

SETTLEMENT AGREEMENT AND RELEASE BETWEEN THE BAY AREA AIR QUALITY MANAGEMENT DISTRICT AND TESORO REFINING & MARKETING COMPANY LLC

1. The BAY AREA AIR QUALITY MANAGEMENT DISTRICT (AIR DISTRICT) and TESORO REFINING & MARKETING COMPANY LLC (TESORO) knowingly and of their own free will enter into this Settlement Agreement.

- 2. The AIR DISTRICT and TESORO (collectively, "PARTIES") are separately represented by counsel of their choosing and have consulted about the terms of this Settlement Agreement with their separate and individual counsel.
- 3. The settlement of the matters addressed in this Settlement Agreement is fair, reasonable and in the interests of the AIR DISTRICT, TESORO, and the public.
- 4. This Settlement Agreement covers the AIR DISTRICT Notices of Violation (NOVs) Nos. 58272, 58273, 58274, 58275, 58450, 58451, 58452, 58856, 58857, 58858, 58860, 58863, 58864, 58866, 59328, 59329, 59331, 59332, 59333, 59334, 59336, 59337, 59338, 59340, 59341, 59343, 59344, 60729, 60730, 60731, 60732, 60733, 60734, 60735, 60736, 60778, 60779, 60780, 60782, 60783, 60784, 60785, 60789, 61012, 61013, 61014, 61015, 61016, 61017, 61018, 61019, 61020, 61021, 61022, 61023, 61024, 61025, 61026, and 61027 and the factual allegations underlying them as well as alleged violations of permit condition 13605.3 at source 323, permit condition 21053.6 at sources 134, 137, 323, 432, and 603, permit condition 21100.2 at source 1496, and permit condition 25025.3 at source 1554 arising from the continuous flaring event that occurred between April 28, 2020 and August 9, 2021 (collectively, "Alleged Violations") and the factual allegations underlying them. The AIR DISTRICT issued NOVs Nos. 58272, 58273, 58274, 58275, 58450, 58451, 58452, 58856, 58857, 58858, 58860, 58863, 58864, 58866, 59328, 59329, 59331, 59332, 59333, 59334, 59336, 59337, 59338, 59340, 59341, 59343, 59344, 60729, 60730, 60731, 60732, 60733, 60734, 60735, 60736, 60778, 60779, 60780, 60782, 60783, 60784, 60785, 60789, 61012, 61013, 61014, 61015, 61016, 61017, 61018, 61019, 61020, 61021, 61022, 61023, 61024, 61025, 61026, and 61027 to TESORO, alleging that TESORO violated AIR DISTRICT regulations as described in the NOVs.

- 5. The PARTIES agree to settle the NOVs and the Alleged Violations identified in Paragraph 4 above for a payment by TESORO of FIVE MILLION DOLLARS (\$5,000,000) in civil penalties.
- 6. TESORO's payment in full of the amount described in Paragraph 5 above will settle, resolve, and conclude all claims that have been or could have been asserted between the AIR DISTRICT on the one hand and TESORO on the other arising out of or relating to the allegations and conduct that are the basis for the NOVs and the Alleged Violations identified in Paragraph 4 above. As consideration for payment of the civil penalty, the AIR DISTRICT hereby releases TESORO, its parents, affiliates, subsidiaries, divisions, and successors-in-interest, including any of their officers, directors, agents, servants, employees and representatives, from any and all liabilities, claims, causes of action, damages, fines, costs, attorneys' fees, and civil and criminal penalties, arising directly or indirectly out of the NOVs and the Alleged Violations identified in Paragraph 4 above.
- 7. This Settlement Agreement precludes the AIR DISTRICT from seeking criminal or civil penalties under California Health and Safety Code Sections 42400 *et seq.* or taking administrative action for the same alleged actions and violations that are the basis for the NOVs or the Alleged Violations identified in Paragraph 4 above.
- 8. This Settlement Agreement will become final and binding upon all PARTIES and their respective predecessors, successors, subsidiaries, partners, limited partners, agents, principals, and assigns on the effective date of this Settlement Agreement. The effective date shall be the date the Air Pollution Control Officer of the AIR DISTRICT executes this Settlement Agreement.
- 9. Within thirty (30) days of the effective date of this Settlement Agreement, TESORO shall pay by wire, in accordance with wiring instructions provided by the AIR DISTRICT, with "TESORO 59 NOVs" in the memo. Upon wiring the payment, TESORO shall notify the AIR DISTRICT via email. If the AIR DISTRICT does not receive the payment, the AIR DISTRICT shall notify TESORO via email, and TESORO shall, within 3 business days of the date such notice is sent, re-send the payment according to this Paragraph 9, and this process shall be repeated as needed until the AIR DISTRICT receives the payment. TESORO shall be responsible for all payment processing and other fees or costs associated with carrying out this Paragraph 9.

