

SETTLEMENT AGREEMENT

This Agreement, entered into as of March 28, 2025, is made by and between VALERO REFINING COMPANY—CALIFORNIA, TESORO REFINING & MARKETING COMPANY, LLC, and PHILLIPS 66 COMPANY (collectively, the “**Petitioners**”) and the BAY AREA AIR QUALITY MANAGEMENT DISTRICT (the “**Air District**”), each sometimes referred to herein as a “Party,” or collectively as the “Parties.”

RECITALS

The Air District is the agency with primary responsibility for the control of air pollution from stationary sources in the San Francisco Bay Area Air Basin.

The San Francisco Bay Area Air Basin encompasses Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Santa Clara Counties, and the southern portions of Solano and Sonoma Counties.

Petitioners each operate petroleum refining facilities that are within the San Francisco Bay Area Air Basin and are regulated by the Air District.

On December 16, 2015, the Air District and its Board approved an Initial Study/Negative Declaration and the adoption or amendment of the three regulations to which Petitioners are subject. These three rules are entitled: Regulation 6, Rule 5: Particulate Emissions from Refinery Fluidized Catalytic Cracking Units (“**Rule 6-5**”); Regulation 8, Rule 18: Equipment Leaks (“**Rule 8-18**”); and Regulation 11, Rule 10: Hexavalent Chromium Emissions from All Cooling Towers and Total Hydrocarbon Emissions from Petroleum Refinery Cooling Towers (“**Rule 11-10**”). Collectively, these three rules are sometimes referred to herein as the “**Challenged Rules**.”

On January 22, 2016, Petitioners filed a Petition and Complaint in the Superior Court for the State of California for the County of Contra Costa and filed an Amended Petition and Complaint on February 16, 2016, which were docketed as *Valero, et al. v. Bay Area Air Quality Management District*, case number N16-0095 (the “**Lawsuit**”).

- a. In the Lawsuit, Petitioners alleged, among other things, that the Air District’s adoption of the Initial Study/Negative Declaration and the Challenged Rules violated the California Environmental Quality Act (“**CEQA**”) and its implementing regulations (Pub. Res. Code §21000 et seq.; Cal. Code Regs., title 14, § 15000 et seq.); certain provisions of the California Health & Safety Code, (H&SC §§ 40000-4608); and California common law.
- b. The Air District filed its Answer to the Lawsuit on August 2, 2016 and filed an Amended Answer on August 11, 2016. In its Answers, the Air District denied that it violated California Law when adopting the Initial Study/Negative Declaration and the Challenged Rules.
- c. The Parties completed briefing in the Lawsuit on November 23, 2016.

On March 24, 2017, the Parties entered into that certain Enforcement Agreement and Agreement to Stay Litigation (the “*Stay Agreement*”), the stated purpose of which was to establish terms, conditions, and a framework for further analysis to help facilitate full settlement of the Lawsuit, including the completion of a heavy liquid component emissions study (the “*Heavy Liquids Study*”) and certain revisions to the Challenged Rules.

On December 19, 2018, the Air District adopted amendments to Rule 11-10 and Rule 6-5 in conformance with the Stay Agreement.

The Air District published the results of the Heavy Liquids Study in a report titled “Fugitive Emissions from Petroleum Refinery Equipment in Heavy Liquid Service” in April 2022.

On September 5, 2024, the Air District adopted amendments to Rule 8-18 in conformance with the Stay Agreement.

The Air District has substantially complied with its obligations under the Stay Agreement, and the Parties now desire to settle the Lawsuit according to the terms below.

NOW, THEREFORE, based on the foregoing recitals and in consideration of the mutual promises, covenants, and obligations herein, the sufficiency of which consideration is hereby acknowledged, the Parties agree as follows:

ARTICLE 1: DISMISSAL OF COMPLAINT

1.1. Within ten (10) business days of the Effective Date (defined below), Petitioners shall make an appropriate filing with the court overseeing the Lawsuit seeking voluntary dismissal of the Lawsuit with prejudice.

