

## **SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and CERF Shelby, LLC (CERF Shelby), with its principal location at 201 Helios Way, Floor 6, Houston, Texas 77079 (collectively, the “Parties,” or individually, “Party”).

### **LEGAL BACKGROUND**

- (1) Purpose. The Global Warming Solutions Act of 2006 mandates CARB to adopt regulations to reduce greenhouse gas emissions and to enforce those regulations. (Health & Saf. Code §§ 38560, 38562, and 38580.)
- (2) Regulation. CARB adopted the *Low Carbon Fuel Standard* (LCFS Regulation) to incentivize innovative fuels that will reduce greenhouse gas emissions. (Cal. Code Regs., tit. 17, § 95480 et seq.)
- (3) Regulatory Provisions. Fuel pathway holders are defined as fuel pathway applicants that have received a certified fuel pathway carbon intensity based on site-specific data, including a provisional fuel pathway. Fuel pathway holders producing, selling, supplying or offering for sale transportation fuel into the State of California must submit an annual Fuel Pathway Report to CARB, including the fuel’s carbon intensity, which must be kept below the certified carbon intensity. (Cal. Code Regs., tit. 17, §§ 95480-95503.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to thirty-five thousand dollars (\$35,000.00 USD) for strict liability violations; twenty-five thousand dollars (\$25,000.00 USD) for entering false information, failing to keep any document, respectively, for each day in which the violation occurs; and \$1,000.00 per deficit. (Cal. Code Regs., tit. 17, § 95494; Health & Saf. Code §§ 38580, 42400 et seq., 42402 et seq., 43027, and 42410.)

### **CASE BACKGROUND**

- (5) Corporate Entity. At all relevant times, CERF Shelby was organized under the laws of Tennessee as a limited liability company.
- (6) Allegations. CARB alleges that at all relevant times, CERF Shelby was a fuel pathway holder as defined by the LCFS Regulation for the Reporting Year 2020. CARB also alleges that at 7111 Millington Road, Millington, Tennessee 38053, CERF Shelby produced, sold, supplied, offered for sale, transportation fuel compressed natural gas into the State of California and failed to maintain its verified operational carbon intensity below its certified carbon intensity, which did not conform to the requirements of the LCFS Regulation as outlined in the

Notice of Violation F033121-CERF-CI. (Cal. Code Regs., tit. 17, § 95480 et seq.) CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against CERF Shelby for each and every day.

- (7) Acknowledgment. CERF Shelby admits to the facts in paragraphs 1 through 6, but denies any liability resulting from said allegations.
- (8) Consideration. In consideration of the foregoing, and of the promises and facts set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, CERF Shelby has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

### **TERMS AND CONDITIONS**

In consideration of CARB not filing a legal action against CERF Shelby for the alleged violations referred to above in the Legal Background and Case Background, and CERF Shelby's agreement to complete all terms and conditions set forth below, CARB and CERF Shelby agree as follows:

- (9) Settlement Amount. CERF Shelby shall pay a civil penalty of ten thousand two hundred ninety-five dollars (\$10,295.00 USD), and agrees to fund a Supplemental Environmental Project (SEP) entitled Residential Air Filtration Program in the amount of ten thousand two hundred ninety-five dollars (\$10,295.00 USD), consistent with CARB's SEP Policy, for a total settlement of twenty thousand five hundred ninety dollars (\$20,590.00 USD). CERF Shelby shall make all payments in full within thirty (30) calendar days of the Notification Date.
- (10) Notification Date. The date upon which CARB notifies CERF Shelby according to Paragraph 16 (Notices), that the Settlement Agreement is fully executed or when CARB sends the fully executed Settlement Agreement to CERF Shelby.
- (11) Civil Penalty Payment Method. CERF Shelby shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. CERF Shelby is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty amount into the Air Pollution Control Fund for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to CERF Shelby in accordance with Paragraph 16 (Notices).

