

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: February 28, 2017

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee

FROM: Sharon M. Tso *Sharon Tso* Council File No.: 17-0002-S23
Chief Legislative Analyst Assignment No.: 17-02-0172

SUBJECT: Resolution (Englander-Buscaino) to SUPPORT and/or SPONSOR administrative action to utilize settlement proceeds for community amelioration benefits for residents impacted by the Aliso Canyon Gas Leak

CLA RECOMMENDATION: APPROVE the attached Resolution to include SUPPORT and/or SPONSORSHIP of administrative action by the South Coast Air Quality Management District in the City's 2017-2018 State Legislative Program to utilize settlement proceeds for community amelioration benefits.

SUMMARY

The Resolution (Englander-Buscaino), introduced on February 14, 2017, states that the South Coast Air Quality Management District (SCAQMD) recently announced an \$8.5 million settlement with Southern California Gas Company (SoCal Gas) to resolve a lawsuit stemming from the 2015 Aliso Canyon Gas Leak. The Resolution also states that the natural gas leak, which was discovered on October 23, 2015 and resolved on February 18, 2016, led to the temporary evacuation of thousands of residents in the Porter Ranch area.

The Resolution states that the settlement ignores the needs of the residents and neighbors directly and indirectly impacted by the gas leak. The Resolution further states that it is appropriate for a portion of the settlement proceeds to provide for community amelioration benefits to impacted neighborhoods. The Resolution seeks support and/or sponsorship of administrative action by SCAQMD to utilize, to the greatest extent possible, the proceeds of the settlement agreement for community amelioration benefits for the impacted residents and neighborhoods.

BACKGROUND

On October 23, 2015, SoCal Gas discovered a leak at a natural gas well in the Aliso Canyon Natural Gas Storage Facility. SoCal Gas successfully sealed the well on February 18, 2016. During the four month leak, the Governor issued a Proclamation of a State of Emergency. The leak also forced the relocation of more than 8,000 families, many of which were forced to stay in locations far from their schools and jobs. More than a year after the leak was discovered, over 100 lawsuits have been filed against SoCal Gas, seeking damages for health issues, property loss, and alleged lost business.

On February 8, 2017, the South Coast Air Quality Management District announced that it had reached a settlement with SoCal Gas. The settlement resolves a lawsuit filed by SCAQMD in

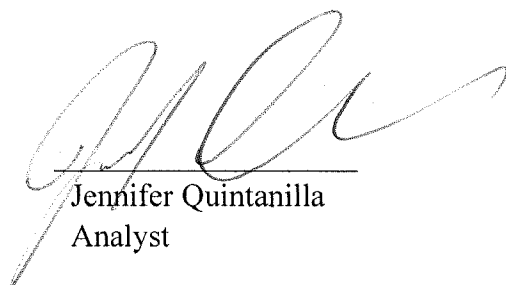
Los Angeles Superior Court on January 26, 2016. The civil lawsuit alleged daily violations of air quality regulations and alleged negligence in the design, construction, operation, and maintenance of the well at issue. Pursuant to the agreement, SoCal Gas will pay SCAQMD \$8.5 million, to be allocated as follows:

- \$1 million to fund a health study recommended by SCAQMD;
- \$5.65 million in full satisfaction of annual emission reporting fees. \$1 million of this sum, will be applied by the SCAQMD to fund a renewable natural gas production project demonstrating the commercial and technical viability of renewable natural gas, subject to an agreement with KORE Infrastructure, LLC. KORE is a biosolids management solution provider that produces ultra-clean diesel fuel and other renewable resources from wastewater biosolids;
- \$1.6 million for full reimbursement of air quality monitoring costs incurred by the SCAQMD; and
- \$250,000 for SCAQMD's legal fees and costs.

This agreement has been widely criticized for failing to allocate a portion of the settlement proceeds to benefit impacted communities and to provide a larger sum for completion of a health study. Los Angeles County Supervisor Kathryn Barger supports the idea that funds should be spent in the impacted community. Supervisor Barger released a statement in support of this resolution and noted that the Los Angeles County Board of Supervisors has stated that the settlement proceeds should remain in the impacted communities.

CONCLUSION

The Aliso Canyon Natural Gas Storage Facility leak endangered the health and safety of thousands of residents in the surrounding communities, resulted in the relocation of nearly 8,000 families, and caused harm to local businesses. Support and/or sponsorship of administrative action by the South Coast Air Quality Management District to utilize settlement proceeds for community amelioration benefits could provide additional assistance to affected City communities and neighborhoods.



Jennifer Quintanilla
Analyst

Attachments: 1. Resolution

SMT:MF:PS:JMQ

RESOLUTION

ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the South Coast Air Quality Management District (SCAQMD) has just announced that it has reached a settlement agreement with Southern California Gas Company (SoCalGas) for \$8.5 Million for the Aliso Canyon Gas Leak; and

WHEREAS, the agreement settles a lawsuit filed by SCAQMD against SoCalGas in Los Angeles Superior Court on January 26, 2016.

WHEREAS, this calamitous gas leak was discovered on October 23, 2015 in the Aliso Canyon underground natural gas storage facility near Porter Ranch but the well was not sealed until February 18, 2016; and

WHEREAS, this gas leak caused a major public nuisance to residents from foul odors and forced the temporary evacuation of hundreds if not thousands of residences in the Porter Ranch area; and

WHEREAS, under terms of the settlement agreement, signed on February 8, 2017, SoCalGas will pay a total of \$8.5 million to SCAQMD, of which \$1 million will be designated for a SCAQMD-sponsored health study; \$5.65 million will pay for emission fees related to the leak of which \$1 million will help fund a renewable natural gas production project demonstrating the commercial and technical viability of renewable natural gas; \$1.6 million will reimburse SCAQMD for air monitoring costs and \$250,000 for its legal fees; and

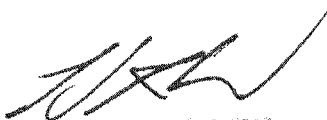
WHEREAS, this settlement agreement appears to completely ignore the needs of the residents and neighborhoods directly and indirectly affected by this disaster; and

WHEREAS, it is appropriate, if not imperative, that the proceeds of this settlement agreement be utilized / set-aside for community amelioration benefits for the residents of the Aliso Canyon disaster; and

WHEREAS, the SCAQMD should therefore utilize a large portion if not all of the \$5.65 million revenues in emission fees related to the gas leak for community benefits for the neighborhoods which suffered from this calamity;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2017-2018 State Legislative Program sponsorship and support of any administrative action by the South Coast Air Quality Management District to utilize to the greatest extent possible the proceeds of a settlement agreement with the Southern California Gas Company, arising out of the Aliso Canyon Gas Leak, for community amelioration benefits for the residents and neighborhoods which suffered from this calamity.

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FEB 14 2017

PRESENTED BY:


MITCHELL ENGLANDER
Councilman, 12th District

SECONDED BY:

