UTAH DIVISION OF WATER QUALITY

IN THE MATTER OF CHEVRON PIPE LINE COMPANY, SALT LAKE CITY, UTAH	DOCKET NUMBER I13-03 SETTLEMENT AGREEMENT

This **SETTLEMENT AGREEMENT** (the "**Agreement**") is made and entered into this 13th day of December, 2013, by and among the **UTAH DIVISION OF WATER QUALITY ("DWQ")**, acting through the Director of the Division of Water Quality; **THE UTAH DEPARTMENT OF NATURAL RESOURCES, DIVISION OF PARKS AND RECREATION ("Parks")**, acting through its Division Director and **CHEVRON PIPE LINE COMPANY** ("**CPL**"), collectively referred to herein as the "**Parties**."

RECITALS

A. Utah Water Quality Board's and Director's Authority. The Utah Water Quality Board has authority to administer the Utah Water Quality Act, Utah Code Ann. Title 19, Ch. 5 (the "Act"). The Director of the Division of Water Quality ("Director") has the authority to issue notices of violation and orders and to exercise all incidental powers necessary to carry out the purposes of the Act. Utah Code Ann. § 19-5-106. The Board has the authority to review and approve a settlement negotiated by the Director. Utah Code Ann. § 19-5-104. The Director has authority to employ full-time employees to carry out the provisions of the Act ("Division of Water Quality staff"). Utah Code Ann. § 19-5-106.

B. Parks' Authority. The Department of Natural Resources, Division of Parks and Recreation ("Division") is the parks and recreation authority for the State of Utah. The Division's mission and duties are set forth in Utah Code Ann. Title 79, Chapter 4. The Director of the Division has the delegated authority and incidental powers necessary to carry out the Division's mission and duties. Utah Code Ann. § 79-4-202(3) and (4).

C. March 18, 2013 Release. A release of diesel from a pipeline owned by CPL occurred in the vicinity of North Willard Bay State Park on March 18, 2013 (the "Release"). The Release occurred on land and then drained into a drainage ditch that is connected to a series of channels and wetland ponds adjacent to Willard Bay Reservoir.

D. CPL's Immediate Response to the Release. Upon confirming the Release, CPL immediately contacted the Natural Response Center, the Ogden City Fire Department and the Utah Department of Environmental Quality ("DEQ"), including DWQ, and mobilized response action contractors including EnviroCare and EarthFax Engineering, Inc. CPL personnel secured the Release and confirmed the extent of the spill. CPL and other emergency crews were deployed to set up containment booms to prevent diesel from reaching Willard Bay Reservoir. Personnel were deployed to establish divisions within the impacted area and develop plans for each division. In addition, CPL has taken the following actions in response to the Release:

i. **Remediation Efforts.** Under the direction of the Unified Command, CPL has and continues to undertake remedial activities at Willard Bay State Park in response to the Release. Based on CPL's accounting records, as of November 30, 2013, CPL has expended approximately $21.5 million in connection with remediation efforts at the State Park.

ii. **Reimbursement of DWQ.** CPL has paid DWQ $243,235.31, as of November 30, 2013, to reimburse DWQ for oversight and out-of-pocket direct expenses associated with the Release.

E. Unified Command. In response to the Release, regulatory agencies established a Unified Command to coordinate responses to the Release. The U.S. Environmental Protection Agency was also onsite to observe progress during the initial response, as was the property owner, the U.S. Bureau of Reclamation.

F. Pipeline Repair and PHMSA Inspection. CPL repaired the pipeline by March 28, 2013. On March 30, 2013, the U.S. Pipeline and Hazardous Materials Safety Administration ("PHMSA") inspected the repaired pipeline and approved the reintroduction of diesel into the pipeline. PHMSA approved operation of the pipeline at 80% of normal operating pressure.

G. Director and Division of Water Quality Responses to the Release. The Director issued a Notice of Violation and Compliance Order to CPL, dated April 11, 2013 (the "NOV"). The Director and Division of Water Quality staff have provided, and continue to provide, oversight for the ongoing implementation of work plans and other obligations CPL is required to undertake pursuant to the NOV, in addition to DWQ's work in conjunction with the Unified Command.

H. CPL's Mitigation at Willard Bay State Park and the Agreed Cost of the Mitigation. CPL has taken the following actions at Willard Bay State Park which the Parties agree constitute mitigation, that is, actions over and above CPL's immediate response to contain the Release, repair the pipeline, and restore facilities and environment at the Park:

Project	Description
Water Control Structures	7 installed to regulate water depth and hydroperiod
	Flash-board risers, 4-inch C-shaped aluminum stoplogs,
	Safety guards on inlet, outlet and top
Replanting Habitat Enhancement	Trees, shrubs, root-stock, upland and wetland seed (3.5 acre total area)
Re-sodding of Pavilion Area	26,000 S.F. of sod
Paving	12,887 S.F. + 4,656 S.F.
Slurry Seal	Type II - Park entrance road, marina and Eagle Beach
Overflow Parking Lot	46,956 S.F.
New Upland Trail	1,000 ft ADA compliant
Trail Fence Rail	2,000 ft

Project	Description
Sidewalk at Eagle Beach	120 ft
Temporary Fence	4,144 ft
Beach Sand Enrichment	2,600 C.Y.

The Parties agree that, irrespective of the costs incurred by CPL to complete these projects, the value of the mitigation of the facilities of Willard Bay State Park represented by these projects is seven hundred nineteen thousand dollars ($719,000). The Parties agree that these projects comply with the terms of Utah Administrative Code R317-1-8.4 and, as a result, the cost of those projects may be used as credit against the mitigation portion of any penalties assessed by DWQ pursuant to the NOV.

The Parties also agree that CPL will construct or cause to be constructed an ADA-compliant engineered trail and footbridge, which will connect to the New Upland Trail identified above, in the north part of the Park, and that this project will constitute mitigation. The Parties agree that, irrespective of the costs incurred by CPL to complete this project, the value of the trail and bridge is six hundred thousand dollars ($600,000). The Parties agree that this project complies with the terms of Utah Administrative Code R317-1-8.4 and, as a result, the cost of this project may be used as credit against the mitigation portion of any penalties assessed by DWQ pursuant to the NOV. The funding for this mitigation project shall come from the funds identified in Paragraph 5.ii below.

I. **Additional Payments.** Without any admission of liability, wrongdoing, or negligence, CPL has agreed to make additional payments identified below.

J. **Mutual Interest.** The Parties believe that it is in their mutual best interest to execute an agreement for such compensation and to settle all potential claims relating to the Release.

TERMS

NOW THEREFORE, IN CONSIDERATION of the mutual covenants set forth herein, the PARTIES agree as follows:

1. **No Admission of Liability.** The Parties now desire to resolve this matter fully without further administrative or legal proceedings, except to the extent provided herein, by entering into this Agreement. Entering into this Agreement is not an admission of liability or of any factual allegation or factual findings set out in the NOV, nor is it an admission of or an agreement to any disputed facts or disputed legal theories, nor is it an admission of any violation of any law, rule, regulation or permit by CPL. By entering into this Agreement, CPL withdraws any request for a hearing. Nothing in this Agreement shall constitute a waiver by CPL of any defense or the ability to raise any legal or factual contention for future allegations of noncompliance or a waiver by the Director to issue Notices or Orders for any future violation or noncompliance with the Act or any other state, federal or local laws.

2. **Administration by the Director.** The Director shall administer the terms and provisions of this Agreement.

3. **Settlement of NOV.** This Agreement settles the violations in the NOV, except as provided in ¶9.iii below. This Agreement does not in any way relieve CPL from any other obligation imposed under the Act or any other state, federal or local laws, except as set forth herein.

4. **Conduct of CPL.** This Agreement takes into account good faith efforts by CPL to resolve the violations cited in the NOV. The Director acknowledges that, in response to requests for information and requirements of the NOV, CPL has addressed and continues to address the alleged violations and has worked cooperatively with Division of Water Quality and Parks staff.

5. **CPL Obligations.** CPL agrees to the following settlement terms:

i. **Civil Penalty Paid to the State.** CPL agrees to pay a monetary penalty in the amount of three hundred fifty thousand dollars ($350,000), within thirty (30) days of the effective date of this Agreement, by check made payable to the State of Utah delivered or mailed to:

Department of Environmental Quality
Division of Water Quality
P. O. Box 144870
Salt Lake City, Utah 84114-4870

ii. **Funding of Environmentally Beneficial Mitigation Projects.** CPL agrees to fund the projects identified pursuant to Paragraph 6 below in the amount of four million four hundred fifty thousand dollars ($4,450,000) as a part of the penalty assessment, as provided in Utah Administrative Code R317-1-8.4. The Parties agree that the Director will develop mitigation projects to be funded by the payment made under this Paragraph. Future mitigation projects developed by the Director may be developed and implemented at Willard Bay State Park or other properties within the State, and may include environmental studies, so long as they fall within the statutory jurisdiction granted to the Director, and so long as such projects comply with the requirements of Utah Administrative Code R317-1-8.4.