- (12) SEP Payment Method(s). CERF Shelby shall fund the SEP by check, payable to the SEP Administrator/Recipient, "San Joaquin Valley Unified Air Pollution Control District" using instructions provided separately by CARB in a Payment Transmittal Form. CERF Shelby is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. Should payment instructions change, CARB will provide notice to CERF Shelby in accordance with Paragraph 16 (Notices).
- (13) Prohibition Against Financial Benefit. CERF Shelby has agreed that by funding the SEP entitled Residential Air Filtration Program, CERF Shelby will not receive any direct or indirect financial benefit, and that whenever CERF Shelby publicizes or refers to the SEP or the results of the SEP, CERF Shelby will state that the SEP is being undertaken as part of the settlement of a CARB enforcement action.
- (14) Assignment of Rights. In the event the SEP Administrator/Recipient does not fully implement or complete the SEP in accordance with the terms of the SEP Agreement, CARB shall be entitled to recover the full amount of the SEP from the SEP Administrator, less any amount expended on the timely and successful completion of any previously agreed upon interim milestone(s). CARB will deposit any such recovery into the Air Pollution Control Fund. Accordingly, CERF Shelby assigns any and all rights against the SEP Administrator to CARB.
- (15) Documents. CERF Shelby shall promptly email or mail the signed and dated Settlement Agreement, to the CARB address or email listed in Paragraph 16 (Notices).
- (16) Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board  
Enforcement Division / Settlement Agreements  
Field Operations Branch / Fuels Enforcement Section  
P.O. Box 2815  
Sacramento, California 95812-2815  
Settlement\_Agreement@arb.ca.gov

As to CERF Shelby:

CERF Shelby, LLC  
c/o Archaea Energy  
201 Helios Way, Floor 6  
Houston, Texas 77079  
jchaney@archaea.energy

As to CERF Shelby's Legal Representation:

CERF Shelby, LLC  
c/o Archaea Energy  
Attention: Legal  
201 Helios Way, Floor 6  
Houston, Texas 77079  
legal@archaea.energy

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

- (17) Repeat Violations. CERF Shelby agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (18) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Case Background and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Case Background hereof. This Settlement Agreement consists of 8 pages and 36 numbered paragraphs.
- (19) Binding Effect. This Settlement Agreement binds CERF Shelby, and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
- (20) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (21) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
- (22) Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.

- (23) Choice of Law. This Settlement Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.
- (24) Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit.
- (25) Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
- (26) Non-Waiver. The failure to enforce any provision of this Settlement Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Settlement Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.
- (27) Intent to be Bound. The Parties represent that: They have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.
- (28) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (29) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (30) Release. In consideration of full payment of the civil penalty and SEP payment, and all other undertakings above, CARB hereby releases CERF Shelby and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 6 (Allegations) above.

- (31) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

### **PENALTY BASIS**

- (32) Per Unit Penalty. The per unit penalty in this case is a maximum of twenty-five thousand dollars (\$25,000.00 USD) per day under Health and Safety Code sections 38580 and 43027, for violations of the LCFS Regulation. (Cal. Code Regs., tit. 17, § 95494.) The penalty of twenty thousand five hundred ninety dollars (\$20,590.00 USD) is for 366 noncompliant days. CARB has considered all relevant facts, including, but not limited to, 124 credits erroneously generated, and those listed under Health and Safety Code section 43031b. The per unit penalty in this case is approximately fifty-six dollars (\$56.00 USD) per noncompliant day.
- (33) Emissions. The provisions cited in Paragraph 6 (Allegations) above prohibit emissions above a specified level. Without additional information, it is not practicable to quantify the excess emissions. However, since CARB has alleged that CERF Shelby did not meet the regulatory requirements, all of the emissions from it were excess and illegal.
- (34) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described in CARB's Enforcement Policy. CARB considered whether the violator came into compliance quickly and cooperated with the investigation; the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; compliance history; preventative efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to violation; action taken to mitigate the violation; financial burden to the violator; and voluntary disclosure. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and the potential costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.
- (35) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by CERF Shelby or confidential settlement communications.

(36) Effect of Settlement/Reservation of Rights. The following shall apply:

- (a) This Settlement Agreement resolves the civil claims of CARB for the violations alleged in this Settlement Agreement.
- (b) CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against CERF Shelby with respect to all matters not expressly resolved in this Settlement Agreement. Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against CERF Shelby with respect to:
  - (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
  - (ii) Facts that were not disclosed by CERF Shelby to CARB.
  - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved in this Settlement Agreement.
  - (iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.
  - (v) Any criminal liability.
  - (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.
- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, CERF Shelby shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.
- (d) This Settlement Agreement does not limit or affect the rights of CERF Shelby or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against CERF Shelby, except as otherwise provided by law. This Settlement Agreement shall not be construed to create rights in,

or grant any cause of action to, any third party not covered by this Settlement Agreement.

(e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. CERF Shelby is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; CERF Shelby's compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that CERF Shelby's compliance with any aspect of this Settlement Agreement will result in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

**California Air Resources Board**

Signature: /S/

Name: Heather L. Quiros

Title: Chief, Enforcement Division

Date: April 4, 2024

**CERF Shelby, LLC**

Signature: /S/

Name: Aimee DiTommaso

Title: Chief Commercial Officer

Date: March 18, 2024