

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and San Diego Gas & Electric Company (SDG&E), with its principal location at 8315 Century Park Court, San Diego, California 92123 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The Global Warming Solutions Act of 2006 mandates CARB to adopt regulations to reduce greenhouse gas emissions and to enforce those regulations. (Health & Saf. Code §§ 38560, 38562, and 38580.)
- (2) Regulation. CARB adopted the "*Regulation for Reducing Sulfur Hexafluoride Emissions from Gas Insulated Switchgear*" (SF₆ GIS Regulation) to achieve greenhouse gas emission reductions by reducing sulfur hexafluoride emissions from gas insulated switchgear. (Cal. Code Regs., tit. 17, §§ 95350-95359.)
- (3) Regulatory Provisions. Any owner of gas insulated switchgear must comply with the annual emissions rate and inventory measurement procedures, maintain records, and submit an annual report containing specific information to CARB by June 1st of each year. (Cal. Code Regs., tit. 17, § 95350 et seq.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to twelve thousand one hundred eighty dollars (\$12,180.00 USD) for strict liability violations, respectively, for each day in which the violation occurs. (Cal. Code Regs., tit. 17, § 95350 et seq.; Health & Saf. Code §§ 38580, 42400 et seq., 42402 et seq., 42411, and 42410.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, SDG&E is a public entity conducting business in and operating under the laws of the State of California.
- (6) Allegations. CARB alleges that SDG&E violated the SF₆ GIS Regulation by being an owner of gas insulated switchgear that failed to submit annual reports in accordance with the reporting requirements (Cal. Code Regs., tit. 17, § 95356), resulting in 335 days of violations, as outlined in Notice of Violation NOV SF6-2023-004. (Cal. Code Regs., tit. 17, § 95350 et seq.) CARB further alleges SDG&E failed to submit the annual report for the 2022 reporting year in accordance with the requirements. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against SDG&E for each day in violation.

- (7) Acknowledgment. SDG&E admits to the facts in paragraphs 1 through 6, but denies any liability resulting from said allegations.
- (8) Consideration. In consideration of the foregoing, and of the promises and facts set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, SDG&E has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

TERMS AND CONDITIONS

In consideration of CARB not filing a legal action against SDG&E for the alleged violations referred to above in the Legal Background and Case Background, and SDG&E's agreement to complete all terms and conditions set forth below, CARB and SDG&E agree as follows:

- (9) Settlement Amount. SDG&E shall pay a civil penalty of one hundred nineteen thousand six hundred dollars (\$119,600.00 USD), and agrees to fund a Supplemental Environmental Project (SEP) entitled El Sol Environmental Community Health Worker Learning Hub in the amount of one hundred nineteen thousand six hundred dollars (\$119,600.00 USD), consistent with CARB's SEP Policy, for a total settlement of two hundred thirty-nine thousand two hundred dollars (\$239,200.00 USD). SDG&E shall make all payments within thirty (30) calendar days from the Notification Date.
- (10) Notification Date. The date upon which CARB notifies SDG&E according to Paragraph 16 (Notices), that the Settlement Agreement is fully executed or when CARB sends the fully executed Settlement Agreement to SDG&E, whichever occurs first.
- (11) Civil Penalty Payment Method. SDG&E shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. SDG&E is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty amount into the Air Pollution Control Fund for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to SDG&E in accordance with Paragraph 16 (Notices).

