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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN FRANCISCO

UNLIMITED JURISDICTION

PEOPLE OF THE STATE OF CALIFORNIA, Plaintiffs, v. ATLANTIC RICHFIELD COMPANY, PRESTIGE STATIONS, INC.,and DOES 1-500, Defendants,	No. CONSENT AGREEMENT AND STIPULATION FOR ENTRY OF FINAL JUDGMENT; (PROPOSED) ORDER

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WHEREAS, the PEOPLE OF THE STATE OF CALIFORNIA (hereinafter "Plaintiffs") investigated whether Underground Tank Systems owned or operated by ATLANTIC RICHFIELD COMPANY and PRESTIGE STATIONS, INC. (hereinafter collectively referred to as "ARCO" or "Settling Defendants") contained single walled, non-fiberglass components that were prohibited for use in Underground Tank Systems after December 22, 1998. As used herein, "Underground Tank System" means an underground storage tank, connected piping, ancillary equipment, and containment system, if any, installed at an ARCO motor vehicle fuel retail facility in the State of California;

WHEREAS, the Attorney General of the State of California ("Attorney General"), in coordination with the State Water Resources Control Board ("State Board") and the California Environmental Protection Agency ("Cal/EPA"), issued a subpoena to the ATLANTIC RICHFIELD COMPANY requesting records pertaining to its ownership and operation of Underground Tank Systems in the State of California;

WHEREAS, the City Attorney of San Francisco and the San Francisco Department of Public Health assisted the State Board-Cal/EPA investigation of Underground Tank Systems owned or operated by ARCO or its subsidiaries in the City and County of San Francisco. The City Attorney also represents the People of the State of California with regard to Underground Tank Systems owned or operated by ARCO within the City Attorney's jurisdiction;

WHEREAS, Plaintiffs' investigation has found single walled, non-fiberglass components that Plaintiffs allege are noncompliant with upgrade requirements at 59 motor vehicle fuel retail sales facilities consisting of what the Plaintiffs contend are more than 150 Underground Tank Systems;

WHEREAS, the Plaintiffs agree that ARCO cooperated with the Attorney General, the State Board and Cal/EPA in connection with this investigation and in response to the Attorney General's subpoena. Among other things, ARCO voluntarily conducted its own investigation of the dispenser and turbine piping of its Underground Tank Systems at all ARCO facilities throughout California. ARCO worked cooperatively with Cal/EPA and SWRCB to

resolve potential compliance issues promptly. In connection with this investigation, ARCO ceased operation of multiple Underground Tank Systems with the concurrence of the State Board, including ceasing operations of Underground Tank Systems that ARCO believed were compliant with upgrade requirements. In addition, ARCO is completing a facility improvement program , including elements beyond those required by law, that is intended to result in the replacement of existing single walled Underground Tank Systems which ARCO believes to be compliant with upgrade requirements with new double-wall Underground Tank Systems for all ARCO facilities in California. ARCO represents that it has implemented other programs to enhance environmental protection, including installation of monitoring probe stabilizers to improve the electronic monitoring systems used to detect potential leaks in its Underground Tank Systems at over 900 facilities state-wide and the implementation of a state-wide vapor recovery testing program. ARCO represents that it intends to work closely with state and local regulators to address future environmental protection and compliance issues related to Underground Tank Systems;

WHEREAS, the Plaintiffs have engaged in settlement negotiations with the Settling Defendants. The Plaintiffs and the Settling Defendants (hereinafter collectively referred to as "the Parties") have agreed to settle the investigation without litigation and by lodging this settlement simultaneously with a complaint. The Plaintiffs believe that the resolution of the violations alleged in the Complaint is fair and reasonable and fulfills the Plaintiffs' enforcement objectives, that no further action is warranted concerning the specific violations alleged in the Complaint except as provided pursuant to the Consent Judgment, and that this Consent Judgment is in the best interest of the general public.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. <u>INTRODUCTION</u>.

In this action, Plaintiffs filed a civil complaint (the "Complaint") in San Francisco Superior Court against Settling Defendants. The Parties settle this action on the terms set forth in this Consent Agreement and Stipulation for Entry of Final Judgment (hereinafter "Consent Judgment").

2. COMPLAINT.

The Complaint in this action alleges that the Settling Defendants violated upgrade provisions of Chapter 6.7 of the California Health and Safety Code at specific facilities identified in Exhibit "A" of the Complaint (hereinafter collectively referred to as the "ARCO Facilities"). The Complaint further alleges that Settling Defendants: i) deposited motor vehicle fuel in Underground Tank Systems which did not comply with the upgrade requirements of Chapter 6.7 of the Health and Safety Code in violation of Health and Safety Code Section 25292.3; and ii) engaged in unfair business practices through the use of non-upgraded Underground Tank Systems and the delivery of motor vehicle fuel to such non-upgraded Underground Tank Systems. The complaint further alleges violations of operational requirements for Underground Tank Systems at three ARCO facilities in the City and County of San Francisco.

3. JURISDICTION.

The Plaintiffs and Settling Defendants agree that the Superior Court of California, County of San Francisco, Unlimited Jurisdiction has subject matter jurisdiction over the matters alleged in this action and personal jurisdiction over the parties to this Consent Judgment.

4. SETTLEMENT OF DISPUTED CLAIMS.

ARCO expressly denies the allegations in the Complaint and the Consent Judgment. The Consent Judgment is not an admission by ARCO regarding any issue of law or fact in the above-captioned matter or any violation of any law. The Parties enter into this Consent Judgment pursuant to a compromise and settlement of disputed claims set forth in the Complaint for the purpose of furthering the public interest. Settling Defendants waive their right to a hearing on any matter covered by the Complaint prior to the entry of this Consent Judgment.

