

## SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") 1001 I Street, Sacramento, California 95814, and RODOLFO NUNEZ DBA NUNEZ TRANSPORT (hereinafter "RN"), Calle 16 Septiembre 729, Ensenada, Baja California, Mexico 22840.

### I. RECITALS

- (1) California Health and Safety Code (HSC) section 44011.6 established the Heavy Duty Vehicle Inspection Program (HDVIP). It authorizes ARB to inspect on-road heavy-duty vehicles for excessive smoke emissions and engine tampering and to issue citations, accordingly. The program also requires the vehicle owner to repair its engines that exceed the prescribed ARB smoke opacity standards, perform a post-repair opacity test, and submit proof of repairs and any assessed penalties under the Regulations of the Heavy-Duty Smoke Inspection Program, chapter 3.5, sections 2180-2188, title 13 California Code of Regulations (CCR).
- (2) HSC section 43701 provides that ARB shall adopt regulations that require owners or operators of heavy-duty diesel motor vehicles to perform regular inspections of their vehicles for excessive smoke emissions.
- (3) Title 13 CCR, section 2190 *et seq.* was adopted under the authority of HSC section 43701 and, with limited exceptions, which are not applicable here, apply to all heavy-duty diesel powered vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California.
- (4) Title 13 CCR, section 2190 *et seq.* authorize the Periodic Smoke Inspection Program (PSIP) which requires the owners and operators of California based vehicle fleets of two or more heavy duty diesel motor vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California to conduct annual smoke opacity inspections of their vehicles that are four years older than the model year of the vehicle's engine.
- (5) Title 13 CCR, section 2192(a) requires inter alia that the owner of the vehicle "[t]est the vehicle for excessive smoke emissions periodically according to the inspection intervals specified in section 2193(a), (b), and (c)", "[m]easure the smoke emissions for each test...", "[r]ecord the smoke test opacity levels and other required test information as specified in section 2194..." and "[k]eep the records specified in section 2194 for two years after the date of inspection."

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- (6) HSC section 43016 states, "Any person who violates any provision of this part, or any order, rule, or regulation of the state board adopted pursuant to this part, and for which violation there is not provided in this part any other specific civil penalty or fine, shall be subject to a civil penalty of not to exceed five hundred dollars (\$500.00) per vehicle."
- (7) The ARB considers testing, measuring, recording, and recordkeeping to be critical components in reducing excessive smoke emissions from these heavy-duty vehicles.
- (8) ARB contends RN failed to test, measure, record, and maintain records of smoke emissions from its fleet of heavy-duty diesel vehicles for years 2010 and 2011 in violation of title 13 CCR, sections 2190 *et seq.*
- (9) HSC section 39650-39675 mandates the reduction of the emissions of substances that have been determined to be toxic air contaminants (TACs). In 1998, following an exhaustive 10-year scientific assessment process, the Air Resources Board identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. In-use On-Road diesel vehicles are powered by diesel fueled engines that emit toxic particulate matter. On-Road vehicles are controlled under section 2025 within title 13 of CCR.
- (10) Title 13 CCR, section 2025(e)(1)(B) states: "Starting January 1, 2012, for all vehicles with GVWR greater than 26,000 lbs, excluding school buses, fleets must meet the requirements of section 2025(g) or fleets that report may instead comply with the phase-in option of section 2025(i)."
- (11) Failure to comply with the requirements of title 13 CCR, section 2025 is a violation of state law resulting in penalties. California HSC sections 39674(a) and (b) authorize civil penalties for the violation of the programs for the regulation of toxic air contaminants not to exceed one thousand dollars (\$1,000) or ten thousand dollars (\$10,000), respectively, for each day in which the violation occurs.
- (12) RN has elected to meet the requirements of the Engine Model Year Compliance Schedule provided for in title 13 CCR, section 2025(g).
- (13) Title 13 CCR, section 2025(g) requires that owners of diesel vehicles with a GVWR greater than 26,000 lbs. meet PM Best Available Control Technology (BACT) requirements for all 1996 through 1999 engine model years by January 1, 2012 and for 2004 through 2004 engine model years by January 1, 2013.
- (14) The ARB has documented that RN failed to meet PM BACT requirements for all 1996 through 1999 engine model years by January 1, 2012 and for all 2000-2004 engine model years by January 1, 2013.

