UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
Washington, D.C.

In the matter of:	
Chevron Pipeline Company	File No. MSEB/AED - 6046
Respondent.	SETTLEMENT AGREEMENT AND AUDIT POLICY DETERMINATION

THIS AGREEMENT is made and entered into by and between the United States Environmental Protection Agency (hereinafter "EPA") and Chevron Pipeline Company located at 4000 Executive Parkway, San Ramon, California, 94583 (hereinafter "Respondent").

I. Preliminary Statement

1. On June 16, 1999, Respondent provided written notification to EPA of the existence of violations of the gasoline detergent additization regulations, 40 C.F.R. Part 80, Subpart G ("detergent regulations"). Supplemental information about the violations was provided by the Respondent through March, 2001.

2. Respondent advised EPA that Respondent failed to additize over eighteen million gallons of gasoline at the Chevron gasoline terminal located at 2900 Sacajawea Park Road, Pasco, Washington 99301 ("Chevron's Pasco terminal"), during the November 18, 1998 through June 2, 1999 time period. The Respondent advised that this failure resulted from a computer software error which was immediately corrected upon discovery.

3. The detergent regulations provide that no person may blend detergent into gasoline unless the volumetric additive reconciliation ("VAR") requirements of the detergent program found in § 80.170 are complied with. (40 C.F.R. § 168(b).) The Clean Air Act at 42 U.S.C. § 7524 and the detergent regulations at 40 C.F.R. § 172 subject violators of these laws to a maximum civil penalty of $27,500 per day for each violation occurring after January 30, 1997, plus the amount of economic benefit or savings resulting from each violation. Further, the detergent regulations specify that any violation of the VAR compliance standard shall constitute a separate day of violation for each and every day of the VAR compliance period in which the standard was violated. [40 C.F.R. § 80.172(g)]

4. Respondent requested application to its disclosed violations of EPA's "Final Policy Statement on Incentives for Self-Policing: Discovery, Disclosure, Correction, and Prevention of Violations" (60 F.R. 66706, December 22, 1995 ("Audit Policy").

II. EPA's Audit Policy Determination

1. EPA issued the Audit Policy to encourage regulated entities to conduct voluntary compliance evaluations and to disclose and promptly correct violations. As an incentive for companies to undertake self-policing, self-disclosure, and self-correction of violations, EPA may substantially reduce or eliminate gravity-based civil penalties; however, EPA retains its discretion to recover any economic benefit gained as a result of non-compliance.

2. Where the disclosing party establishes that it satisfies all of the following conditions set forth in the Audit Policy, EPA will not seek gravity-based penalties for violations of

federal environmental requirements: 1. discovery of the violations(s) occurred through an environmental audit or due diligence; 2. the violations were voluntarily discovered and promptly disclosed; 3. discovery and disclosure of the violations were independent of prior actions of the government or third party plaintiff; 4. the violations were corrected and the environmental harm was remedied; 5. steps were taken to prevent recurrence; 6. the violations were not repeat violations; 7. the violations did not include specific serious violations excluded under the Audit Policy; and 8. the violator has cooperated with EPA about the matter.

3. Where the disclosing party establishes that it satisfies all of the conditions listed above with the exception of establishing that the violation(s) were found through a formal audit or due diligence, EPA will reduce the gravity-based penalty for the violation(s) by 75%.

4. Upon consideration of the information about the violations presented by Respondent, EPA concludes that the Respondent has satisfied all the above Audit Policy conditions with the exception of establishing that the violations were found through a formal audit or through due diligence. Application of the Audit Policy under such circumstances results in the elimination of 75% of the gravity-based component of the penalty for these violations.

5. After considering the gravity of the violations, the Respondent's history of compliance, the terms of this Agreement, other facts presented by the Respondent, the application of the Audit Policy to this case, and contingent upon the truthfulness and accuracy of the Audit Policy information provided by the Respondent, EPA has determined to conditionally remit and mitigate the civil penalty for these violations to eighty-seven thousand six hundred and ten dollars ($87,610.00). This penalty

reflects both the gravity component reduced under the Audit Policy and the economic benefit component derived from these violations.

III. Terms of Agreement

The parties, desiring to settle and resolve this matter, in consideration of the mutual covenants and agreements contained herein, which consideration is acknowledged by the parties to be adequate, agree as set forth herein.

1. The parties agree that the settlement of this matter is in the public interest and that this Settlement Agreement and Audit Policy Determination ("Agreement") is the most appropriate means of resolving the matter.

2. Jurisdiction to settle this matter exists pursuant to section 211 of the Act, 42 U.S.C. § 7545, 40 C.F.R. Part 80, and other provisions of law.

3. At all relevant times the Respondent was the detergent blender at Chevron's Pasco Terminal, within the meaning of 40 C.F.R. § 80.140.

4. The Respondent failed to additize at least eighteen million gallons of gasoline at Chevron's Pasco Terminal during seven (7) VAR monthly compliance periods between November, 1998 and June, 1999.