5. CIVIL PENALTIES AND COSTS OF INVESTIGATION.

5.1 **Amount of Payment**: Settling Defendants will pay a total of TWENTY-FIVE MILLION DOLLARS ($25,000,000) which will be allocated as follows:

a. **Penalties:** Settling Defendants will pay a total civil penalty of TWENTY-ONE MILLION, ONE HUNDRED AND FORTY THOUSAND DOLLARS ($21,140,000.00). The penalties are allocated as follows:

i) Pursuant to Health and Safety Code Section 25299(f) to the State Water Pollution Cleanup and Abatement Account in the State Water Quality Control Fund - EIGHTEEN MILLION, SIX HUNDRED FORTY THOUSAND DOLLARS ($18,640,000)

Of this amount, $1,000,000 may be used by the State Board, at its discretion, to fund the Environmental Circuit Prosecutors Project. The remainder of the funds paid into the State Water Pollution Cleanup and Abatement Account pursuant to this Consent Judgment shall be used solely for the other permissible purposes set forth in Water Code Section 13442 and 13443.

ii) Pursuant to Government Code Section 12651- ONE MILLION, FIVE HUNDRED THOUSAND DOLLARS ($1,500,000)

iii) Pursuant to Business and Professions Code Section 17206- ONE MILLION DOLLARS ($1,000,000)

The City and County of San Francisco is entitled to $500,000 of this award pursuant to Business and Professions Code Sections 17200 et seq.

b. **Costs of Investigation and Enforcement:** Settling Defendants shall reimburse Plaintiffs their costs of investigation and enforcement, including the attorneys fees and costs incurred by the Attorney General's Office and the San Francisco City Attorney's Office, in the total amount of EIGHT HUNDRED AND SIXTY THOUSAND DOLLARS ($860,000.00).

c. **Special Projects:** Settling Defendants shall pay a total of THREE MILLION DOLLARS ($3,000,000) to fund the projects as described below.

i) **Attorney General Environmental Enforcement Activities.** TWO MILLION DOLLARS ($2,000,000) will be placed in an interest-bearing

Special Deposit Fund established by the Attorney General. Those funds, including any interest derived therefrom, shall be used for the following environmental enforcement activities by the Public Rights Division of the Attorney General's Office, until all funds are exhausted: A) funding for environmental enforcement actions and investigations undertaken by the Attorney General, including, but not limited to, enforcement of underground storage tank laws; B) implementation of the Attorney General's authority to protect the environment and natural resources of the State pursuant to Government Code Section 12600 et seq. and as Chief Law Officer of the State of California pursuant to Cal. Const., Art. V., §13; C) implementation of the California Environmental Quality Act; D) enforcement of the Safe Drinking Water and Toxic Enforcement Act of 1986, and E) other environmental enforcement actions which benefit the State of California and its citizens as determined by the Attorney General. Such funding may be used for the costs of the Attorney General's investigation, filing fees and other court costs, payment to expert witnesses and technical consultants, purchase of equipment, and other costs necessary to pursue the investigation, prosecution, or enforcement of an environmental action investigated or initiated by the Attorney General for the benefit of the State of California and its citizens. The $2,000,000 transferred into the Special Deposit Fund pursuant to this Paragraph and any interest derived therefrom shall solely and exclusively augment the budget of the Attorney General's Office and in no manner shall supplant or cause any reduction of any portion of the Attorney General's budget.

ii) **State Board Environmental Investigation and Enforcement Training**. FIVE HUNDRED THOUSAND DOLLARS ($500,000) to be used by the State Board, at its discretion, to fund investigation and

enforcement training of state and local environmental agencies.

iii) **Emission Evaluation Study**. FIVE HUNDRED THOUSAND DOLLARS ($500,000) for use by the California Air Resources Board (CARB) to evaluate the hydrocarbon emissions from materials permeability associated with various fuels. The money will be used to fund a study to quantify permeation emissions of various gasolines in specified vehicle systems.

5.2 Settling Defendants shall satisfy their payment obligations to the Plaintiffs under Paragraph 5.1 by issuing a single cashier's or certified check in the amount of TWENTY FIVE MILLION DOLLARS ($25,000,000.00). The payment shall be paid on July 15, 2002 or seven (7) days after of the entry of the Consent Judgment, whichever is later, and made payable to the "California Department of Justice". The check shall bear on its face the Case name, the Superior Court docket number, and the Attorney General's internal docket number for this matter - 43004 430 SA 2000CV0674. The payment shall be sent to:

California Department of Justice
Accounting Section - Cashiering Unit
Attention: Janie Apodaca
1300 "I" Street, Suite 810
P.O. Box 944255
Sacramento, California 94244-2550

5.3 **Environmental Improvement Work**

a. Settling Defendants have represented that as of January 1, 2002, they have spent TWENTY MILLION, EIGHT HUNDRED THOUSAND DOLLARS ($20,800,000) since April, 2000, to improve their Underground Tank Systems in ways that exceed regulatory requirements for those systems ("Environmental Improvements"). For the purposes of this Consent Judgment, Plaintiffs will credit Settling Defendants for and recognize all such proven direct expenditures for the Environmental Improvements. These improvements include the replacement of single walled Underground Tank Systems, including but not limited to single walled product piping and single walled tanks, which ARCO contends were otherwise permissible under current law with double-wall Underground Tank Systems, the installation of

under dispenser containment, installation of monitoring probe stabilizers intended to improve the functioning of leak detection systems, and the implementation of a state-wide vapor recovery testing program at over nine hundred (900) ARCO stations in California.

b. Settling Defendants shall provide evidence acceptable to the Attorney General that ARCO has expended monies in the amount set forth above, including, without limitation, a certified report by Settling Defendants describing work and the expenditures made by ARCO for the Environmental Improvements and a report prepared by an independent third party(ies) acceptable to the Attorney General providing such party(ies)'s professional opinion that 1) Settling Defendants have expended the monies in the amounts claimed by Settling Defendants and 2) the work performed was not required by applicable regulatory requirements. Such evidence shall be submitted to Plaintiffs within three (3) months of the entry of the Consent Judgment.

c. In the event that Settling Defendants are not able to demonstrate to the reasonable satisfaction of the Attorney General that they have expended $20.8 million for the Environmental Improvements, Settling Defendant shall undertake additional Environmental Improvement work reasonably approved by the Plaintiffs and shall incur additional costs equal to the amount of the difference between the amount reasonably accepted by the Attorney General and $20.8 million. Plaintiffs may seek to enforce this requirement by noticed motion by Plaintiffs, and Settling Defendants shall have the burden of proving that they have met the requirements of Paragraph 5.3.(a). The Parties shall meet-and-confer prior to the filing of any motion to enforce this Paragraph.

