

**APPENDIX A TO CONSENT DECREE**

**MITIGATION AGREEMENT**

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

***Introduction and Summary***

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

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

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

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

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

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

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

**1. Definitions**

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

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

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

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

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

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

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

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

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

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

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

## 2. **Mitigation Fund**

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



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

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

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

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

### **3. Mitigation Projects**

#### **a. First Project**

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

#### **b. Additional Mitigation Projects**

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

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

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

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

3. Additional Mitigation Project: The Administrator may propose an Additional Mitigation Project that meets the requirements of Section 3.b.iii by submitting to CARB a proposal that contains information set out in Section 3.b.iv. The Administrator may not proceed with an Additional Mitigation Project without the express approval of CARB. CARB shall review the proposal in accordance with Section 3.b.v.

ii. Determination of Need for Additional Mitigation Projects After the Mitigation Obligation is Satisfied: If, after the Mitigation Obligation has been satisfied, CARB reasonably determines that the existing Mitigation Projects are unlikely to result in or are not resulting in annual verified methane emissions reductions consistent with the Mitigation Fund Certified Reductions associated with them – that is, if actual emissions reductions do not equal projected emissions reductions – CARB may notify the Administrator of the circumstances and the Administrator shall pursue a public solicitation pursuant to Section 3.b.vi to identify and select an Additional Mitigation Project(s).

iii. Additional Mitigation Project Requirements. Each Additional Mitigation Project shall comply with the following requirements, unless other requirements are agreed to in writing by CARB and the Administrator:

1. The project is located in California and causes on-site methane emissions reductions in California.
2. The project's methane emissions reductions are not otherwise mandated by law or regulation and would not otherwise occur in a business-as-usual scenario.
3. The project needs support, including debt or equity, from the Mitigation Fund in an amount that satisfies the Funding Threshold

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

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

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

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

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

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

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

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

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

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



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

**5. Methane Emissions Reductions Accounting**

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

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

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

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

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

**6. Transfer of Funds**

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

  - i.** One-third shall remain in the Mitigation Fund;



**7. Use of Mitigation Reserve**

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

**8. Reporting**

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



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

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

**10. Timing**

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

**11. Force Majeure**

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



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

**12. Rate Recovery and Environmental Credits**

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

**13. Modification and Amendment**

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

**14. Limitations**

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

**15. Term**

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

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

**16. Dispute Mediation and Resolution**

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

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

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

**17. Governing Law**

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

*[Signatures follow]*

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Dated: August \_\_\_\_, 2018

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

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

Dated: August \_\_\_\_, 2018

CALIFORNIA AIR RESOURCES BOARD

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

Dated: August \_\_\_\_, 2018

SOUTHERN CALIFORNIA GAS COMPANY

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

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Approved as to form:

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

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

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

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

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

Part 1  
First Project – Dairy Projects

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

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Part 2

First Project – Pre-Approved Additional Dairy Projects

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

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**EXHIBIT 2**

**MITIGATION DISCOUNTING SCHEDULE**

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