
PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

April 13, 2017

Agenda ID #15651

TO PARTIES OF RECORD IN DRAFT RESOLUTION ALJ-339

This is the draft Resolution of Administrative Law Judge (ALJ) Tim Kenney regarding the Appeal of Southern California Gas Company. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the draft resolution, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own order. Only when the Commission acts does the resolution become binding on the parties.

You may serve comments on the draft resolution. Opening comments shall be served no later than May 3, 2017, and reply comments shall be served no later than May 8, 2017. Service is required on all persons on the attached service list. Comments shall be served consistent with the requirements of Pub. Util. Code § 311(g) and Rule 14.5 of the Rules of Practice and Procedure.

Finally, comments must be served separately on ALJ Kenney at tim@cpuc.ca.gov, and for that purpose I suggest hand delivery, overnight mail, or other expeditious method of service.

/s/ KAREN V. CLOPTON

Karen V. Clopton, Chief
Administrative Law Judge

KVC:jt2

Attachment

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Resolution ALJ-339
Administrative Law Judge Division

R E S O L U T I O N

RESOLUTION ALJ-339. Resolves K.16-12-006 re: Appeal of Southern California Gas Company (U904G) from Citation No. E-4550-01 Issued by Consumer Protection and Enforcement Division.

1. SUMMARY

This Resolution approves a settlement agreement that resolves Southern California Gas Company's (SCG) appeal of Citation No. E-4550-01 issued by the Commission's Consumer Protection and Enforcement Division. The Citation levied a fine of \$699,500 for 29 alleged violations of certain mitigation measures in the Final Environmental Impact Report adopted by Decision 13-11-023 for the Aliso Canyon Turbine Replacement Project. Under the approved settlement agreement, SCG will pay \$250,000 to the State of California's General Fund.

2. BACKGROUND

The Commission's Consumer Protection and Enforcement Division (CPED) is authorized by Resolution E-4550, dated May 9, 2013, to issue citations that levy fines on public utilities for non-compliance with a Permit to Construct or a Certificate of Public Convenience and Necessity (CPCN) issued by the Commission for natural gas storage facilities, electric generating plants, electric powerlines, and electric substations. A public utility that is issued such a citation may accept the levied fine or contest the citation through the appeal process set forth in Resolution ALJ-299 dated June 26, 2014.

In Decision (D.) 13-11-023, the Commission took the following actions regarding Southern California Gas Company's (SCG) Aliso Canyon Turbine Replacement Project (ACTRP) at SCG's Aliso Canyon Natural Gas Storage Field:

- Issued an amended CPCN to SCG to construct and operate the ACTRP. (D.13-11-023, at Ordering Paragraph (OP) 1.)
- Certified and adopted a Final Environmental Impact Report (FEIR) for the ACTRP. (D.13-11-023, at OP 2.)
- Adopted the Mitigation Monitoring, Compliance, and Reporting Plan (MMCRP) in Section 5.0 of the FEIR as part of the Commission's approval of the ACTRP. (D.13-11-023, at OP 3.) The MMCRP included specific protocols, guidelines, and procedures for environmental compliance during the construction of the ACTRP.
- Made the CPCN for the ACTRP subject to the FEIR and MMCRP. (D.13-11-023, at OP 4.)
- Ordered SCG to comply with every mitigation measure and provision in the FEIR and MMCRP. (D.13-11-023, at OPs 4 and 5.)

3. CITATION No. E-4550-01

On October 26, 2016, CPED issued Citation No. E-4550-01 to SCG. The Citation levied a fine of \$699,500 for 29 alleged violations of certain mitigation measures in the FEIR and MMCRP pertaining to (1) storm water, and (2) bird nesting areas. The following table summarizes the alleged violations:

Summary of Alleged Violations in Citation No. E-4550-01			
Row	Description	Days of Non-Compliance	Fine
1	Central Compressor Station (CCS): Deficient maintenance of silt fences and deficient cover for inactive slopes.	56	\$51,000
2	CCS: Deficient cover for inactive stockpiles and deficient straw wattles around the stockpiles.	28	\$23,000
3	CCS: Deficient installation of gravel check dams in a v-ditch.	7	\$3,500
4	CCS: Deficient installation of gravel bags at inlets for storm water runoff.	21	\$16,000

Summary of Alleged Violations in Citation No. E-4550-01			
Row	Description	Days of Non-Compliance	Fine
5	CCS: Deficient removal of debris built up on gravel bags.	7	\$3,500
6	CCS: Deficient cover for inactive slopes.	63	\$58,000
7	PS-42 Rock Staging Area (PS-42 RSA): Deficient maintenance of silt fencing.	49	\$44,000
8	PS-42 RSA: Deficient maintenance of cover over stockpile.	28	\$23,000
9	PS-42 RSA: Deficient cover for inactive stockpile.	35	\$30,000
10	PS-42 Fill Site: Deficient repair of erosion and deficient maintenance of straw wattles.	49	\$44,000
11	PS-42 Staging Area: Deficient cover for stockpiles and deficient straw wattles around stockpiles.	7	\$3,500
12	PS-42 Staging Area: Deficient repair of erosion.	14	\$9,000
13	Management and crew-shift buildings: Deficient cover for inactive slopes.	42	\$37,000
14	P-32 Fill Site: Deficient silt fence and cover.	84	\$79,000
15	P-32 Fill Site: Deficient cover for inactive slopes.	28	\$23,000
16	P-32 Fill Site: Deficient fiber rolls along dirt/vegetation boundary.	35	\$30,000
17	P-32 Fill Site: Deficient repair of berm to prevent discharge.	21	\$16,000
18	Natural Substation (NS): Deficient cover for inactive slope and deficient placement of fiber rolls in trench.	42	\$37,000
19	NS: Deficient trench fiber rolls.	42	\$37,000
20	NS: Deficient repair of retention basin berm and fiber rolls.	14	\$9,000

Summary of Alleged Violations in Citation No. E-4550-01			
Row	Description	Days of Non-Compliance	Fine
21	Miscellaneous: Deficient maintenance of berms/checks on slope to concrete box.	7	\$3,500
22	P-41 Fill Site: Deficient cover and fiber rolls for inactive slopes.	35	\$30,000
23	P-42 Fill Site: Deficient erosion controls.	51	\$46,000
24	January 2016 Storm: Deficient erosion controls and sediment discharge controls.	46	\$41,000
25	Deficient marking of bird nesting buffers and/or encroachment into buffer areas.	1	\$500
26	Deficient marking of bird nesting buffers and/or encroachment into buffer areas.	1	\$500
27	Deficient marking of bird nesting buffers and/or encroachment into buffer areas.	1	\$500
28	Deficient marking of bird nesting buffers and/or encroachment into buffer areas.	1	\$500
29	Deficient marking of bird nesting buffers and/or encroachment into buffer areas.	1	\$500
	Total	816	\$699,500

Citation No. E-4550-01 was unrelated to the injection of natural gas into, or the withdrawal of natural gas from, SCG's Aliso Canyon Natural Gas Storage Field.

4. APPEAL OF CITATION No. E-4550-01

On November 28, 2016, SCG filed a Notice of Appeal of Citation No. E-4550-01 pursuant to Resolution E-4550 and Resolution ALJ-299. SCG's appeal was assigned the docket number of K.16-12-006. SCE's appeal requested a hearing on the grounds that (1) the allegations in Citation No. E-4550-01 were unsupported and/or contradicted by the record; (2) the Citation was contrary to the explicit intent of Resolution E-4550; (3) the levied fines were inconsistent with the State Water Code and water quality enforcement policy; and (4) the levied fines exceeded the amount authorized by Resolution E-4550.

On December 27, 2016, CPED filed the compliance document required by Resolution ALJ-299. This document contained a complete copy of Citation No. E-4550-01, including all attachments.

On December 29, 2016, the Chief Administrative Law Judge served notice that K.16-12-006 was assigned to Administrative Law Judge (ALJ) Kenney.

On January 6, 2017, the assigned ALJ issued a ruling that:

- Set an Appeal Hearing for January 30 and 31, 2017.
- Directed CPED to file and serve a document by January 27, 2017, that contained specified information for each alleged violation.
- Directed CPED and SCG to file and serve a joint case management plan by January 29, 2017.

On January 20, 2017, the assigned ALJ issued a ruling pursuant to Resolution E-4550, at Section 2.7.3, that granted CPED and SCG's joint request for a continuance for the purpose of negotiating a settlement agreement.

On January 25, 2017, the assigned ALJ issued a ruling that:

- Set an Appeal Hearing for March 16 and 17, 2017.
- Directed CPED to file and serve a document by March 9, 2017, that contained specified information for each alleged violation.
- Directed CPED and SCG to file and serve a joint case management plan by March 14, 2017.