5.4 The California Department of Justice shall place any payments made pursuant to this Paragraph 5 in its Litigation Deposit Fund and shall be responsible for expeditiously distributing the funds provided by this payment to the appropriate accounts, agencies and offices in the amounts provided for in this Consent Judgment, including payments to accounts managed by the Office of the Attorney General, the fund established pursuant to Government Code Section 12652(j), the State Water Pollution Cleanup and Abatement Account, the California General Fund, and the City and County of San Francisco as set forth in

Exhibit "B" to the Consent Judgment.

5.5 A photocopy of all checks and payments made pursuant to this Consent Judgment shall be sent, at the same time, to Reed Sato, Office of the Attorney General, 1300 "I" Street, Suite 1101, P.O. Box 944255, Sacramento, CA 94244-2550 and Curtis Christy-Cirillo, Office of the City Attorney, City and County of San Francisco, 1390 Market Street, Sixth Floor, San Francisco, California 94102.

6. INJUNCTIVE RELIEF

Pursuant to provisions of Health and Safety Code Section 25299.01, Business and Professions Code Section 17203, and the Court's equitable powers, Settling Defendants shall take the following actions:

6.1 **Notification of ARCO Inspections** - Except for the work identified on Exhibit "C", from the date of entry of this Consent Judgment until December 31, 2002, ARCO shall give the State Board and local regulatory agency seventy-two (72) hours advance written notice of any work that it undertakes that will expose any part of any Underground Tank System which is part of a facility identified on Exhibit "G". Notification for this work to the State Board shall be to Chief, Underground Storage Tank Enforcement Unit, State Water Resources Control Board, via facsimile number (916) 341-5808 and to the local agency. The notification shall include the following information: a) the facility address; b) a contact person; c) the ARCO facility number; d) the names of the owner and operator of the Underground Tank System; and e) the type of work to be performed. For the purposes of this Paragraph, ARCO will cause any subsidiary, Affiliate, or parent of ARCO who is or becomes an owner or lessee of a facility covered by this Paragraph to comply with this paragraph. As used herein, "Affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with , the person specified. Plaintiffs, at their sole discretion, may extend the notification period required by this Paragraph by sending a written directive to ARCO pursuant to Paragraph 9 thirty days prior to December 31, 2002. The Parties shall meet-and-confer prior to Plaintiffs sending such written directive. Plaintiffs may provide for interim extension periods but such extensions shall not go beyond the termination date of ARCO's

obligations under this Consent Judgment as provided in Paragraph 26.

6.2 **Access -** ARCO consents to the reasonable inspection of any Underground Tank System which has been the subject of the notification described in Paragraph 6.1. by representatives of the State Board, Cal/EPA and any applicable local implementing agency for the duration of the work that triggered the notification. The inspectors shall be entitled to conduct their inspections in accordance with their full powers and authorities governing such inspections and ARCO consents to the taking of photographs, taking samples of environmental media and/or contaminated media, and obtaining copies of on-site documents. Any inspectors of the State Board or Cal/EPA agree to provide, upon request by ARCO, copies of any photographs and splits of any samples which they take. ARCO's consent does not include removal of any component of an Underground Tank System.

6.3 **Cessation of the Delivery or Storage of Motor Vehicle Fuel**

a. Settling Defendants shall cease delivery or storage of motor vehicle fuel or waste petroleum products in any Underground Tank System that it owns or operates in the State of California that does not meet the applicable upgrade requirements of Health and Safety Code Sections 25292(d) and (e) and Sections 2662-2666 of Title 23 of the California Code of Regulations, that does not, in the case of a motor vehicle fuel Underground Tank System, have an upgrade compliance certificate as required by Health & Safety Code Section 25284(e) or which has single walled main product piping composed of non-fiberglass material that is wrapped with tape but is not otherwise protected from corrosion by a means that meets the State of California's regulatory requirements (collectively referred to as "Single walled Underground Tank System"). ARCO represents that it is not aware of any Underground Tank System as to which ARCO must cease delivery or storage of motor vehicle fuel or delivery or storage of waste petroleum products pursuant to this Paragraph. In the event that ARCO subsequently discovers any Underground Tank System that may have components that would make it a Single walled Underground Tank System pursuant to this Paragraph, ARCO will immediately cease use of the Underground Tank System until it determines whether the Underground Tank System is not subject to this Paragraph. In the event that ARCO discovers any Underground Tank

System as to which ARCO must cease delivery or storage of motor vehicle fuels or waste petroleum products pursuant to this Paragraph, ARCO will suspend further delivery or storage of motor vehicle fuel or waste petroleum products from such system(s) as soon as reasonably possible, but not later than seventy-two (72) hours after such discovery. ARCO shall provide a certified, written notification to the State Board and appropriate local agency of any discovery made pursuant to this Paragraph within 72 hours of discovery. ARCO shall permit access to and inspection of that Underground Tank System by the Plaintiffs, State Board, local authority or any authorized representative thereof. ARCO will not recommence delivery or storage of motor vehicle fuel or waste petroleum products at any Underground Tank System the use of which has been suspended pursuant to this Paragraph until the component of such Underground Tank System that causes it to be a Single Walled Underground Tank System as defined in this Paragraph 6.3(a) has been replaced with a component which meets or exceeds the applicable legal requirements in the Health and Safety Code and the associated regulations to the satisfaction of the local regulatory agency with jurisdiction over the Underground Tank System at issue.

b. In the event that an Underground Tank System is closed, suspended or upgraded pursuant to Paragraph 6.3., this Court retains jurisdiction to the extent provided in Paragraph 7.4, to address Plaintiffs' further claims for civil penalties based on the failure to comply with the upgrade requirements in Health and Safety Code Sections 25292(d) and (e) and any associated claims based on or relying on such facts.

