

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (Agreement) is entered into between the State of California Air Resources Board (CARB) with the principal location at 1001 I Street, Sacramento, California 95814; and Chevron Products Company, a division of Chevron U.S.A. Inc. (Chevron), with an office at 601 South Vail Avenue, Montebello, California 90640 (collectively, the Parties).

This agreement settles Notice of Violation **F090915-CVXT-OXY**. This NOV was issued on **April 17, 2017**, for supplying and blending CARBOB that exceeds the 10% by volume allowable limit of ethanol under the California Reformulated Gasoline cap limit.

I. RECITALS

- (1) California Health and Safety Code section 39003 assigns CARB with attaining and maintaining ambient air quality standards.
- (2) Title 13, California Code of Regulations, Sections 2250- 2273.5 establish standards and compliance requirements for motor vehicle fuels applicable to producers and importers of motor vehicle fuel in California. (Cal. Code Regs., tit. 13, §§ 2250-2273.5; hereinafter California Reformulated Gasoline (CaRFG) regulation).
- (3) The standards and compliance requirements in the CaRFG regulation applies to all persons who sell, supply, offer for sale or offer for supply, gasoline for motor vehicles in the State of California. (Cal. Code Regs., tit. 13, § 2261).
- (4) The California gasoline must conform to any Predictive Model flat limit identified in the Predictive Model alternative specification. (Cal. Code Regs., tit. 13, § 2265).
- (5) The standards and compliance requirements for California gasoline or transactions involving California gasoline also apply to California reformulated gasoline blendstock for oxygenate blending (CARBOB) or transactions involving CARBOB, including but not limited to CaRFG regulation sections 2261, 2262, 2262.3, 2262.4, 2262.5(a), (b), (c), and (e), 2262.6, 2264, 2264.2, 2265, 2266, 2267, 2268, 2270, 2271, and 2272. (Cal. Code Regs., tit. 13, §§ 2260; 2272). Whenever the term "California gasoline" is used in this Agreement, the term means California gasoline or CARBOB. (Cal. Code Regs., tit. 13, § 2266.5).
- (6) CaRFG regulation section 2262.3(a) (Compliance with cap limits) provides in pertinent part: "No person shall sell, offer for sale, supply, offer for supply, or transport California gasoline which exceeds an applicable cap limit for sulfur, benzene, aromatic hydrocarbons, olefins, T50 or T90 set forth in section 2262.
- (7) CaRFG regulation section 2262.5(b) mandates that "[n]o person shall sell, offer for sale, supply, or transport California gasoline which has an oxygen content

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exceeding the maximum oxygen content cap limit in section 2262, or which has an ethanol content exceeding 10.0 percent by volume.”

- (8) For a final blend starting to be sold or supplied from the production or import facility on or after October 9, 2012, the producer or importer shall evaluate the candidate PM alternative specifications for gasoline subject to the “California Procedures for Evaluating Alternative Specifications for Phase3 Reformulated Gasoline Using the California Predictive Model,” last amended August 24, 2012. (Ca. Code Regs., tit 13, § 2265(a)(1)(2)(A)7).
- (9) “[E]ach sale of California gasoline at retail, and each dispensing of California gasoline into a motor vehicle fuel tank, shall also be deemed a sale or supply by any person who previously sold or supplied such gasoline in violation of any applicable sections of this subarticle.” (Cal. Code Regs., tit. 13, § 2268).
- (10) Failure to comply with the requirements of the CaRFG regulation is a violation of state law resulting in penalties. Health and Safety Code section 43027, subdivision (c) states, “[a]ny person who violates any provision of this part, or any rule, regulation, permit, variance, or order of the state board, pertaining to fuel requirements and standards, exclusive of the documentation requirements specified in subdivision (d), is strictly liable for a civil penalty of not more than thirty-five thousand dollars (\$35,000).”
- (11) Health and Safety Code section 43030, subdivision (a), states “[f]or the penalties prescribed in sections 43027 and 43028, each day during any portion of which a violation occurs is a separate offense.”
- (12) Health and Safety Code section 4301, subdivision (b), states “[I]n determining the penalty amount, the state board shall take into consideration all relevant circumstances, including, but not limited to the: (1) Extent of harm to public health, safety, and welfare caused by the violation; (2) Nature and persistence of the violation, including the magnitude of the excess emissions; (3) Compliance history of the defendant, including the frequency of past violations; (4) Preventive efforts taken by the defendant, including the record of maintenance and any program to ensure compliance; (5) Innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; (6) Efforts to attain, or provide for, compliance; (7) Cooperation of the defendant during the course of the investigation and any action taken by the defendant, including the nature, extent, and time of response of any action taken to mitigate the violation; and (8) For a person who owns a single retail service station, the size of the business.”
- (13) CARB alleges in NOV F090915-CVXT-OXY that on June 22, July 10, July 26, and August 12, 2015, Chevron sold, offered for sale, supplied, offered for supply, and/or transported fuel that exceeded the ethanol limit of 10.0% by volume for a total of 4 days.