On March 8, 2017, the assigned ALJ held a telephonic conference with CPED and SCG at their request. During the conference, CPED and SCG stated that they had reached a settlement agreement in principle. In light of the impending settlement, CPED and SCG requested that the Appeal Hearing be taken off calendar and that the requirement to file and serve the documents identified in prior ALJ rulings be rescinded.

Following the telephonic conference with CPED and SCG, the assigned ALJ issued a ruling on March 8, 2017, that (1) canceled the Appeal Hearing and the filings required by prior rulings; (2) directed CPED and SCG to file and serve a motion for adoption of a settlement agreement by March 24, 2017; and (3) set a submission date of no later than April 3, 2017.

On March 24, 2017, CPED and SCG filed and served a joint motion for the adoption of a Settlement Agreement pursuant to Rule 12.1(a) of the Commission's Rules of Practice and Procedure (Rule). A copy of the Settlement

Agreement was attached to the motion. The motion also requested a waiver of Rule 12.1(b).

This proceeding was submitted for decision on April 3, 2017, in accordance with Rule 13.14(a).

5. THE SETTLEMENT AGREEMENT

The key provisions of the Settlement Agreement are as follows:

- The Settlement resolves all claims, allegations, disputes, and disagreements between CPED and SCG (“the Parties”) relating to the K.16-12-006 (“the Proceeding”). If the Settlement is adopted by the Commission, it releases SCG from all actual, potential, and contingent claims with respect to the following: All matters that were raised or could have been raised in the Proceeding and all disputes regarding the Storm Water Pollution Prevention Plan Best Management Practices requirements that could be subject to an enforcement action pursuant to Resolution No. E-4550 that have been identified by the Commission or staff to SCG as of October 26, 2016 relating to the ACTRP.
- SCG agrees to pay Two Hundred and Fifty Thousand dollars (\$250,000) to the State of California’s General Fund. SCG will pay the settlement amount within thirty (30) days of the Commission issuing a final decision approving the Settlement Agreement.
- SCG shall retain an independent firm, at shareholders’ expense, at an amount not to exceed Twenty-Five Thousand dollars (\$25,000), to conduct a California Environmental Quality Act (CEQA) compliance training seminar with a focus on promoting a uniform understanding of Commission FEIR and MMCRP monitoring obligations and SCG FEIR and MMCRP compliance obligations. The training seminar will be delivered in two locations, one in Northern California and another in Southern California. All SCG staff that are reasonably expected to directly manage and implement utility projects subject to the Commission’s approval process shall attend the seminar at one of the identified locations. Commission staff reasonably expected to oversee utility’s compliance with MMCRPs adopted in FEIRs are invited and strongly encouraged to attend the training seminar. The independent firm and the training seminar syllabus shall be subject to the Commission’s staff

reasonable review and approval. SCG shall cause the independent firm to conduct the CEQA compliance training seminar within ninety (90) days of the Commission staff approving the independent firm and training seminar syllabus.

- The Parties agree that the Settlement Agreement represents a compromise, is not an endorsement of disputed facts or law, and does not constitute any admission by SCG or denial by CPED with respect to any issue of fact or law, or of any violation or liability by any party. The Parties acknowledge that no part of any payment under the Settlement is made in settlement of an actual or potential liability for a fine or penalty (civil or criminal). The Parties further agree that Commission approval of the Settlement may not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to the Settlement.
- In accordance with Rule 12.5, the Commission's adoption of the Settlement Agreement will be binding on the Parties, including their legal successors, assigns, partners, members, agents, parent or subsidiary companies, affiliates, parent, officers, directors, and/or employees. Unless the Commission expressly provides otherwise, such adoption will not constitute approval of or precedent for any principle or issue in this or any future proceeding.
- The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies pertaining to the Settlement Agreement. Neither Party may bring an action pertaining to the Settlement Agreement in any local, state, or Federal court, or administrative agency without having first exhausted its administrative remedies at the Commission. If either Party fails to perform its respective obligations under the Settlement Agreement, the other Party may come before the Commission to pursue a remedy, including enforcement.

A complete copy of the Settlement Agreement is contained in Appendix A of today's Resolution.

SCG and CPED submit that the Settlement Agreement provides a fair resolution of all the issues raised in Citation No. E-4550-01 and allows the Parties to reduce the risk that litigation of the Citation will produce unacceptable results. CPED and SCG request that the Commission approve the Settlement Agreement without modification and close the Proceeding.

6. RESOLUTION OF THE APPEAL

The Settlement Agreement, if approved by the Commission, would resolve all issues raised in Citation No. E-4550-01 and SCG's Appeal of the Citation.

The Commission has long favored the settlement of disputes. This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.¹

The Commission's standard for the approval of settlements is set forth in Rule 12.1(d), which states that the Commission will not approve a settlement "unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest." In assessing whether a settlement agreement satisfies this standard, the Commission evaluates the entire agreement as a whole, not just its individual parts:

In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome. (D.10-04-033, at 9.)

As discussed below, the Settlement Agreement, taken in its entirety, satisfies Rule 12.1(d).

6.1. Reasonable in Light of the Whole Record

The record of this proceeding consists of CPED's Citation No. E-4550-01 and SCG's Appeal of the Citation. The specific outcomes reached by the Settlement Agreement are within the range of the parties' positions defined by CPED's Citation and SCG's Appeal. None of the Settlement outcomes is inconsistent with the law or the public interest. Accordingly, today Resolution finds that the Settlement Agreement is reasonable in light of the whole record.

6.2. Consistent with the Law

The Settling Parties are represented by experienced counsel. They represent that the Settlement Agreement is fully consistent with all applicable statutes and prior Commission decisions.² Today's Resolution concurs that the Settlement

¹ D.11-05-018, at 16.

² *Joint Motion for Approval of Settlement Agreement*, dated March 24, 2017, at pages 6 - 7.

Agreement is consistent with the Public Utilities Code, Commission decisions, and the law in general.

6.3. In the Public Interest

The Commission has determined that a settlement which “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions or prior Commission decisions” meets the “public interest” criterion.³ Here, the Settling Parties (CPED and SCG) reflect the range of affected interests, and the Settlement Agreement does not contravene statutory provisions or prior Commission decisions. Accordingly, today’s Resolution finds that the Settlement Agreement is in the public interest.

6.4. Conclusion

The Settlement Agreement satisfies the requirement in Rule 12.1(d) that it be reasonable in light of the whole record, consistent with the law, and in the public interest. Therefore, today’s Resolution approves the Settlement Agreement without modification. Pursuant to Rule 12.5, the Commission’s approval of the Settlement Agreement is binding on all parties in this proceeding, and such approval does not constitute approval of, or precedent regarding, any principle or issue in this proceeding or in any future proceeding.

The approved Settlement Agreement does not state if SCG may recover from its customers the settlement payment of \$250,000. Today’s Resolution requires SCG’s shareholders to bear the entire cost of the settlement payment.

7. WAIVER OF RULE 12.1(b)

CPED and SCG’s joint motion for approval of the Settlement Agreement includes a request for a waiver of Rule 12.1(b), which states as follows:

Prior to signing any settlement, the settling parties shall convene at least one conference with notice and opportunity to participate provided to all parties for the purpose of discussing settlements in the proceeding... Attendance at any settlement conference shall be limited to the parties and their representatives.

³ D.10-06-015, at 11-12.

Today's Resolution finds that because CPED and SCG are the only parties in this proceeding, and both parties are fully aware and supportive of the Settlement Agreement, there is no need for CPED and SCG to hold a settlement conference pursuant to Rule 12.1(b). Therefore, CPED and SCG's request for a waiver of Rule 12.1(b) is granted pursuant to Rule 1.2.⁴

8. SAFETY

The Commission held in Resolution E-4550, at page 5, that "it is important that [CEQA] violations be addressed immediately so that utility personnel and subcontractors will prevent violations on their project and prevent environmental harm and improve public safety." Today's Resolution, by approving the Settlement Agreement that resolves Citation No. E-4550-01, is consistent with the Commission's objective of preventing environmental harm and improving public safety.

9. COMMENTS

The draft resolution was served on the parties for public review and comment in accordance with Pub. Util. Code § 311(g)(1), Article 14 of the Commission's Rules of Practice and Procedure, and Section 12 of Resolution ALJ-299. Comments were served on _____ by _____.

10. ASSIGNMENT OF PROCEEDING

Timothy Kenney is the assigned Administrative Law Judge for K.16-12-006.