6.4 "Booted Components" means a swing joints, flex joints, or transition product pipes that are installed after January 1, 1984 in conformance with applicable requirements and that have a boot as part of a monitored, secondary containment system and are connected to either a shear valve under a dispenser or to a turbine pump. For the purposes of this Consent Judgment, Booted Components are not single walled piping or single walled components. Paragraph 6.3 does not apply to Underground Tank Systems that have soil, pea gravel or other backfill material in contact with a non-fiberglass area or the steel shear valve above the Booted Components. With regard to Underground Tank Systems with Booted

Components, ARCO shall inspect each such Underground Tank System at least every nine months commencing from the entry of this Consent Judgment to determine whether the Underground Tank System has soil, pea gravel or other backfill material and is covered by this Paragraph 6.4. If ARCO identifies such an Underground Tank System (during an inspection or otherwise), ARCO will promptly notify the local regulatory agency and State Board, but not later than seventy (72) hours after such discovery and promptly apply to the local regulatory agency with jurisdiction over the Underground Tank System at issue for any necessary permit, approval or authorization to remove such soil, pea gravel, or other material. ARCO will remove such material to the satisfaction of the local regulatory agency as soon as possible but not later than three (3) days from the date that the local regulatory agency approves the action. The obligations in this Paragraph 6.4. shall not apply to any Underground Tank System at which under-dispenser containment or a containment for a sump has been installed; provided however, that if ARCO discovers such under dispenser containment or containment for a sump containing soil, pea gravel, or other similar material, ARCO will promptly remove such soil, pea gravel, or other similar material after obtaining any necessary local agency approval. Moreover, Paragraph 6.3 shall not apply to i) any Underground Tank System with a manway cover composed of non-fiberglass material; or ii) any Underground Tank System which uses a liquid condensate collection system or a vapor recovery pot to collect liquid that condenses in the vapor recovery line (collectively referred to as "vapor pots"), in each case that was installed after January 1, 1984 pursuant to the approval of a local agency. Not later than seventy-two (72) hours after such discovery of an Underground Tank System with such a non-fiberglass manway cover or a vapor pot, ARCO will promptly notify the local agency. ARCO will promptly apply to the local agency with jurisdiction over the Underground Tank System at issue for any necessary permit, approval or authorization to address the existence of the non-fiberglass manway cover or vapor pot to the satisfaction of the local agency as soon as reasonably possible, including without limitation by isolating the manway cover from backfill material though the installation of a sump or by ensuring that any non-fiberglass vapor pot is corrosion protected by replacement with fiberglass components. Except as provided in this Paragraph 6.4 and

Paragraph 6.5, Underground Tank Systems with single walled, non-fiberglass components in any location within an Underground Tank System for which a containment or isolation boot have not been installed as part of a secondary containment system, are not covered by this Paragraph and shall be subject to the provisions of Paragraphs 6.3 and 7.4. Nothing in this Paragraph is intended to prevent any local agency from exercising its lawful authority to require additional work relating to the detection of corrosion of or leakage from any Underground Tank System component .

6.5 **Replacement Work for Single walled Sites.**

a. It is ARCO's goal that all Underground Tank Systems used for motor vehicle fuel retail sale which it owns or operates in the State of California shall have no single walled main product piping or components, and tanks as of the date of entry of this Consent Judgment.

b. ARCO represents that during the period after December 22, 1998 to the date of entry of this Consent Judgment it has replaced single walled main product piping with double-wall piping and/or it has replaced single walled tanks with double-wall underground tanks at the facilities identified on Exhibit "D" hereto (collectively, the "Current Replacement Facilities"), to meet the requirements of "new" Underground Tank Systems set forth in Health and Safety Code Section 25291 and its implementing regulations. ARCO contends that the purpose of this work was to replace single walled tanks and/or single walled main product piping and its associated components that ARCO believed were in compliance with the upgrade requirements set forth in Chapter 6.7 of the Health and Safety Code at the time of replacement.

c. If ARCO discovers any Underground Tank System in which secondary containment is allegedly provided by means of a lined trench or any additional single walled main product piping or single walled tank at a facility (collectively, "Future Replacement Facilities"), including but not limited to single walled, non-fiberglass product piping components that are covered by an isolation boot or containment boot and do not otherwise have secondary containment, which is not already enjoined for storage or use pursuant to Paragraph 6.3., ARCO will provide written notification to the State Board and the appropriate local agency

within 72 hours of such discovery. ARCO shall replace such single walled main product piping or single walled tank in the Underground Tank System with the appropriate double-wall components or close the facility within six (6) months after discovery unless there is an earlier deadline imposed by statute, regulation or ordinance. ARCO shall obtain all permits and authorizations necessary to perform the replacement work required by this paragraph. In the event that the necessary permits are not issued within ninety (90) days after the applications are submitted for reasons beyond the control of ARCO, the six (6) month deadline for completing the replacement work or cease storage or delivery of motor vehicle fuel or waste petroleum products shall be extended by the same period of time that it takes for the necessary permits to be issued beyond ninety (90) days.

6.6 **Certified Reports**

a. For any facility for which delivery or storage of motor vehicle fuel or waste petroleum products is suspended pursuant to Paragraph 6.3, Settling Defendants shall submit a certified report to the State Board within forty-five (45) days after notification of suspension of use and then on a quarterly basis thereafter until completion of the work required under Paragraph 6.3, which shall include the following, based on the information reasonably available at the time: (a) the date of initial suspension of inputs and withdrawals of motor vehicle fuel or waste petroleum products; (b) a description of the work undertaken to meet the applicable local agency's requirements necessary to bring the Underground Tank System into compliance with the Underground Tank System equipment upgrade requirements set forth in Health and Safety Code Section 25291 and its implementing regulations; (c) the cost of the work performed and to be performed based on available information; (d) the names of any contractors and representatives of ARCO performing or supervising such work on-site; (e) the names of any representative of the State Board or local agency present during the work, if known; (f) projected future re-inspections; (g) any permits, approvals or authorization necessary for such work; (h) the estimated date for initiating the performance of such work; and (i) the estimated date for completing the work. Thereafter, when the appropriate local agency determines that the Underground Tank System is in compliance with applicable legal

requirements, ARCO shall provide information or documentation from the local agency supporting the determination, the date of such determination and the date of resumption of fuel dispensing from that Underground Tank System. All work performed in the most recent reporting period shall be described in bolded letters. After the submission of the original notification, the report shall be provided to the State Board 30 days after the last day of each quarter, and shall report on work performed through the end of the prior quarter.