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- (14) CARB alleges that the sale, offer for sale, supply, offer for supply and/or transportation of non-complying CARBOB was unlawful and in violation of CaRFG regulation sections 2261, 2262, 2265, 2266.5, and 2268.
- (15) Chevron admits the facts or allegations as applicable, described in recital paragraphs (1) through (14), but denies any liability resulting from said allegations. Chevron has cooperated in CARB's investigation of the allegations described herein.
- (16) 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 Agreement. In order to resolve the violations described herein, Chevron has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Agreement in termination and settlement of this matter.

II. TERMS AND RELEASE

In consideration of CARB not filing a legal action against Chevron for the alleged violations referred to above, and in consideration of the terms set out below (and Chevron's payment of the penalties, CARB and Chevron agree as follows:

- (1) Chevron has agreed to pay the sum of twenty-eight thousand dollars (\$28,000.00) as a civil penalty for the alleged violations in (NOV) **F090915-CVXT-OXY**.
- (2) Chevron shall pay a civil penalty, described above, in the amount of \$28,000 to the Air Pollution Control Fund (APCF).
- (3) Chevron will send the California APCF payment, along with the attached Settlement Agreement Payment Transmittal Form (Attachment A) to:

California Air Resources Board
Accounting Office
P.O. Box 1436
Sacramento, California 95812-1436
- (4) Chevron shall mail the payments no later than ten business days after both parties sign this Agreement and Chevron receives notification by CARB that CARB has signed the Agreement.
- (5) In addition, if the Attorney General files a civil action to enforce this settlement agreement against Chevron, Chevron shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and

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costs, if and when the Attorney General is deemed to be a prevailing party by a court of competent jurisdiction.

- (6) Chevron has demonstrated to the satisfaction of CARB that the alleged violations have been corrected.
- (7) Chevron shall not violate any provision of the CaRFG regulation. Any future repeat violations may result in an increased penalty amount.
- (8) Now therefore, in consideration of the payment from Chevron to the Air Pollution Control Fund, CARB hereby releases Chevron and its principals, officers, agents, predecessors and successors from claims for violations of the CaRFG regulation alleged in paragraphs (1) through (13) of the Recitals.

III. GENERAL PROVISIONS

- (1) This Agreement constitutes the entire agreement and understanding between CARB and Chevron concerning the subject matter hereof, and supersedes and replaces any and all prior negotiations and agreements of any kind of nature, whether written or oral, between CARB and Chevron concerning the subject matter hereof.
- (2) The payment obligation under section II(7) shall apply to and be binding upon Chevron, and the release obligations under section II(14) shall apply to and be binding upon Chevron and its officers, directors, receivers, trustees, employees, successors and assignees, members, parent corporations, and subsidiaries, if any; and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (3) The terms and conditions set forth in this Agreement shall remain valid and enforceable notwithstanding any future violations that may occur.
- (4) The effective date of this Agreement shall be the date of the last signatory.
- (5) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Agreement.
- (6) Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Agreement remains in full force and effect.
- (7) The headings in this Agreement are not binding and are for reference only and do not limit, expand, or otherwise affect the contents of this Agreement.

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- (8) This 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.
- (9) It is further agreed that the stipulated penalties described in this Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7).
- (10) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either Party on the ground that said party drafted it.
- (11) The failure of any Party to enforce any provision of this 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 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 Agreement or otherwise provided by law.
- (12) Each of the undersigned represents and warrants that he or she has full authority to enter into this Agreement.

IV. PENALTY DETERMINATION

- (1) Pursuant to Health and Safety Code section 39619.7, CARB must provide information on the basis for the penalty it seeks. This information is provided throughout this settlement agreement and summarized below.

The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43031, subdivision (b).