iii. **Credit for Mitigation Projects Already Constructed and to be Constructed in the Future by CPL.** The Parties agree that, based on CPL's construction of the mitigation projects identified in Paragraph H above, and the future construction of the ADA-compliant engineered trail and footbridge in the north part of the Park, CPL will be given credits, respectively, of seven hundred nineteen thousand dollars ($719,000) and six hundred thousand ($600,000) for those projects against its obligation to fund Mitigation Projects identified pursuant to Paragraph 5.ii above, meaning that its remaining obligation to fund future Mitigation Projects is $3,131,000.

iv. **Lost Use Damages.** CPL agrees to pay Parks "lost use damages" in the amount of five hundred fifty thousand dollars ($550,000), within thirty (30) days of the effective date of this Agreement, by check made payable to Parks delivered or mailed to:

Utah Department of Natural Resources
Division of Parks and Recreation
1594 W. North Temple
Salt Lake City, UT 84116

6. Mitigation Projects

i. **Selection of Mitigation Projects.** The Director shall, within one hundred and twenty (120) days of the effective date of this Agreement, identify mitigation projects that are eligible for funding by CPL. The project proponent of each proposed mitigation project shall develop a mitigation plan that includes a detailed description of the mitigation project, a cost breakdown showing how the funds will be used and a plan for implementation of the project. The implementation plan shall include a timeline for implementation and completion of the project and submission of final document(s) verifying completion of the project. The implementation plan shall also include a funding schedule which specifies who receives the mitigation funds and when (but in no event shall all mitigation funds be paid in full before completion of the project). Any mitigation project and implementation plan eligible for funding shall require approval by the Director. The Parties agree that DWQ may use up to $25,000 of the payment agreed to in Paragraph 5.ii above to discharge costs associated with the administration of mitigation projects. The Parties further agree that CPL has previously agreed to provide funding to the Utah Division of Wildlife Resources to install wildlife monitoring devices at Willard Bay State Park and that some portion of the funding provided for mitigation projects may be allocated for that work, provided that UDWR presents a project proposal to the Director, who will approve the mitigation project.

ii. **Performance of Mitigation Projects.** The mitigation project proponent for each mitigation project shall be responsible to implement the mitigation project once approved by the Director. Once approved, the project proponent shall submit periodic invoices, as described in the approved implementation plan, to CPL for reimbursement as the work is performed. All mitigation projects shall be completed within four (4) years from the date of this Agreement.

iii. **Mitigation Project Compliance.** CPL's participation in the mitigation projects must fully adhere to Utah Administrative Code R317-1-8.4. CPL agrees not to attempt to gain or generate any positive publicity, and further agrees not to deduct or otherwise attempt to obtain a tax benefit from the funding of the mitigation projects and/or the total penalty amount agreed to under this Agreement.

iv. **Funding Mitigation Projects.** CPL shall submit documentation to the Director including receipts, once the funds have been spent for each approved mitigation project. This information must include who was paid, what the payment was for, and the dates of when the payment was made. CPL shall fund the mitigation projects approved by the Director up to

but no more than the total amount of $4,450,000, less the $1,319,000 credit for projects already completed or identified in Paragraph 5.iii above. Within four (4) years from the date of this Agreement, CPL shall pay any unexpended mitigation funds to the State of Utah as a civil penalty in accordance with Paragraph 5.i.

v. **Submission of Invoices and Documentation.** The project proponent must agree to submit to the Director for approval invoices for payment supported by back-up documentation such as time sheets, logs, receipts, invoices, etc. After the Director's approval, the project proponent shall submit requests for payment to CPL to:

Chevron Pipe Line Company
Attn: Jessica Schumaker
4800 Fournace Place, Room E828B
Bellaire, TX 77401

At completion of the project, and before final payment, the project proponent must agree to submit documentation to the Director certifying that the project has been completed in accordance with the approved implementation plan.

7. Dispute Resolution Between CPL and the Director. If a dispute arises between CPL and the Director regarding any provision of this Agreement, CPL or the Director may file a Request for Agency Action to resolve the dispute, or the Parties may agree to some other mutually agreeable dispute resolution method.

8. Disputes Between CPL and Parks. If a dispute arises between CPL and Parks regarding any provision of this Agreement, and if the dispute cannot be settled by direct negotiations, CPL and Parks may initiate mediation. If the Parties fail to settle the dispute within (90) days of the notice of dispute, either Party may initiate an action in the Third District Court for the State of Utah.