- 10. This Settlement Agreement constitutes the entire agreement and understanding between the AIR DISTRICT and TESORO and fully supersedes and replaces any and all prior negotiations and agreements of any kind or nature, whether written or oral, between the AIR DISTRICT and TESORO concerning these claims.
- 11. TESORO's entry into this Settlement Agreement is not and shall not be construed as an admission of any underlying fact or liability associated or relating to the conduct, actions or violations of law as alleged in the NOVs or the Alleged Violations identified in Paragraph 4 above.
- 12. The AIR DISTRICT reserves the right to take future enforcement actions arising out of violations not covered by this Settlement Agreement; in addition, the AIR DISTRICT reserves the right to demand increased penalties in connection with any future violations based on compliance history. TESORO reserves the right to challenge an increase in penalties based upon its contention that certain violations or alleged violations did not occur.
- 13. The AIR DISTRICT reserves the right to rely upon the violations described in the NOVs and the Alleged Violations identified in Paragraph 4 above and may offer proof thereof in connection with any other administrative or judicial proceeding not related to this proceeding for the purpose of showing a history of violation. TESORO reserves the right to contest any offers of proof and to present any evidence related to events or allegations made in any such proceeding referenced in this Paragraph 13.
- 14. TESORO's failure to perform any of the terms or conditions of this Settlement Agreement will render TESORO in violation of the terms and conditions of this Settlement Agreement.
- 15. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all PARTIES to this Settlement Agreement.
- 16. Unless provided for otherwise in this Settlement Agreement, all notices and correspondence pertaining to this Settlement Agreement shall be in writing and transmitted by email to the AIR DISTRICT and TESORO contacts listed below. Notices may additionally be provided by personal delivery, overnight mail, or postage prepaid to the AIR DISTRICT and TESORO at the following addresses:

1 To the AIR DISTRICT: Bay Area Air Quality Management District 2 Anne Baptiste Assistant Counsel 3 375 Beale Street, Suite 600 San Francisco, CA 94105 4 abaptiste@baaqmd.gov 5 To TESORO: 6 Tesoro Refining & Marketing Company LLC 7 Vanessa Vail Chief Counsel 8 19100 Ridgewood Pkwy Suite 400 San Antonio, TX 78259 9 vavail@marathonpetroleum.com 10 17. This Settlement Agreement shall be interpreted and enforced in accordance with the laws of 11 the State of California, without regard to California's choice of law rules. 12 18. Each of the undersigned expressly represents that he or she is authorized to execute this 13 Settlement Agreement on behalf of the party for whom he or she signs below. 14 19. Each provision of this Settlement Agreement is severable, and in the event that any 15 provision, or part thereof, of this Settlement Agreement is held to be illegal, invalid or unenforceable in any 16 jurisdiction, the remainder of this Settlement Agreement remains in full force and effect. 17 20. This Settlement Agreement may be executed in counterparts. Electronic, facsimile, and 18 photocopied signatures shall be considered as valid signatures. 19 20 * * * * * 21 22 23 24 25 26 27

1	SO AGREED, STIPULATED AND EXECUTED:	
1 2	BAY AREA AIR QUALITY MANAGEMENT DISTRICT	TESORO REFINING & MARKETING COMPANY LLC
3	375 Beale Street, Suite 600	COMMINITEES
4	San Francisco, California 94105 — Signed by:	
5	By: Phil Z	By: / luno/by / light
6	PHILIP M. FINE EXECUTIVE OFFICER/APCO	TIMOTHY ANDT EXECUTIVE VICE PRESIDENT J. (
7		REFINING
8	Date: 10/1/2024	Date: 9-25-2024
9	Date.	Date.
10	APPROVED AS TO FORM BY:	APPROVED AS TO FORM BY:
11	BAY AREA AIR QUALITY	TESORO REFINING & MARKETING
12	MANAGEMENT DISTRICT ALEXANDER CROCKETT	COMPANY LLC
13	GENERAL COUNSEL ANNE BAPTISTE	
14	ASSISTANT COUNSEL 375 Beale Street, Suite 600	
15	San Francisco, California 94105	·
16	Docusigned by: Alexander Crockett	P
17	ALEXANDER G. CROCKETT	By: VANESSA VAIL
18	GENERAL COUNSEL 9/30/2024	CHIEF COUNSEL
19	Date:	Date: September 20, 2024
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