b. Within ninety (90) days of the entry of this Consent Judgment, ARCO shall provide a certified report to the State Board which describes for each of the Current Replacement Facilities to the extent known by ARCO based on information in ARCO's files, the replacement work , the permits obtained for the replacement work, the date that the replacement work was completed, and the cost of the work performed. Nothing in this Paragraph is intended nor shall it limit or abridge any requirements which may be imposed by a local agency for such replacement work.

c. For any Future Replacement Facility, ARCO shall provide a quarterly report commencing on August 31, 2002 which shall be a cumulative and chronological description of any replacement work as of the end of the reporting period. The report will be provided to the State Board thirty (30) days after the last day of each quarter, and shall report on work performed through the end of the prior quarter. For example, the report due on August 31, 2002 shall report on work done through July 30, 2002. The report shall include the following information to the extent available: the location of the facility, the ARCO facility number, the specific locations of the single walled piping or single walled components which are being addressed and which were identified by ARCO or its contractors in the normal course of construction activity, the material which comprised the single walled piping or single walled components, the reasons why use of the associated Underground Tank System was not terminated pursuant to Paragraph 6.3., and a description of the replacement work for the reporting period and the permits obtained for the replacement work, and after completion of the replacement work for a facility, a description of the results of the work, the cost of the work performed, and the date that the work was completed. All work performed in the most recent

reporting period shall be described in bolded letters. Nothing in this Paragraph is intended nor shall it limit or abridge any requirements which may be imposed by a local agency for such replacement work.

6.7 **Withdrawal of Applications to Underground Storage Tank Cleanup Fund.** Within thirty (30) days of the entry of this Consent Judgment, ARCO agrees to withdraw its applications to the Underground Storage Tank Cleanup Fund for the facilities listed on Exhibit "E". Except for the facilities set forth on Exhibit "E", ARCO is not required to withdraw any applications that have been submitted to the Underground Storage Tank Cleanup Fund pursuant to this Consent Judgment. The Plaintiffs agree and have provided evidence acceptable to ARCO that the State Board agrees, that (i) ARCO may resubmit applications for such facilities at any time following the withdrawal of such applications; (ii) the withdrawal of applications for such facilities pursuant to this Paragraph will have no impact upon the Underground Storage Tank Cleanup Fund's treatment of such resubmitted applications, which will be prioritized based upon the date(s) of resubmission and processed by the Underground Storage Tank Cleanup Fund as it would normally process any new application to the Underground Storage Tank Cleanup Fund in the ordinary course of business; (iii) the Underground Storage Tank Cleanup Fund will continue processing and making payments to ARCO on ARCO's existing and future claims to the Cleanup Fund as it would normally process such claims in the ordinary course of business; (iv) except as provided by this Paragraph, the allegations in and terms of the Complaint and Consent Judgment have no impact upon any applications ARCO has or will make to the Underground Storage Tank Cleanup Fund; and (v) any directive given as a result of the allegations made in the Complaint to the Underground Storage Tank Cleanup Fund to cease processing or making payments to ARCO on ARCO's approved claims to the Cleanup Fund has been rescinded and the Cleanup Fund will continue processing such approved claims with current prioritization as it would normally process such claims in the ordinary course of business. Evidence acceptable to ARCO that the State Board agrees to the conditions set forth in subclauses (i) through (v) above includes, without limitation, a copy of the State Board's written directive to the Underground Storage Tank

Cleanup Fund requiring it to comply with the conditions set forth subclauses (i) through (v) above.

7. MATTERS COVERED BY THIS CONSENT JUDGMENT.

7.1 Except as provided in Paragraph 7.7., the Consent Judgment is a final and binding resolution and settlement of all claims, violations or causes of action alleged by the Complaint in this matter or which could have been asserted based on the specific facts alleged in the Complaint against each of the Settling Defendants and their subsidiaries, corporate parents, each of their Affiliates and parents (including, without limitation, BP West Coast Products LLC, BP Products North America Inc., BP Company North America Inc., BP Corporation North America Inc., BP America Inc., and BP p.l.c.), successors, heirs, assigns, and their officers, directors, partners, employees, representatives, agents, property owners, tank owners, and facility operators at the ARCO Facilities. The provisions of this Paragraph 7.1. are expressly conditioned on the Settling Defendants' full payment of the civil penalty and costs by the deadlines specified in the Consent Judgment and their full satisfaction of Paragraph 5.3; provided, however, that after full payment of such civil penalty and costs, the provisions of this Paragraph 7.1 will remain in full force and effect unless and until a court makes a final determination that Settling Defendants have not fully satisfied Paragraph 5.3.

7.2 The Plaintiffs covenant not to sue or pursue any further civil claims arising out of: i) any alleged or actual upgrade violations of Health and Safety Code Sections 25292(d) and 25292(e) and the implementing regulations; ii) any alleged or actual erroneous, incomplete or inaccurate information provided to governmental agencies by ARCO prior to and in connection with obtaining upgrade compliance certificates ; and iii) the act of depositing motor vehicle fuel into Underground Tank Systems that had obtained upgrade certificates from a governmental agency; against any of the Settling Defendants and their subsidiaries, corporate parents, each of their Affiliates and parents (including, without limitation, BP West Coast Products LLC, BP Products North America Inc., BP Company North America Inc., BP Corporation North America Inc., BP America Inc., and BP p.l.c.), successors, heirs, assigns, and their officers, directors, partners, employees, representatives, agents, property owners, tank

owners, and facility operators for any of the following facilities:

a. Any Current Replacement Facility provided that: i) the replacement work was constructed and is maintained in accordance with applicable law; and ii) prior to the replacement work there was no single walled piping or single walled tank in any Underground Tank System at the facility that was in direct contact with backfill after December 22, 1998 and that did not qualify for the exemptions in Health and Safety Code Section 25292(e)(2).