FINDINGS

1. The Settlement Agreement filed jointly by CPED and SCG resolves all claims, allegations, disputes, and disagreements between CPED and SCG related to Citation No. E-4550-01.
2. The Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest.
3. The Settlement Agreement should be approved.
4. CPED and SCG are the only parties in this proceeding. There is no need for CPED and SCG to hold a settlement conference pursuant to Rule 12.1(b).

⁴ Rule 1.2 states, "These rules shall be liberally construed to secure just, speedy, and inexpensive determination of the issues presented. In special cases and for good cause shown, and within the extent permitted by statute, the Commission may permit deviation from the rules."

THEREFORE, IT IS ORDERED that:

1. The *Joint Settlement Agreement Between the Consumer Protection and Enforcement Division and Southern California Gas Company* is approved. A copy of the approved Settlement Agreement is contained in Appendix A of today's Resolution.
2. Within thirty (30) days from the effective date of this Order, stated below, Southern California Gas Company (SCG) shall remit a check or money order for Two Hundred and Fifty Thousand dollars (\$250,000) to the Commission's Fiscal Office at 505 Van Ness Avenue, San Francisco, California 94102. SCG shall write on the face of the check, "For deposit to the State of California General Fund pursuant to Resolution ALJ-339."
3. Southern California Gas Company (SCG) shall not recover from its customers the settlement payment of Two Hundred and Fifty Thousand dollars (\$250,000).
4. Southern California Gas Company (SCG) shall retain an independent firm, at shareholders' expense, at an amount not to exceed Twenty-Five Thousand dollars (\$25,000), to conduct California Environmental Quality Act compliance training in conformance with the Settlement Agreement approved by this Order.
5. The Consumer Protection and Safety Division and Southern California Gas Company's request for a waiver of Rule 12.1(b) of the Commission's Rules of Practice and Procedure is granted.
6. K.16-12-006 is closed.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on _____, the following Commissioners voting favorably thereon.

TIMOTHY J. SULLIVAN
Executive Director

Appendix A

Settlement Agreement

Note: The attached Settlement Agreement has non-substantive formatting changes compared to the filed copy of the Settlement Agreement.

**JOINT SETTLEMENT AGREEMENT BETWEEN THE CONSUMER
PROTECTION AND ENFORCEMENT DIVISION AND
SOUTHERN CALIFORNIA GAS COMPANY**

In order to avoid the costs and risks of litigation and to expeditiously resolve this matter, the Consumer Protection and Enforcement Division (“CPED”), and Southern California Gas Company (“SoCalGas”) (collectively, the “Parties”) hereby agree upon the following terms for the settlement (“Settlement”) of Citation E-4550-01 issued by CPED to SoCalGas on October 26, 2016.

I. JOINT FACTUAL STATEMENT

1. CPED’s issuance of the Citation E-4550-01 is independent of and separate from any Commission actions regarding the injection of natural gas into or withdrawal of natural gas from the Aliso Canyon Storage Facility.

2. On May 9, 2013 the Commission adopted Resolution E-4550 (the “Resolution”), stating that a “Citation Program will provide the timely remedy necessary to correct ongoing compliance issues while project construction is underway and will conserve limited staff resources.” (Res. E-4550, Finding # 9.) The Resolution delegated authority to Commission staff to draft and issue citations and levy fines on public utilities for Specified Violations (as defined in Exhibit “A” of Resolution E-4550) and to enforce compliance with Permits to Construct; Certificates of Public Convenience and Necessity; and Mitigation Monitoring, Reporting, and Compliance Programs (Construction Requirements) in a timely manner to quickly address and prevent situations that may threaten human beings, public safety, or sensitive environmental resources.

3. On November 13, 2013, the Commission issued to SoCalGas, pursuant to D.13-11-023, an amended Certificate of Public Convenience and Necessity (“CPCN”), authorizing SoCalGas to construct the Aliso Canyon Turbine Replacement Project (“ACTR”) at the Aliso Canyon Natural Gas Storage Field.

4. In authorizing the CPCN, the Commission certified the Final Environmental Impact Report (FEIR) for ACTR and adopted the Mitigation Monitoring, Compliance, and Reporting Program (MMCRP) presented in the FEIR. The MMCRP serves as a working guide to maintaining environmental compliance for the project, and includes information provided in the FEIR, as well as specific protocols, guidelines, and standard procedures for environmental compliance to be followed prior to and during ACTR construction. Both the FEIR and MMCRP address mitigation measures and applicant proposed measures (“APMs”) designed to mitigate potentially significant environmental effects of ACTR.