- (12) SEP Payment Method(s). SDG&E shall fund the SEP by wire transfer or check, payable to the SEP Recipient/Administrator, El Sol Neighborhood Educational Center, using instructions provided separately by CARB in a SEP Payment Transmittal Form. SDG&E is responsible for all payment processing fees. Payments shall be accompanied by the SEP Payment Transmittal Form to ensure proper application. Should payment instructions change, CARB will provide notice to SDG&E in accordance with Paragraph 16 (Notices).
- (13) Prohibition Against Financial Benefit. SDG&E has agreed that by funding the SEP entitled El Sol Environmental Community Health Worker Learning Hub, SDG&E will not receive any direct or indirect financial benefit, and that whenever SDG&E publicizes or refers to the SEP or the results of the SEP, SDG&E will state that the SEP is being undertaken as part of the settlement of a CARB enforcement action.
- (14) Assignment of Rights. In the event the SEP Recipient/Administrator does not fully implement or complete the SEP in accordance with the terms of the SEP Agreement, CARB shall be entitled to recover the full amount of the SEP from the SEP Recipient/Administrator, less any amount expended on the timely and successful completion of any previously agreed upon interim milestone(s). CARB will deposit any such recovery into the Air Pollution Control Fund. Accordingly, SDG&E assigns any and all rights against the SEP Recipient/Administrator to CARB.
- (15) Documents. SDG&E shall promptly email or mail the signed and dated Settlement Agreement and SEP to the address or email in Paragraph 16 (Notices).
- (16) Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board
Enforcement Division / Settlement Agreements
Short Lived Climate Pollutant Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to SDG&E:

Casey Williams
8315 Century Park Court
San Diego, California 92123
cwilliams2@SDG&E.com

As to SDG&E Legal Representation:

David Speaker
8330 Century Park Court
San Diego, California 92123
dspeaker@SDG&E.com

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

- (17) Repeat Violations. SDG&E agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (18) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Case Background and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Case Background hereof. This Settlement Agreement consists of 8 pages and 36 numbered paragraphs.
- (19) Binding Effect. This Settlement Agreement binds SDG&E, and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
- (20) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (21) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
- (22) Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.
- (23) Choice of Law. This Settlement Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.
- (24) Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement are non-dischargeable under United States Code,

title 11, section 523(a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit.

- (25) Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
- (26) Non-Waiver. The failure to enforce any provision of this Settlement Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Settlement Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.
- (27) Intent to be Bound. The Parties represent that: They have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.
- (28) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (29) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (30) Release. In consideration of full payment of the civil penalty and SEP payment(s), and all other undertakings above, CARB hereby releases SDG&E and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 6 (Allegations) above.
- (31) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (32) Per Unit Penalty. The per unit penalty in this case is a maximum of twelve thousand one hundred and eighty dollars (\$12,180.00 USD) per day under Health and Safety Code section 38350 for violations of the SF₆ GIS Regulation (Cal. Code Regs., tit. 17, § 95350 et seq.). The penalty of \$239,200.00 is an average of \$714.03 per violation in the 2020 and 2021 reporting years. For the 2022 reporting year violations, zero penalty was assessed.
- (33) Emissions. The provisions cited in Paragraph 6 (Allegations) above prohibit emissions above a specified level. Without more information, it is not practicable to quantify the excess emissions.
- (34) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described in CARB's Enforcement Policy. CARB considered whether the violator came into compliance quickly and cooperated with the investigation; the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; compliance history; preventative efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to violation; action taken to mitigate the violation; financial burden to the violator; and voluntary disclosure. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and the potential costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.
- (35) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by SDG&E or confidential settlement communications.
- (36) Effect of Settlement/Reservation of Rights. The following shall apply:
- (a) This Settlement Agreement resolves the civil claims of CARB for the violations alleged in this Settlement Agreement.
 - (b) CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against SDG&E with respect to all matters not expressly resolved in this Settlement Agreement. Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against SDG&E with respect to:

- (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
 - (ii) Facts that were not disclosed by SDG&E to CARB.
 - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved in this Settlement Agreement.
 - (iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.
 - (v) Any criminal liability.
 - (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.
- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, SDG&E shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.
- (d) This Settlement Agreement does not limit or affect the rights of SDG&E or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against SDG&E, except as otherwise provided by law. This Settlement Agreement shall not be construed to create rights in, or grant any cause of action to, any third party not covered by this Settlement Agreement.
- (e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. SDG&E is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; SDG&E compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that SDG&E compliance with any aspect of this Settlement Agreement will result

in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Ellen M. Peter

Title: Chief Counsel

Date: October 2, 2024

San Diego Gas & Electric Company

Signature: /S/

Name: Erica Martin

Title: Director of Environmental Services

Date: October 1, 2024