1.2. Each Party to this Agreement shall bear all attorney’s fees and costs arising from the actions of its own counsel in connection with the Lawsuit, this Agreement and the matters and documents referred to herein, the filing of an appropriate filing seeking dismissal of the Lawsuit as referenced in Article 1.1, and all related matters.

1.3. Reservation of Rights. Notwithstanding the above, nothing in this Agreement shall limit or prevent Petitioners from seeking legal or equitable relief to (i) enforce the terms of this Agreement or the Stay Agreement or (ii) require the Air District to interpret, enforce, and implement the Challenged Rules in accordance with the provisions of this Agreement and the Stay Agreement; and nothing in this Agreement shall limit or prevent the Air District from objecting to, opposing or defending against any such request for legal or equitable relief.

ARTICLE 2: MISCELLANEOUS PROVISIONS

2.1. Scope of Agreement.

- a. This Agreement is binding upon the Parties only with respect to the matters specifically addressed herein and does not otherwise bind Petitioners or the Air District.
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b. This Agreement does not alter, waive, or abrogate any right that Petitioners may have to bring an administrative or judicial challenge to any pending or future rule, regulation, or regulatory action taken by the Air District, nor does it alter, waive, or abrogate any right that the Air District may have to object to, oppose or defend against any such administrative or judicial challenge.

c. This Agreement does not supersede the Stay Agreement, and any obligations of the Stay Agreement that are in full force and effect as of the Effective Date shall remain in full force and effect as provided for under the terms of the Stay Agreement.

2.2. Effective Date. This Agreement commences as of the date that the last Party to the Agreement signs the Agreement (the “*Effective Date*”).

2.3. Successors and Assigns. This Agreement may not be assigned by any Party without the express written consent of all of the other Parties, whose consent will not be unreasonably withheld. This Agreement is binding upon and shall inure to the benefit of the Parties, their respective successors, limited partners, agents, principals, and permitted assigns.

2.4. No Presumption Regarding Drafting Party. This Agreement is the result of negotiations between the Parties, and it is the product of all of the Parties. This Agreement shall not be construed against any Party because of the involvement of that Party or its counsel in the preparation or drafting of this Agreement.

2.5. Severability. If any term or provision of this Agreement is to any extent illegal, otherwise invalid, or incapable of being enforced, then such term or provision shall be excluded only to the extent of such invalidity or unenforceability and all other terms and provisions contained in this Agreement shall remain in full force and effect, subject to the following:

a. if application of this severability provision should materially affect the substance of this Agreement and the actions contemplated herein, the Parties agree to negotiate in good faith to amend this Agreement to include a replacement provision suitable to all Parties to give effect to the original intent of the Parties;

b. if the Parties are unable to reach agreement on a replacement provision within thirty (30) calendar days, the adversely impacted Party shall have the right but not obligation to terminate this Agreement, in which case neither Party shall have any further obligations hereunder.

2.6. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of California, without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction). Any action, proceeding or suit arising out of or based upon this Agreement or shall be instituted in the Superior Court for the State of California for the County of Contra Costa.

2.7. Recitals. The Recitals set forth in this Agreement are a material part of this Agreement and are hereby expressly incorporated by reference as though expressly set forth herein.

2.8. Authority.

a. Petitioners and the Air District hereby represent and warrant that they each have full power and authority to enable execute and deliver this Agreement and to perform their obligations hereunder.

b. Each of the undersigned individuals represents and warrants that s/he has read and understands this Agreement and has full and complete lawful authority to bind the respective Party and any respective principals, successors, subsidiaries, partners, limited partners, agents and assigns to this Agreement.

2.9. Entire Agreement. This Agreement, including any Appendices hereto, constitutes the full, complete and final statement of Petitioners and the Air District on the matters addressed by this Agreement. The Parties acknowledge that this Agreement contains the entire understanding between the Parties with respect to the matters addressed by this Agreement. For clarity, the provisions of the Stay Agreement that are in full force and effect as of the Effective Date shall remain in full force and effect as provided for under the terms of the Stay Agreement.