5. On October 26, 2016, CPED issued to SoCalGas Citation E-4550-01 (“Citation”), with the following Specified Violation: “Failure to comply with mitigation measures outlined in the Final Environmental Impact Report (FEIR) included in the project’s Permit to Construct.¹” The Citation alleges that SoCalGas failed to comply with APM GE-2 contained in both the FEIR and MMCRP. APM GE-2 requires SoCalGas to ensure that erosion and sediment control measures will be implemented in each of the project component areas during construction activities to reduce the amount of soil displaced and transported to other areas by storm water, wind, or other natural forces. In particular, the Citation alleges, among other things, that Commission

¹ A PTC was not issued for ACTR, but SoCalGas understands the Commission instead meant to refer to the amended CPCN issued for the ACTR.

Compliance Monitors identified multiple instances where SoCalGas failed to maintain, repair or replace certain Best Management Practices (“BMPs”) for construction-related erosion and sediment control, occurring between November 2014 and January 2016, in a manner consistent with the Project’s Storm Water Pollution Prevention Plan (“SWPPP”). SoCalGas is required to follow the requirements of the SWPPP in order to comply with APM GE-2.

6. The Citation sets forth a calculation of fines issued to SoCalGas in the total amount of \$699,500.

7. On November 28, 2016, SoCalGas filed with the Commission a Notice of Appeal, appealing the Citation and requesting a hearing on its appeal on the grounds that: (i) the allegations in the Citation are unsupported, and in many cases contradicted, by the record; (ii) the Citation is contrary to the explicit intent of the Resolution; and (iii) Citation fines are inconsistent with the state water code and water quality enforcement policy, and are excessive.

8. SoCalGas also asserts that the total amount of fines issued by Commission staff is in excess of what is authorized by the Commission under the Resolution.

9. The Commission has initiated K. 16-12-006 to resolve the appeal (the “Proceeding”).

II. AGREEMENT

1. This Settlement resolves all claims, allegations, disputes and disagreements between the Parties relating to the Proceeding. If this Settlement is adopted by the Commission it releases SoCalGas, its officers, directors, employees, affiliates, parent and successors from all actual, potential, and contingent claims relating to any and all actual or alleged actions or omissions by SoCalGas with respect to the following: all matters that were raised or could

have been raised in the Proceeding and all disputes regarding the SWPPP BMP requirements that could be subject to an enforcement action pursuant to the Resolution that have been identified by the Commission or staff to SoCalGas as of October 26, 2016 relating to the Aliso Canyon Turbine Replacement project, whether informally or formally.

2. The Parties agree that the Settlement represents a compromise, is not an endorsement of disputed facts or law, and does not constitute any admission by SoCalGas or denial by CPED with respect to any issue of fact or law, or of any violation or liability by any party. The Parties understand and acknowledge that no part of any payment under this Settlement is made in settlement of an actual or potential liability for a fine or penalty (civil or criminal). The Parties further agree and understand that Commission approval and adoption of this Settlement may not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to this Settlement.

3. SoCalGas agrees to pay a settlement payment to the State of California's General Fund in the amount of Two Hundred and Fifty Thousand dollars (\$250,000).

4. SoCalGas shall retain an independent firm, at shareholders' expense, at an amount not to exceed Twenty-Five Thousand dollars (\$25,000), to conduct a CEQA compliance training seminar with a focus on promoting a uniform understanding of Commission FEIR and MMCRP monitoring obligations and SoCalGas FEIR and MMCRP compliance obligations. The training seminar shall be delivered in two locations, one in Northern California and another in Southern California. All SoCalGas staff that are reasonably expected to directly manage and implement utility projects subject to the Commission's approval process shall attend the seminar at one of the identified locations. Commission

staff reasonably expected to oversee utility's compliance with MMCRPs adopted in FEIRs are invited and strongly encouraged to attend the training seminar. The independent firm and the training seminar syllabus shall be subject to the Commission's staff reasonable review and approval.

5. SoCalGas shall pay the settlement amount within thirty (30) days of the Commission issuing a final decision approving the Settlement. SoCalGas shall cause the independent firm to conduct the CEQA compliance training seminar within ninety (90) days of the Commission staff approving the independent firm and training seminar syllabus.

6. The Parties agree to support the Settlement and to use their best efforts to secure Commission approval of the Settlement in its entirety and without modification.