9. Releases

i. **General Release by the Director.** Except for the Parties' obligations contained in this Agreement, and except for the exclusion listed below, the Director hereby releases and forever discharges CPL and its affiliates from any and all causes of action, claims, demands, charges, penalties, damages, liabilities or losses, at law, under contract, and in equity (whether known or unknown, vested or contingent, past, present or future, whether arising under state law, federal law, or otherwise) accruing up to the date of this Agreement in connection with the Release for natural resource damages, past violations of the Act, and all other damages, injuries, or losses of any kind arising under any legal theory associated with or resulting from the Release.

ii. **General Release by Parks.** Except as expressly provided in this Agreement, and except for the exclusions listed below, Parks hereby releases and forever discharges CPL and its affiliates from any and all causes of action, claims, demands, charges, penalties, damages, liabilities or losses, at law, under contract, and in equity (whether known or

unknown, vested or contingent, past, present or future, whether arising under state law, federal law, or otherwise) accruing up to the date of this Agreement in connection with property damages, lost use damages, natural resource damages, community resource damages, breach of contract damages, tort damages, and all other damages, injuries, or losses of any kind arising under any legal theory associated with or resulting from the Release. CPL and Parks further agree never to sue each other on the claims released pursuant to this Agreement.

iii. **Ongoing Obligations.** Nothing in this Agreement shall constitute or be considered as a release from any obligation CPL has to submit information, conduct sampling and monitoring, implement work plans, or is otherwise required under the NOV, including completion of a Human Health Risk Assessment and an Ecological Risk Assessment, or to reimburse DWQ for ongoing oversight costs and other work performed under the NOV. Furthermore, the following are excluded from the foregoing releases in Paragraphs 9(i) and 9(ii): CPL shall continue to complete all clean-up, remediation actions, and mitigation work for Willard Bay State Park or any other property that has been, or is in the future, identified by the Unified Command, the Director, or the U.S. Department of Transportation Pipeline and Hazardous Material Safety Administration as having been impacted by the Release, including ongoing monitoring, and clean up of oil contaminated locations, such as those reported by agency monitoring or citizen complaints.

10. Notices

All notices, requests, demands, and other communications hereunder shall be in writing and shall be given by (i) established express delivery service which maintains delivery records, (ii) hand delivery, or (iii) certified or registered mail, postage prepaid, return receipt requested, to the Parties at the following addresses, or at such other address as the Parties may designate by written notice in the above manner:

Director
Walter L. Baker
Utah Division of Water Quality
P. O. Box 144870
Salt Lake City, UT 84114-4870

With a copy to:

Melissa M. Hubbell
Office of Utah Attorney General
P. O. Box 140873
Salt Lake City, UT 84114-0873

CPL
Chevron Pipe Line Company
4800 Fournace Place
Bellaire, TX 77401
Attn: Vice President, Mid-Continent Asset

With a copy to:

Joel A. Youngblood
Chevron Pipe Line Company
Supervising Counsel
Gas and Midstream Negotiations & Legal
4800 Fournace Place, W741
Bellaire, TX 77401

and

Parks

Fred Hayes
Director
Utah Division of Parks and Recreation
1594 W. North Temple
Salt Lake City, UT 84116

Steven G. Jones
Holland & Hart LLP
222 South Main, Suite 2200
Salt Lake City, UT 84101

With a copy to:

Heather Shilton
Assistant Attorney General
Utah Division of Parks and Recreation
1594 W. North Temple
Salt Lake City, UT 84116

11. **Successors and Assigns.** All of the rights and obligations of the Parties under this Agreement shall be binding upon and inure to the benefit of the respective heirs, executors, and their permitted successors.

12. **Authority to Execute.** Each person executing this Agreement individually and personally represents and warrants that he or she is duly authorized to execute and deliver the same on behalf of the entity for which he or she is signing, and that all corporate and/or legislative authority and approvals, as the case may be, have been obtained, and that this Agreement is a binding obligation on such entity.

13. **Entire Agreement.** This Agreement, which includes all recitals and terms hereto, constitutes the entire agreement between the Parties relating to the subject matter of this Agreement, and incorporates all prior correspondence, communications or agreements between the Parties relating to the subject matter of this Agreement and the Release, and cannot be altered or assigned except in writing signed by all Parties.

14. **Effective Date.** This Agreement shall become operative and effective (the "Effective Date") as of the latest date a Party executes this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year first above written.

"CPL"

CHEVRON PIPE LINE COMPANY

By: _____
Randall L. Curry
President

"Director" UTAH DIVISION OF WATER QUALITY

By: _____
WALTER L. BAKER
Director

"Parks" UTAH DIVISION OF PARKS AND RECREATION

By: _____
FRED HAYES
Director

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