b. Any Future Replacement Facility provided that the replacement work is constructed and maintained in accordance with applicable law.

c. Any Underground Tank System addressed in Paragraph 6.4.

d. Any Underground Tank System installed prior to July 1, 1987 with single walled product piping composed of non-fiberglass material that is wrapped with tape but is not otherwise protected from corrosion by a means that meets the State of California's regulatory requirements, except to enforce the provisions of Paragraph 6.3(a).

e. Facilities inspected by employees of the California Environmental Protection Agency, the State Water Resources Control Board, or the City and County and San Francisco, listed on Exhibit "F" unless, consistent with Paragraph 6.4., such facility had an Underground Tank System installed prior to January 1, 1984 which used a manway cover composed of non-fiberglass material. Subject to the aforementioned exception, such facilities were determined to have no material upgrade violations at the time of inspection.

The provisions of this Paragraph 7.2. are expressly conditioned on the Settling Defendants' full payment of the civil penalty and costs by the deadlines specified in the Consent Judgment and their full satisfaction of Paragraph 5.3; provided, however, that after full payment of such civil penalty and costs, the provisions of this Paragraph 7.2 will remain in full force and effect unless and until a court makes a determination that Settling Defendants have not fully satisfied Paragraph 5.3.

7.3 This Consent Judgment also constitutes a covenant not to sue by the People of the State of California to the extent of the jurisdiction of the City Attorney of San Francisco for any known past or present claims against Settling Defendants arising from any

alleged or actual violations of Chapter 6.7 of the Health and Safety Code and the implementing regulations, and any alleged or actual erroneous, incomplete or inaccurate information provided to governmental agencies in connection with obtaining upgrade compliance certificates, and any alleged or actual violations of Article 21 of the San Francisco Health Code as of the date of the entry of this Consent Judgment at the facilities identified in Exhibit "G" within the jurisdiction of the City and County of San Francisco.

7.4 Paragraphs 7.1 and 7.2 have no effect on the ability of Plaintiffs to enforce the terms of the Consent Judgment. Moreover, this Court retains exclusive jurisdiction to address any future claims for injunctive relief , penalty assessments, or other relief for the facilities identified on Exhibit "G" against any Settling Defendant arising from or related to any alleged or actual violations of Health and Safety Code Section 25299, Government Code Section 12651, Business and Professions Code Section 17206, and pursuant to Article 21 of the San Francisco Health Code for any facility under the jurisdiction of the San Francisco Department of Health, if any Underground Tank System at such facility violates or allegedly violates: (i) the Underground Tank System equipment upgrade requirements set forth in Chapter 6.7 of the Health & Safety Code and implementing regulations, including without limitation the applicable sections of Section 25291 and 25292 of the Health & Safety Code and the applicable sections of Articles 3 and 6 of title 23 of the California Code of Regulations; (ii) the requirement to have an upgrade compliance certificate pursuant to Health & Safety Code Section 25284(e); and (iii) the requirements of Health & Safety Code Section 25292.3 (collectively referred to as "Post- Consent Judgment Claims"). Any penalties or other relief sought by Plaintiffs for such violations or alleged violations shall be sought by noticed motion. Plaintiffs shall notify Settling Defendants in writing of such alleged violations and shall meet and confer with Settling Defendants within twenty (20) business days of such written notice prior to filing any such motion. The Parties shall negotiate in good faith in an effort to resolve any further penalty assessments or other relief pursuant to this Paragraph without judicial intervention. In seeking penalties pursuant to this Paragraph, Plaintiffs will give due consideration to the amounts already paid by Settling Defendants under this Consent Judgment, to the fact that such

violations are self-reported by Settling Defendants pursuant to the requirements of this Consent Judgment, and to the presence or absence of any environmental harm directly caused by or resulting from the alleged violation. Settling Defendants reserve all defenses in law and equity they may have with regard to any such Post-Consent Judgment Claims including the amount of any penalties sought.

7.5 The matters which are addressed as set forth in Paragraphs 6.1 through 6.7, Paragraph 7.1, Paragraph 7.2, Paragraph 7.3, or which are subject to this Court's continuing jurisdiction pursuant to Paragraph 7.4 are a "Covered Matter".

7.6 Any violations of law, statute, regulation or ordinance, including but not limited to Chapter 6.7 of the California Health and Safety Code, which are based on facts not expressly alleged by the Complaint or addressed as a Covered Matter are not resolved, settled, or covered by this Consent Judgment.

7.7 Settling Defendants covenant not to sue or pursue any civil or administrative claims against Plaintiffs or agencies of the State of California or the City and County of San Francisco or their officers, employees, representatives, agents or attorneys arising out of or related to any matter expressly addressed by this Consent Judgment, except for the purpose of enforcing Plaintiffs' obligations under this Consent Judgment.

7.8 Notwithstanding any other provision of the Consent Judgment, any claims or causes of action for performance of cleanup, corrective action or response action, or claims or causes of action for criminal penalties, civil penalties, damages, injunctive relief, or recovery of response costs concerning or arising out of possible or actual past or future releases, spills, leaks, discharges or disposal of motor vehicle fuels, hazardous wastes or hazardous substances caused or contributed to by Settling Defendants at locations at or around the ARCO Facilities or any other facility addressed by this Consent Judgment are not resolved by this Consent Judgment, and such claims or causes of action are reserved by the Plaintiffs.

7.9 Except as provided by this Consent Judgment, the Parties reserve the right to pursue any claims not covered by this Consent Judgment and any defense to such reserved claims.

7.10 In any subsequent action that may be brought by Plaintiffs to enforce any reserved claims or claims excluded from this settlement, Settling Defendants will not assert, plead or raise against Plaintiffs in any fashion any defense or avoidance based on i) splitting of claims; ii) laches or similar defenses concerning either the timeliness of commencing such action separate from this action; or iii) the appropriateness of bringing such later claims against Settling Defendants separate from this action. This Paragraph does not affect any statute of limitations, if any, which may be applicable to any reserved claims or claims excluded from this settlement.