2.10. Amendments in writing. This Agreement may be amended or modified only by a written instrument signed by authorized representatives of all Parties.

2.11. Waiver. Any waiver of any provision or term of this Agreement shall be effective only if in writing and signed by all Parties. The waiver of any provision or term of this Agreement shall not be deemed as a waiver of any other provision of this Agreement.

2.12. No Third Party Beneficiaries. There are no third-party beneficiaries to this Agreement and nothing expressed, implied, or referred to in this Agreement will be construed to give any Person, other than the Parties to this Agreement, any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as may inure to the predecessors, successors, subsidiaries partners, limited partners, agents, principals, and permitted assigns of each Party.

2.13. Reasonable Cooperation. The Parties agree to provide reasonable cooperation to each other as may be necessary to give effect to this Agreement.


2.14. Time is of the Essence. Time is of the essence with respect to the completion of each Party's obligations under this Agreement. This is a material provision of this Agreement.

2.15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall have the same force and effect as an original, but all of which together shall constitute one and the same instrument.

[Signature page(s) follow]

IN WITNESS WHEREOF, this Agreement has been executed by each of the Parties as of the date set forth beneath such Party's authorized representative's signature:

**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT**


Signed by:
By: 
98506AF9981D4CC...

Name: Dr. Phillip Fine

Title: Executive Officer/APCO

Dated: 4/1/2025

APPROVED AS TO FORM BY:

By: 

Name: Misha L. Nishiki

Title: Assistant Counsel, Bay Area
Air Quality Management District

Dated: March 28, 2025

**VALERO REFINING COMPANY—
CALIFORNIA**

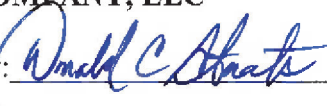
By: _____

Name:

Title:

Dated: _____

**TESORO REFINING & MARKETING
COMPANY, LLC**

By: 

Name: Donald C. Staats

Title: VP Refining

Dated: 3/28/2025

Approved as to Form
V. Vail
Chief Counsel, Tesoro Refining &
Marketing Company, LLC

PHILLIPS 66 COMPANY

By: _____

Name:

Title:

Dated: _____

IN WITNESS WHEREOF, this Agreement has been executed by each of the Parties as of the date set forth beneath such Party's authorized representative's signature:

**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT**

By: _____

Name: Dr. Phillip Fine

Title: Executive Officer/APCO

Dated: _____

APPROVED AS TO FORM BY:

By: _____

Name: Misha L. Nishiki

Title: Assistant Counsel, Bay Area
Air Quality Management District

Dated: _____

**VALERO REFINING COMPANY—
CALIFORNIA**

By: _____

Name:

Title:

Dated: _____

**TESORO REFINING & MARKETING
COMPANY, LLC**

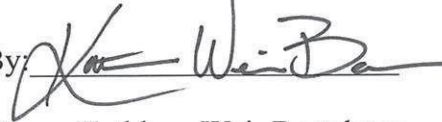
By: _____

Name:

Title:

Dated: _____

PHILLIPS 66 COMPANY

By: 

Name: Kathleen Weir Bertolatus

Title: Managing Counsel, Environmental &
Regulatory

Dated: March 27, 2025

IN WITNESS WHEREOF, this Agreement has been executed by each of the Parties as of the date set forth beneath such Party's authorized representative's signature:

**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT**

By: _____

Name: Dr. Phillip Fine

Title: Executive Officer/APCO

Dated: _____

APPROVED AS TO FORM BY:

By: _____

Name: Misha L. Nishiki

Title: Assistant Counsel, Bay Area
Air Quality Management District

Dated: _____

**VALERO REFINING COMPANY—
CALIFORNIA**

By:  _____

Name: Parker Wilson

Title: VP – Regulatory Law

Dated: 03/28/25

**TESORO REFINING & MARKETING
COMPANY, LLC**

By: _____

Name:

Title:

Dated: _____

PHILLIPS 66 COMPANY

By: _____

Name:

Title:

Dated: _____