7. The Parties agree to recommend that the Commission approve and adopt this Settlement in its entirety without change.

8. The Parties agree that, if the Commission fails to adopt the Settlement in its entirety, the Parties shall convene a settlement conference within fifteen days thereof to discuss whether they can resolve issues raised by the Commission's actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the settlement shall be considered voided and the Parties shall be released from their obligation to support this Settlement. Thereafter, the Parties may pursue any action they deem appropriate.

9. The Parties agree to actively and mutually defend this Settlement if its adoption is opposed by any other party.

III. REQUEST FOR CONSIDERATION BY SOCALGAS ASSOCIATED WITH COMPLIANCE MONITORING

1. SoCalGas believes there may be gap in the experience and certifications that respective SoCalGas and Commission consultants are required to maintain while filling their respective obligations of FEIR and MMCRP compliance and monitoring. Therefore, in order to further promote more consistent understandings of various requirements and obligations contained in FEIRs and MMCRPs, SoCalGas respectfully requests that in future projects requiring Commission oversight, Commission staff consider requiring consultants tasked with evaluating a utility's compliance under project FEIRs and MMCRPs maintain a similar level of expertise and certifications as those required of utility employees and contractors tasked with ensuring project FEIRs and MMCRP compliance. Notwithstanding the foregoing, SoCalGas acknowledges that it is not requesting CPED or the Commission to acknowledge or confirm the views expressed in the aforementioned request in order for the Parties to be bound by this settlement.

IV. GENERAL PROVISIONS AND RESERVATIONS

1. In accordance with the Commission Rules of Practice and Procedure, Rule 12.5, the Parties intend that Commission's adoption of this Settlement will be binding on all the Parties to this proceeding, including their legal successors, assigns, partners, members, agents, parent or subsidiary companies, affiliates, parent, officers, directors, and/or employees. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of or precedent for any principle or issue in this or any future proceeding.

2. The Parties agree that no signatory to the Settlement or any employee thereof assumes any personal liability as a result of this Settlement.

3. The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies pertaining to this Settlement, as

provided by the California Constitution, Article XII, Section 8. No Party may bring an action pertaining to this Settlement in any local, state, or Federal court, or administrative agency without having first exhausted its administrative remedies at the Commission.

4. The Parties agree that this Settlement is subject to approval by the Commission. As soon as practicable after the Parties have signed the Settlement, the Parties will jointly file a Motion for Commission Approval and Adoption of the Settlement. The Parties will furnish such additional information, documents, and/or testimony as the Commission may require in granting the Motion and adopting this Settlement.

5. If any Party fails to perform its respective obligations under the Settlement, the other Party may come before the Commission to pursue a remedy including enforcement.

6. The provisions of this Settlement are not severable. If the Commission, or any court of competent jurisdiction, overrules or modifies as legally invalid any material provision of this Settlement, this Settlement may be considered rescinded as of the date such ruling or modification becomes final at the discretion of the Parties.

7. The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement, including each Party's right to discuss this Settlement with its legal counsel and has exercised those rights, privileges, and duties to the extent deemed necessary.

8. In executing this Settlement, each Party declares and mutually agrees that the terms and conditions herein are reasonable, consistent with the law, and in the public interest.

9. This Settlement constitutes the Parties' entire Settlement, which cannot be amended or modified without the express written and signed consent of all the Parties hereto.

10. No Party has relied, or presently relies, upon any statement, promise, or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative, but not of any material misrepresentations of fact made by the other Party.

11. This Settlement may be executed in any number of separate counterparts by the different Parties hereto with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Settlement.

12. This Settlement shall become effective and binding on the Parties as of the date is approved by the Commission.

13. This Settlement shall be governed by the laws of the State of California as to all matters, including but not limited to, matters of validity, construction, effect, performance, and remedies.

V. CONCLUSION

The Parties mutually believe that based on the terms and conditions stated above, this Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

In Witness Whereof, intending to be legally bound, the Parties hereto have duly executed this Settlement on behalf of the Parties they represent.

Dated this 24th day of March, 2017.

SOUTHERN CALIFORNIA GAS COMPANY

By: /s/ David L. Buczkowski

DAVID L. BUCZKOWSKI

Vice President of Gas Engineering & Major Projects

**CONSUMER PROTECTION &
ENFORCEMENT DIVISION**

By: /s/ Jeanette Lo

JEANETTE LO

*Branch Chief, Utility Enforcement
Consumer Protection & Enforcement Division*