7.11 The Parties do not intend nor does the Consent Judgment affect any other pending lawsuits that currently allege violations of the upgrade provisions of Chapter 6.7 of the Health and Safety Code against any of the Settling Defendants brought by the People of the State of California. Notwithstanding the foregoing, in the pending case of People v. Atlantic Richfield Company, et al., Case No. 80-40-30 (O.C. S. Ct. 1999), the People shall not seek civil penalties, injunctive relief, or any other remedy for such alleged violations. This Consent Judgment does not: i) require the People to refrain from alleging in the foregoing action that Settling Defendants failed to meet the December 22, 1998 state and federal upgrade requirements for Underground Tank Systems at gas station sites in Orange County; ii) require Settling Defendants to refrain from challenging such allegations; or iii) alter any rights the Settling Defendants may have in that action.

7.12 If any action is brought in any other court or administrative body against Settling Defendants which addresses a Post-Consent Judgment Claim, the Settling Defendants shall notify Plaintiffs and this Court of such action within thirty (30) days of service of that action on them; provided, however, that Settling Defendants' failure to notify Plaintiffs and this Court within the thirty(30) day period will not relieve Plaintiffs of their obligations under this Paragraph 7.12 except to the extent that Settling Defendants delay in providing notice prevents, limits or interferes with Plaintiffs' ability to fulfill such obligations. Plaintiffs will cooperate with Settling Defendants in addressing the jurisdictional issues arising out of such action and will take whatever steps Plaintiffs deem appropriate to preserve the exclusive jurisdiction of this

Court over the Post-Consent Judgment Claims and to effectuate the intent of Paragraph 7.4.

8. NOTICE.

All submissions and notices required by this Consent Judgment shall be sent to:

For Plaintiffs:

Reed Sato, Esq.
Deputy Attorney General
Office of the Attorney General
1300 "I" Street
P.O. Box 944255
Sacramento, California 94244-2550

and to:

James Giannopoulos
Assistant Division Chief
Division of Clean Water Programs
State Water Resources Control Board
1001 "I" Street
P.O. Box 944212
Sacramento, California 94244-2120

and for notices and submissions pertaining to the San Francisco Facilities shall also be sent to:

Curtis Christy-Cirillo, Esq.
City Attorney's Office
City and County of San Francisco
1390 Market Street, Sixth Floor
San Francisco, California 94102

and to:

District Inspector
Department of Public Health
H.U.M.P.A. Program
1390 Market Street, Suite 210
San Francisco, California 94102

For Settling Defendants:

Deborah P. Felt, Esq.
BP Legal Western Region
333 South Hope Street, Room 2048
Los Angeles, California 90071

and to:

James R. Asperger, Esq.
O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, California 90071-2809

Any Party may change the address for purpose of notices to that Party by a notice specifying a new address, but no such change is effective until it is actually received by the Party sought to be charged with its contents. All notices and other communications required or permitted under this Consent Judgment that are addressed as provided in this Paragraph are effective upon delivery if delivered personally or by overnight mail, or are effective five (5) days following deposit in the United States mail, postage prepaid, if delivered by mail.

9. NECESSITY FOR WRITTEN APPROVALS

All approvals and decisions of the Plaintiffs regarding any matter requiring approval or decision of the Plaintiffs under the terms of this Consent Judgment shall be communicated in writing to Settling Defendant. No informal oral advice, guidance, suggestions, or comments by employees or officials of the Plaintiffs or representatives of any instrumentality, agency, board or department of the State of California, including the California Environmental Protection Agency and the California State Water Resources Control Board, or the San Francisco Public Health Department regarding submissions or notices shall be construed to relieve Settling Defendants of their obligations to obtain the final written approvals required by this Consent Judgment. All approvals and decisions of Settling Defendants, and each of them, regarding any matter requiring approval or decision of Settling Defendants under the terms of this Consent Judgment shall be communicated in writing by the appropriate Settling Defendant(s).

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10. EFFECT OF JUDGMENT.

Except as expressly provided in this Consent Judgment, nothing in this Consent Judgment is intended nor shall it be construed to preclude Plaintiffs or any state agency, department, board or entity or any local agency from exercising its authority under any law, statute, or regulation at the ARCO Facilities or any other facility addressed or identified in this Consent Judgment.

11. PLAINTIFFS ARE NOT LIABLE.

The Plaintiffs shall not be liable for any injury or damage to persons or property resulting from acts or omissions by Settling Defendants, their directors, officers, employees, agents, representatives or contractors in carrying out activities pursuant to this Consent Judgment, nor shall the Plaintiffs be held as a party to or guarantor of any contract entered into by Settling Defendants, their directors, officers, employees, agents, representatives or contractors in carrying out activities required pursuant to this Consent Judgment.

12. NO WAIVER OF RIGHT TO ENFORCE.

The failure of the Plaintiffs to enforce any provision of this Consent Judgment shall in no way be deemed a waiver of such provision, or in any way affect the validity of this Consent Judgment. The failure of the Plaintiffs to enforce any such provision shall not preclude it from later enforcing the same or any other provision of this Consent Judgment. No oral advice, guidance, suggestions or comments by employees or officials of any Party regarding matters covered in this Consent Judgment shall be construed to relieve any Party of its obligations required by this Consent Judgment.

13. REGULATORY CHANGES.

Nothing in this Consent Judgment shall excuse Settling Defendants from meeting any more stringent requirements which may be imposed hereafter by changes in applicable and legally binding legislation or regulations.

14. APPLICATION OF CONSENT JUDGMENT.

This Consent Judgment shall apply to and be binding upon the Plaintiffs, Settling Defendants, and each of them, and the successors or assigns of each of them.

15. AUTHORITY TO ENTER CONSENT JUDGMENT.

Each signatory to this Consent Judgment certifies that he or she is fully authorized by the party he or she represents to enter into this Consent Judgment, to execute it on behalf of the party represented and legally to bind that party.