5. This amounts to seven (7) violations of 40 C.F.R. § 170 pursuant to 40 C.F.R. § 80.168(b).

6. EPA has determined to conditionally remit and mitigate the civil penalty for these violations under the Audit Policy to eighty-seven thousand six hundred and ten dollars ($87,610), which is comprised of a violation gravity component of twenty-nine thousand dollars ($29,000), with the remainder being an economic benefit component of fifty-eight thousand six hundred

and ten dollars ($58,610).

7. As a means of resolving the detergent program violations at Chevron's Pasco Terminal disclosed by the Respondent, the Respondent agrees to pay to EPA a penalty of eighty-seven thousand six hundred and ten dollars ($87,610) within sixty (60) days of receipt of the fully executed Agreement from the EPA (the "penalty due date"). Late payment of this civil penalty is subject to interest and fees as specified in 31 U.S.C. § 3717. Respondent agrees to pay this penalty to EPA by cashier's check or certified check, with the notation "AED/MSEB - 6046", payable to the "United States of America". The penalty is to be mailed to the following address:

U.S. Environmental Protection Agency
Washington Accounting Operations
P.O. Box 306277M
Pittsburgh, Pennsylvania 15251
Attention: AED/MSEB - 6046

A copy of the penalty check shall be simultaneously forwarded to Judy Lubow at the following address:

Judy Lubow, Attorney
U.S. Environmental Protection Agency
12345 West Alameda Parkway
Suite 214
Denver, CO 80228

8. Time is of the essence to this Agreement. Upon Respondent's failure to timely perform by the payment due date listed in paragraph III(7) of this Settlement Agreement, the civil penalty of eighty-seven thousand six hundred and ten dollars ($87,610) immediately becomes due and owing by the Respondent. Upon such failure to timely perform, the EPA may commence an action to enforce this Agreement, or to recover civil penalties for the disclosed violations pursuant to § 205 of the Clean Air Act; or pursue any other remedies available to it. The

Respondent specifically agrees that in the event of such default or failure to comply, the EPA may proceed in an action based on a claim of violations of § 211 of the Act, 42 U.S.C. § 7545, and the Respondent expressly waives its right to assert that such action is barred by 28 U.S.C. § 2462, other statutes of limitation, or other provisions limiting actions as a result of the passage of time.

9. In addition, if the Respondent fails to pay the eighty-seven thousand six hundred and ten dollars ($87,610) penalty required by paragraph III(7) of this Agreement within one hundred and twenty days of the penalty due date, the parties agree that the Respondent owes a stipulated penalty to the EPA of one hundred seventy-four thousand six hundred and ten dollars ($174,610) ("stipulated penalty"), which is the amount of mitigated civil penalty for the disclosed violations without application of the Audit Policy's 75% reduction in gravity component. Once the stipulated penalty becomes due, EPA may bring an action against the Respondent to recover the stipulated penalty. The parties agree that EPA may not collect both the stipulated penalty under this paragraph and penalties under the terms of paragraph III(8) of this Agreement, for the same violations.

10. Consistent with the purposes of the Audit Policy, the Respondent agrees, on a continuing and company-wide basis, to institute internal policies and procedures to prevent recurrence of violations of the detergent regulations.

11. This Agreement becomes effective upon the date signed by the EPA, after which time a copy will be returned to the Respondent.

12. The parties hereby represent that the individual(s) executing this Agreement on behalf of the respective party are authorized to do so and that such execution intended and is

sufficient to bind the party and, when applicable, its officers, agents, directors, owners, heirs, assigns, and successors.

13. The Respondent waives its rights, if any, to a hearing, trial or any other proceeding on any issue of fact or law relating to matters agreed to herein.

14. The terms of this Agreement shall be the complete settlement of all civil administrative claims and causes of action alleged or which could have been alleged under the detergent regulations for the violations at Chevron's Pasco Terminal disclosed by the Respondent, based upon facts known to EPA on or before the effective date of this Agreement. The Respondent's full completion of the terms of this Agreement shall terminate this matter, with, however, such termination being contingent upon the accuracy and truthfulness of the information provided about the violations by the Respondent.

15. Nothing herein shall limit the right of the EPA to proceed against the Respondent in the event of default or noncompliance with this Agreement; for violations of § 211 of the Clean Air Act, 42 U.S.C. § 7545, which are not the subject matter of this Agreement; or for other violations of law.

16. The terms of this Agreement are contractual and not a mere recital. If any provision or provisions of this Agreement are held to be invalid, illegal or unenforceable, the remaining provisions shall not in any way be affected or impaired thereby.

17. The validity, enforceability and construction of all matters pertaining to this Agreement shall be determined in accordance with applicable federal law.

The following agree to the terms of this Agreement:

Chevron Pipeline Company

by: _____ Date: September 10, 2001
(Printed Name:) JON N. ROBBINS
(Printed Title:) Assistant Secretary

United States
Environmental Protection Agency

by: Richard Biondi /t Date: 9/25/01
Bruce C. Buckheit
Director, Air Enforcement Division
Office of Enforcement and Compliance Assurance