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- (15) HSC section 39650-39675 mandates the reduction of the emissions of substances that have been determined to be toxic air contaminants (TACs). In 1998, following an exhaustive 10-year scientific assessment process, the Air Resources Board identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. Transport Refrigeration Units (TRUs) are powered by diesel fueled engines that emit toxic particulate matter. TRUs are controlled under section 2477.
- (16) Title 13 CCR, section 2477.5 (a) states, "no owner/operator shall operate a TRU or TRU generator (gen) set in California unless it meets the in-use emission category performance standards."
- (17) The ARB Enforcement Division has documented that RN, failed to bring their fleet of TRUs in compliance with the in-use performance standard.
- (18) Failure to bring the TRU fleet in compliance with applicable in-use emission standards is a violation of state law resulting in penalties. California HSC sections 39674(a) and (b) authorize civil penalties for the violation of the programs for the regulation of toxic air contaminants not to exceed one thousand dollars (\$1,000) or ten thousand dollars (\$10,000), respectively, for each day in which the violation occurs.
- (19) In order to resolve these alleged violations, RN has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, the ARB accepts this Agreement in termination and settlement of this matter.
- (20) 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 violations, and voluntarily agree to resolve this matter by means of this Agreement. Specifically, the ARB and RN agree as follows:

## II. TERMS AND RELEASE

In consideration of the ARB not filing a legal action against RN for the alleged violations referred to above, and RN's payment of the penalties set forth in Section 1 below, the ARB and RN agree as follows:

- (1) The total civil penalty RN shall pay for the alleged violations is \$38,625.00; however, since during the investigation RN paid \$11,000.00 to the California Air Pollution Control Fund, the remaining balance is \$27,625.00. Upon execution of this Agreement, RN shall pay a civil penalty of \$27,625.00. Payment shall be made in check form as described below, and payments shall be made in four payments beginning on **April 15, 2013**.

SETTLEMENT AGREEMENT AND RELEASE ARB AND RN:

<b>Payment Due Date:</b>	<b>In the Amount of and Paid to:</b>
(1) April 15, 2013	<b>\$6,906.25</b> paid to <b>Peralta Colleges Foundation</b>
(2) August 15, 2013	<b>\$2,750.00</b> paid to <b>Peralta Colleges Foundation</b> and <b>\$4,156.25</b> paid to <b>California Air Pollution Control Fund</b>
(3) December 15, 2013	<b>\$6,906.25</b> paid to <b>California Air Pollution Control Fund</b>
(4) April 15, 2014	<b>\$6,906.25</b> paid to <b>California Air Pollution Control Fund</b>

Please submit the signed settlement agreement and checks to:

Dr. Xiangyi Li, Ph.D., Air Resources Engineer  
Air Resources Board, Enforcement Division  
Diesel Program Enforcement Branch  
9480 Telstar Avenue, Suite 4  
El Monte, CA 91731

- (2) Effect of Untimely Payment. If any payment is more than 15 days late, the entire remaining balance becomes immediately due and payable. In addition, if the Attorney General files a civil action to enforce this settlement agreement, RN shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.
- (3) It is agreed that if RN, including its subsidiary or parent company, at any time becomes insolvent, or makes an assignment for the benefit of creditors or similar action adversely involving RN, its subsidiary, or parent company, or a proceeding or petition under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt, or receivership law or statute is filed by or against RN, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of RN's, its subsidiary, or parent company's properties, or if any deposit account or other property of RN, its subsidiary, or parent company be attempted to be obtained or held by writ of execution, garnishment, attachment, condemnation, levy, forfeiture or other legal process, or RN, its subsidiary, or parent company takes any action to authorize any of the foregoing, the entire remaining balance becomes immediately due and payable without notice or demand.
- (4) It is further agreed that the penalties described in "Terms and Release", paragraph 1 are punitive in nature, rather than compensatory. Furthermore, the penalty is intended to deter and punish RN for violations of state environmental statutes, and these penalties are payable to and for the benefit of ARB, a governmental unit. Therefore, it is agreed that these

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penalties imposed on RN by ARB arising from the facts described in recital paragraphs 1 – 18 are non-dischargeable under 11 United States Code § 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 benefit of governmental unit, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.