16. CONTINUING JURISDICTION.

The Court shall retain continuing jurisdiction to enforce the terms of this Consent Judgment.

17. PENALTIES FOR NONCOMPLIANCE.

Any Party may, by noticed motion or order to show cause, enforce the terms and conditions contained in this Consent Judgment. Failure to comply with the terms of this Consent Judgment shall subject a party to further relief and for any attorneys fees, expert witness fees or costs reasonably incurred by the prevailing party in enforcing the terms of this Consent Judgment. Plaintiffs may move this court to enjoin Settling Defendants from any violation of any provision of this Consent Judgment and for civil penalties as provided in this Paragraph. Settling Defendants, and each of them, shall be liable for a civil penalty not to exceed $25,000 for each material violation of the provisions of the Consent Judgment except that Settling Defendants, and each of them, shall be liable for a stipulated civil penalty of $25,000 for each day that the payment required pursuant to Paragraph 5.2 is late. The Parties shall meet-and-confer prior to the filing of any motion to assess penalties pursuant to this Paragraph and shall negotiate in good faith in an effort to resolve any penalty assessments pursuant to this Paragraph without judicial intervention.

18. INTEGRATION.

This Consent Judgment constitutes the entire agreement between the parties and may not be amended or supplemented except as provided for in the Consent Judgment.

19. MODIFICATION OF CONSENT JUDGMENT.

This Consent Judgment may be modified only upon written consent by the parties hereto and the approval of the court.

/ / /

20. CERTIFICATION.

Whenever this Consent Judgment requires the certification by the Settling Defendants, such certification shall be provided by an ARCO employee at a managerial level in charge of environmental compliance matters or an officer of the corporation. Each certification shall read as follows:

> To the best of my knowledge, based on information and belief and after reasonable investigation, I certify that the information contained in or accompanying this submission is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

21. ENFORCEMENT OF JUDGMENT.

In the event that a Party brings an action to enforce any of the terms of this Consent Judgment, the prevailing party shall be entitled to its reasonable costs of enforcement, including attorney fees and costs, including any costs for expert witnesses or other costs of enforcement.

22. PAYMENT OF LITIGATION EXPENSES AND FEES.

Settling Defendants, and each of them, shall pay their own attorney fees, expert witness fees and costs, and all other costs of litigation incurred to date.

23. INTERPRETATION.

This Consent Judgment shall be deemed to have been drafted equally by all parties hereto. Accordingly, the Parties hereby agree that any and all rules of construction to the effect that ambiguity is construed against the drafting party shall be inapplicable in any dispute concerning the terms, meaning, or interpretation of this Consent Judgment.

24. NOTIFICATION OF OWNERS AND OPERATORS OF AFFECTED SYSTEMS.

Within ten (10) business days after the entry of the Consent Judgment, ARCO shall provide via certified mail a summary of this Consent Judgment to each owner and operator of an ARCO Facility. The text of the summary is set forth in Exhibit "H". A copy of each notification required by this paragraph and the certified mail receipt shall be provided to the Plaintiffs within twenty (20) business days of delivery of such notification to such owner and

operator. ARCO shall make a copy of the Consent Judgment available to any owner or operator of an ARCO Facility upon request.

25. COUNTERPART SIGNATURES.

This Consent Judgment may be executed by the parties in counterpart, and when a copy is signed by an authorized representative of each party, the stipulation shall be effective as if a single document were signed by all parties.

26. TERMINATION OF INJUNCTIVE PROVISIONS

Settling Defendants' obligations pursuant to Paragraph 6 of this Consent Judgment shall terminate on January 1, 2004. The Court shall retain jurisdiction to address any matters over which its has jurisdiction pursuant to Paragraph 6 of this Consent Judgment which are noticed on or before March 1, 2004.

27. INCORPORATION OF EXHIBITS

Each of the Exhibits "A" through "H" are incorporated herein by reference.

28. ENTRY AFTER NOTICED MOTION

This Consent Judgment shall be brought before the Court for approval on noticed motion and the Court shall be requested to make a fairness determination in order to ensure that this Consent Judgment is fair and in the public interest. By entering this Consent Judgment, the Court finds that its action results in a full, fair, and final resolution of the claims which were or could have been raised in the Complaint based on the facts alleged therein.

IT IS SO STIPULATED:

FOR THE PLAINTIFFS

Dated: June __, 2002

BILL LOCKYER, Attorney General
of the State of California
RICHARD M. FRANK
Chief Assistant Attorney General
THEODORA P. BERGER
Senior Assistant Attorney General
REED SATO
WILLIAM BRIEGER
MELINDA VAUGHN
Deputy Attorneys General

_____
REED SATO
Deputy Attorney General
Attorneys for Plaintiff, People of the State of California

Dated: June __, 2002

DENNIS HERRERA,
City Attorney
JOANNE HOEPER
Chief Trial Attorney
MARGARITA GUTIERREZ,
ROSE-ELLEN HEINZ,
CURTIS CHRISTY-CIRILLO,
Deputy City Attorneys

_____
MARGARITA GUTIERREZ,
Deputy City Attorney
Attorneys for Plaintiff, People of the State of California

FOR THE SETTLING DEFENDANTS:

FOR ATLANTIC RICHFIELD COMPANY

Dated: June __, 2002 _____

_____
(typed name)

_____
(Position)
Atlantic Richfield Company

Dated: June __, 2002 _____

_____
(typed name)

_____
(Position)
Atlantic Richfield Company

FOR PRESTIGE STATIONS, INC.

Dated: June __, 2002 _____

_____
(typed name)

_____
(Title)
Prestige Stations, Inc.

Dated: June __, 2002 _____

_____
(typed name)

_____
(Title)
Prestige Stations, Inc.

Approved as to Form:

O'MELVENY & MYERS LLP

Dated: June __, 2002

_____
JAMES R. ASPERGER

Attorneys for Atlantic Richfield Company and Prestige Stations, Inc.

IT IS SO ORDERED,

Dated: _____

_____
JUDGE OF THE SUPERIOR COURT