The per unit penalty in the case of (NOV) **F090915-CVXT-OXY** is a maximum of \$35,000 per day per strict liability violation. CARB alleges that the non-complying CARBOB was sold, supplied and transported over a time period of **four days**. The penalty obtained in this case is **\$7,000.00 per day**. The lower penalty reflects the consideration of a number of facts, including: that this was an unintentional violation, Chevron did not have a similar oxygenate violation three years prior to the discovery of this violation, and Chevron's diligent efforts to comply and to cooperate with the investigation.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

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CARB alleges that the penalty provisions being applied in this case, Health and Safety Code sections 43027 and 43030 are appropriate because Chevron allegedly sold, offered for sale, supplied, or offered for supply and/or transported CARBOB in California in violation of Cal. Code Regs., tit.13, §§ 2250–2273.5.

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.

California Health and Safety Code section 43029 specifies a penalty equal to “the product of the number of tons of incremental increased vehicular emissions resulting from the manufacture, distribution, and sale of the specified volume of noncompliant fuel and nine thousand one hundred dollars (\$9,100) per ton.”

CARB alleges that since the fuel did not meet California air pollution standards, any emissions attributable to them are illegal.

The provisions cited above do not prohibit emissions above a specified level. CARB alleges that since the fuel did not meet California air pollution standards, any emissions attributable to them are illegal. However, it is not practicable to quantify these emissions because the information necessary to do so is not available. CARB has considered this penalty provision in its determination of the total penalty amount.

- (2) Chevron acknowledges that CARB has complied with Health and Safety Code section 39619.7 in prosecuting or settling these cases. Specifically, CARB has considered all relevant facts, including those listed at Health and Safety Code section 43031, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty is being assessed and has considered and determined that this penalty is being assessed under a provision of law that does not prohibit the emission of pollutants at a specified level.
- (3) Penalties were determined based on the unique circumstances of each matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar case negotiations, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a number of days considered together with the complete circumstances of this case. Penalties in future cases might be smaller or larger on a per unit basis.
- (4) The penalty in each case was based in part on confidential business information

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provided by Chevron that is not retained by CARB in the ordinary course of business. The penalty in each case was also based on confidential settlement communications between CARB and Chevron that CARB does not retain in the ordinary course of business. Each penalty also reflects CARB's assessment of the relative strength of the case against Chevron, the desire to avoid the uncertainty, burden and expense of litigation, to obtain swift compliance with the law and remove any unfair advantage that Chevron may have secured from its actions.

V. STIPULATED CONSENT JUDGMENT

- (1) The Parties stipulate to the entry of a Consent Judgment if Chevron defaults on any of the terms and conditions of this Agreement and hereby waives the right to challenge the Consent Judgment or its terms. Before declaring a default of the terms and conditions of this Agreement, CARB will first provide Chevron 10 calendar days written notice of the claimed default and request to cure.
- (2) The Consent Judgment does not constitute evidence of an admission by Chevron regarding any issue of law or fact alleged in the Agreement but sets forth the obligations of Chevron and constitutes the complete, final, and exclusive agreement between CARB and Chevron.
- (3) CARB expressly reserves the right to bring an enforcement action based on violations of law not covered in this Agreement and to seek whatever fines, penalties, or remedies provided by law, including injunctive relief.
- (4) In the event CARB seeks Consent Judgment based on Chevron's default under this Agreement, the Parties agree to the following:
 - a. Superior Court of California, County of Sacramento (Court) has jurisdiction over the Parties and to the subject matter of this action;
 - b. Venue is proper in this Court;
 - c. The Court has personal jurisdiction over Chevron for purposes of enforcing the terms of the Consent Judgment; and
 - d. The obligations under this Agreement shall be deemed the terms and conditions of the Consent Judgment


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ACKNOWLEDGED AND ACCEPTED BY:

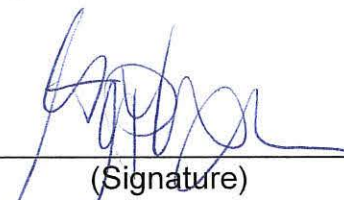
California Air Resources Board

Dated: 1/16/19 By: 
(Signature)

Printed Name: Dr. Todd P. Sax

Title: Enforcement Division Chief

Chevron

Dated: September 24, 2018 By: 
(Signature)

Printed Name: Grace P. Nerona

Title: Assistant Secretary