval of this SA, SoCalGas shall provide residents located within the SoCalGas PDR storage field "area of influence" with written notice that: summarizes the terms of this settlement;

describes the items identified in Attachment "B" in language more understandable to persons without technical backgrounds; provides the cell phone number of the on-call PDR storage operator in the event that a resident smells gas; describes a procedure by which residents located within the SoCalGas PDR storage field "area of influence" can be notified of planned venting operations prior to such venting and can be notified of unplanned venting after-the-fact^{2/}; and provides a link to the SoCalGas website posting the chemical composition of gas withdrawn from SoCalGas' storage reservoir, the PCB levels contained in liquids collected at the Del Rey Junction station, and the results of the soil gas and subsidence monitoring addressed herein. For purposes of this paragraph, "area of influence" is defined as the aerial geographical boundaries of SoCalGas' PDR storage reservoir plus one-quarter mile in all directions.

(11) The "Complaint Cases" (C.00-05-010, -011, -012) will be dismissed with prejudice. GR and its members, assigns, or successors will be barred from raising any issue as against SoCalGas in any Commission or civil proceeding that was raised by GR in the Complaint Cases. However, this provision is intended to

^{2/} SoCalGas will notify those residents/businesses within the "area of influence" that have subscribed to an automated text message/e-mail/phone call system for the following events:

- A planned venting of gas for maintenance activity releasing more than 50 mcf of gas. Residents will be contacted with as much advance notice as possible up to 24 hours.
- An unplanned venting of gas lasting longer than 10 minutes or releasing more than 50 mcf of gas. Residents will be contacted as soon as possible within the following 24 hours.

The message will include the estimated time of the release and the estimated volume. A brief reason will be included (equipment failure, unplanned maintenance/repair, work to be done, etc.). A phone number will be provided in the notice in the event that further information is requested.

have prospective application only and is not intended to preclude GR from participating in any civil lawsuits underway as of the date of this settlement.

(12) It is understood and agreed to by the parties that this settlement is a compromise of disputed claims and is not to be construed as an admission of liability on the part of SoCalGas, by whom any wrongdoing or liability is expressly denied.

(13) SoCalGas and GR acknowledge that the positions expressed in the SA were reached after consideration of all positions advanced in the prepared testimony of SoCalGas and GR, as well as proposals offered during the settlement negotiations. This document sets forth the entire agreement of SoCalGas and GR on all of those issues.

Respectfully submitted,

By: Patricia McPherson / DJG By: DJG
Patricia McPherson David J. Gilmore

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ATTACHMENT A

SOIL GAS MONITORING PROGRAM

The subject soil gas investigation shall be conducted in two (2) phases. Under the first phase of the investigation, one hundred fifty (150) soil probes shall be advanced to depths of 4.0' (bg) on a 100 ft. x 100 ft. grid over all SoCalGas surface fee or leasehold interest lands. Resultant soil gases shall be analyzed for C1-C7 hydrocarbons by a laboratory certified by the City of Los Angeles. Chain-of-Custody shall be maintained during all sample handling.

Under the second phase of the investigation, twenty-five (25) deeper multi-interval monitoring probes shall be advanced to depths of 20.0' (bg) with sampling intervals at 5.0', 10.0' and 20.0'. Monitoring probes shall be secured in at-grade vaults for long term monitoring. Each monitoring probe shall be analyzed for C1-C7 hydrocarbons and gaseous pressure. Where methane is present at a concentration in excess of 50,000.0 ppmv, helium concentration shall be analyzed. Analyses of helium may be made by SoCalGas or another competent analytical laboratory. Where methane concentrations exceed 25,000 ppmv, analyses of delta ¹³C on methane shall be made. Where methane concentrations exceed 250,000 ppmv, samples may be subjected to delta C¹⁴ age determination. Where methane exceeds 25,000 ppmv, analyses of aromatic hydrocarbons shall be made. Gaseous pressure shall be determined. Probe locations shall be at all gaseous anomalies (>5,000.0 ppmv) identified by the shallow probe assessment and spaced throughout the property. Multi-interval probe locations shall be established in consultation with GR.

Sampling methodologies shall be similar to those described by Exploration Technologies, Inc. (ETI) and summarized in a report prepared by Camp Dresser & McKee Inc. dated November 9, 2000 entitled "Report of Sampling and Analysis of Soil Gas for Methane in Tracts 49104-01, -03, -05, and -06 Playa Vista, Area D" and more specifically described in "Methane Mitigation Standards" of the City of Los Angeles dated 4/20/04.

ATTACHMENT B

ODOR MINIMIZATION PROGRAM

Odor Minimization at Playa del Rey Natural Gas Storage Field

Minimizing public exposure to odors emanating from the Playa Del Rey Storage Facility is part of several objectives which involve similar actions.

- Minimize unpleasant odors affecting our neighbors
- Minimize gas venting for greenhouse gas reductions
- Minimize gas venting for safety purposes
- Minimizing gas loss to avoid losing assets
- Compliance with volatile organic compound (VOCs) emission limits per SCAQMD permits and rules

Southern California Gas Company has been pursuing odor mitigation for many years. Here is a summary of what we currently do to accomplish our goal and some items we are working on to improve our results.

CURRENT EFFORTS

1. **Routine well and facility patrols by Operations will reveal odor presence**
 - immediate response and mitigation if possible
2. **Planned natural gas venting during maintenance activities**
 - Choose optimal time of day for minimal odor impacts (weekdays 8 AM – 4 PM). Winds are blowing for dispersion purposes and people are awake.
 - Coordinate activities to vent during optimal wind direction and speed. Determine if winds are blowing towards or away from homes.
 - Attempt to control the amount/velocity of gas venting when possible by:
 - Reducing pressures in pipelines/equipment to be completely blown down to atmospheric pressure by using compressors and/or bleeding gas into lower pressure Transmission/Distribution lines.
 - Isolate smallest section of pipelines/equipment to minimize gas volume vented
 - Use of “hot tapping” welding procedures for pipeline or vessel connection installation in field result in essentially no gas losses to atmosphere
3. **Minimization of engine and exhaust odors:**
 - Natural gas compressor engine exhaust catalysts installed (2001) and recently increased the amount of catalysts to significantly reduce emissions
 - Natural gas compressor crankcase venting cleaned up by internal filtering (2004)
 - Eliminated the use of 2 smaller internal combustion engine driven compressors due to inefficiency – these 2 had higher emissions than the remaining 3 engines. Associated auxiliary equipment not run either -- 3 internal combustion engine driven water pumps not operating due to engine operation reduction (2005)
 - Installed 3 Strobic fans on compressor building to substitute for 90’ tall stacks

- Engine performance improvements – better efficiency of the compressors results in less run time. In recent years, the following compressor engine performance improvements have been implemented:
 - Waste gate systems upgraded (waste gate uses engine exhaust to operate turbo charger for air intake)
 - Engine ignition systems upgraded to electronic type
 - Electronic governors installed for fuel intake
 - Fuel pressure regulating systems redesigned
 - Mist extractors installed on engine crankcase vent lines
 - Strobic fans in exhaust manifolds installed for improved exhaust dispersion

4. Minimizing fugitive emissions

- Vapor recovery relief valves (a.k.a.Verac's) in tank farm overhauled and maintenance increased since 2003.
 - Daily check made by SCG operators
 - Monthly evaluation made by outside party (TEAM Environmental)
 - Leaks repaired within 48 hours
 - Quarterly check and parts (gasket) replacement by outside party (SC Fields) since 2004
 - Leaks repaired immediately
- Two sumps monitored
 - Monthly evaluation made by outside party (TEAM Environmental)
 - Slops sump vapors are vented (under vacuum) to Thermal oxidizer
- Valves & flanges
 - Appropriate maintenance of valves and flanges
 - Monthly sniff by TEAM Environmental
 - Leaks repaired within 48 hours
 - Leak rate survey conducted on compressor station by independent third party-all possible fugitive leak mitigation methods completed
- Elimination of Wemco water treating tank due to improvements in waste water handling process. The Wemco unit had numerous seals that potentially could leak.

5. Meteorological station (rented since 2004)

- root cause investigation
- venting optimization

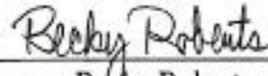
ON-GOING AND FUTURE EFFORTS

1. Vapor recovery for oil loading operations. Permit application will be submitted as soon as similar project permit clears at Montebello.
2. Continuing conversion of natural gas pneumatic supply systems to compressed air. In 2006, we converted numerous storage field well sites in the main base to air supplied systems.
3. Appropriate conversion of natural gas powered equipment to electricity
4. Continuing elimination of unused pipelines/equipment in order to minimize flanges/valves exposed to natural gas and thus reduce potential for fugitive emissions
5. Install permanent meteorological station
6. Use of charcoal canisters to mitigate odors when applicable.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **SETTLEMENT AGREEMENT** on all known interested parties of record in C.00-05-010, C.00-05-011, and C.00-05-012 by electronic mail and by mailing by first-class, U.S. mail a copy thereof properly addressed to all parties included on the list appended to the original document filed with the Commission.

Dated at Los Angeles, California, this 10th day of September, 2007.



Becky Roberts