- (5) RN shall not violate HSC sections 43701 *et seq.*, 44011.6 *et seq.*, and title 13 CCR, sections 2180 *et seq.*, 2190 *et seq.*, and 2485 *et seq.*
- (6) RN shall comply with one or both of the following options to attend the California Council on Diesel Education and Technology (CCDET I) class, (SAE J1667 Snap Acceleration Smoke Test Procedure for Heavy-Duty Diesel Powered Vehicles) as described on the ARB webpage at <http://www.arb.ca.gov/enf/hdvip/ccdet/ccdet.htm>. This class is conducted by various California Community Colleges and instructs attendees on compliance with the PSIP, ECL and the HDVIP.
  - (a) RN shall have the fleet maintenance manager (or equivalent) and all staff performing opacity tests for compliance with PSIP and the HDVIP attend the CCDET I class. Proof of CCDET I completion shall be provided to ARB within six months of the date of this Agreement and be maintained in each applicable employee's file for the term of his or her employment.
  - (b) If RN uses a contractor to perform the annual smoke opacity testing required under the PSIP, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET I course, RN shall obtain proof that the contractor's staff conducting the smoke opacity tests completed the CCDET I course within the past four years. This proof of CCDET I completion shall be provided to ARB with PSIP records as required by this Agreement and be maintained with the annual PSIP records.
- (7) RN shall comply with one or both of the following options to attend the CCDET II class (Diesel Exhaust After Treatment and Maintenance), described on the ARB's webpage <http://www.arb.ca.gov/enf/hdvip/ccdet/ccdet.htm>. This class is conducted by various California Community Colleges and instructs attendees on California's emission regulations and the proper care and maintenance of diesel exhaust after-treatment systems (DEATS).
  - (a) RN shall have the fleet maintenance manager (or equivalent) and all staff responsible for maintenance of DEATS attend the CCDET II class. Proof of CCDET II completion shall be provided to ARB within six months of the date of this Agreement and also be maintained in each applicable employee's file for the term of his or her employment.

- (b) In case RN uses a contractor for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, RN shall obtain proof that the contractor's staff maintaining the DEATS device(s) completed the CCDET II course within the last four years. This proof of the CCDET II completion shall be provided by RN to the ARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.
- (8) As is typically required, RN shall submit copies of all PSIP compliance records for the two years after the close of the audit to the ARB by January 31 of the following year. ARB acknowledges that RN has already submitted copies of all PSIP compliance records for year 2012 and has therefore complied with that requirement. RN must still submit copies of all PSIP compliance records for year 2013 to the ARB by January 31 of the following year. Copies shall be addressed to the attention of Dr. Xiangyi Li, Ph.D., ARE, Air Resources Board, Enforcement Division, 9480 Telstar Avenue Suite 4, El Monte, CA 91731. The ARB reserves the right to visit any RN fleet location at any time to conduct compliance audits for the HDVIP and PSIP, or any other applicable ARB program.
- (9) RN shall complete Low NOx Software Upgrades (reflash) on all applicable heavy-duty diesel engines operating in California and report to the ARB within 45 days of this agreement.
- (10) Each 1974 or newer diesel powered heavy-duty vehicle in the RN fleet shall comply with the emission control label (ECL) requirements set forth in the title 13 CCR section 2183(c).
- (11) RN shall instruct all employees who operate diesel-fueled vehicles to comply with the idling regulations set forth in title 13 CCR section 2485, within 45 days of this Agreement.
- (12) RN shall comply with the Truck and Bus regulation as codified in title 13 CCR, section 2025. Within 45 days of the execution of this Agreement, RN shall submit the proof of compliance to Dr. Xiangyi Li, Ph.D., ARE, Air Resources Board, Enforcement Division, 9480 Telstar Avenue Suite 4, El Monte, CA 91731.
- (13) RN shall not violate the Truck & Bus regulation as codified in title 13 CCR, section 2025 *et seq.*
- (14) Within 45 days of the execution of this Agreement, RN shall bring its fleet of TRUs operating in California in compliance with the applicable in-use performance standards as required by title 13 CCR, section 2477 (e) (1) (A) (1). RN shall submit the proof of compliance with the TRU ATCM to Dr. Xiangyi Li, Ph.D., ARE, Air Resources Board, Enforcement Division,

Diesel Program Enforcement Branch, 9480 Telstar Avenue Suite 4, El Monte, CA 91731.

- (15) RN shall not violate the TRU ATCM, as codified in title 13 CCR, section 2477.
- (16) This Agreement shall apply to and be binding upon RN, and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (17) This Agreement constitutes the entire agreement and understanding between ARB and RN concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and RN concerning the subject matter hereof.
- (18) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all parties to this Agreement.
- (19) Severability. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.
- (20) This 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.
- (21) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.
- (22) Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires the ARB to provide information on the basis for the penalties it seeks (see Health and Safety Code section 39619.7). This information, which is provided throughout this settlement agreement, is summarized here:

**The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.**

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in HSC sections 42403 and 43024.

### PSIP Violations

The per vehicle penalty for the PSIP violations involved in this case is a maximum of \$500 per vehicle per violation per year. The penalty obtained for the PSIP violations involved in this case is \$13,125.00 for 35 violations over two years, or \$375.00 per vehicle per violation. The penalty was discounted based on the fact that this was a first time violation and the violator made diligent efforts to comply and to cooperate with the investigation.

### Truck and Bus Violations

The per unit penalty for the Truck and Bus violations involved in this case is a maximum of \$1,000 per vehicle per day for strict liability violations or \$10,000 per vehicle per day for negligent or intentional violations. The penalty obtained for the Truck and Bus violations involved in this case for failure to meet the requirements of the Engine Model Year Compliance Schedule is \$4,500.00 for 6 vehicles or \$750.00 per vehicle per violation. The penalty was discounted based on the fact that this was a first time violation and the violator made diligent efforts to comply and to cooperate with the investigation.

### TRU Violations

The per unit penalty for the TRU violations involved in this case is a maximum of \$1,000 per unit per day for strict liability violations or \$10,000 per vehicle per day for negligent or intentional violations pursuant to HSC section 39674. The penalty obtained for the TRU violations involved in this case is \$21,000.00 for 28 non-compliant TRUs operated by RN or \$750.00 for each violation. The penalty was discounted based on the fact that this was a first time violation and the violator made diligent efforts to comply and to cooperate with the investigation.

**The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.**

### PSIP Violations

The penalty provision being applied to the PSIP violations is HSC section 43016 because RN failed to test, measure, record, and maintain records of smoke emissions from its fleet of heavy duty diesel vehicles for the years 2010 and/or 2011 in violation of the PSIP regulation in title 13 CCR sections 2190 *et seq*, for 19 vehicles. Since the PSIP regulation was adopted pursuant to authority granted in Part 5 of Division 26 of the HSC and since there is no specific penalty or fine provided for PSIP violations in Part 5, HSC section 43016 is the applicable penalty provision.

### Truck and Bus Violations

The penalty provision being applied for the Truck and Bus regulation (title 13 CCR, section 2025) violations in this case is HSC section 39674 because the Truck and Bus regulation is a Toxic Air Contaminant Control Measure adopted pursuant to authority contained in HSC section 39002 et seq., 39650-39675 and because RN failed to bring their diesel fleet into compliance by the deadlines set forth in title 13 CCR, section 2025(g)(1).

### TRU Violations

The penalty provision being applied for the Air Toxic Control Measure for In-Use Diesel-Fueled Transport Refrigeration Unit and TRU Generator Set (title 13 CCR, section 2477 et seq.) violations (including registration and labeling) is HSC section 39674 because the TRU rule is an Air Toxic Control Measure adopted pursuant to authority contained in HSC section 39650-39675. RN, as an owner of TRUs, failed to bring all TRUs in its fleet into compliance by the deadlines set forth in the TRU ATCM.

**Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.**

### PSIP Violations

The PSIP provisions cited above do prohibit emissions above a specified opacity or level of g/hp-hr. However, since the hours of operation of the non-compliant units involved and their individual emission rate are not known, it is not practicable to quantify the excess emissions.

### Truck and Bus Violations

The provisions cited above do prohibit emissions above a specified level of g/hp-hr. However, since the hours of operation of the non-compliant trucks involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

### TRU Violations

The provisions cited above do prohibit emissions above a specified level of g/hp-hr. However, since the hours of operation of the non-compliant trucks involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

- (23) RN acknowledges that ARB has complied with Senate Bill 1402 in prosecuting or settling this case. Specifically, ARB has considered all relevant facts, including those listed at HSC section 43024, has explained

the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty is being assessed and has considered and determined that this penalty is being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

- (24) Penalties were determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar cases, and the potential costs and risk associated with litigating these particular violations. The penalty was discounted based on the fact that it was a first time violation and the violator made unusually diligent efforts to comply and to cooperate with the investigation. Penalties in future cases might be smaller or larger on a per unit basis.
- (25) The penalty was based on confidential settlement communications between ARB and RN that ARB does not retain in the ordinary course of business. The penalty is the product of an arms length negotiation between ARB and RN and reflects ARB's assessment of the relative strength of its case against RN, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that RN may have secured from its actions.
- (26) Now therefore, in consideration of the payment on behalf of RN to the California Air Pollution Control Fund and the Peralta Community College District, the ARB hereby releases RN and their principals, officers, agents, predecessors and successors from any and all claims, the ARB may have or have in the future based on the circumstances described in paragraph (1) through (18) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement

**California Air Resources Board**

By:   
Name: Ellen M. Peter  
Title: Chief Counsel  
Date: 7/5/2013

**Rodolfo Nunez DBA Nunez  
Transport**

By:   
Name: RODOLFO NUNEZ VALDEZ  
Title: OWNER  
Date: 21 May 2013