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Ecology Division

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MEMORANDUM

June 27, 2002

TO: Brian Sato
Department of Ecology, NWRO

FROM: Andy Fitz, Assistant Attorney General

SUBJECT: **Memorandum of Agreement – ChevronTexaco**

Please find enclosed the original Memorandum of Agreement between the Department of Ecology and ChevronTexaco. Once it has been signed, please provide me with a copy. If you have any questions, please feel free to contact me.

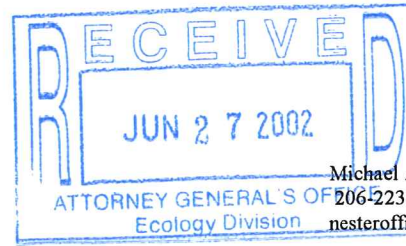
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RECEIVED
JUN 28 2002
DEPT OF ECOLOGY



LANE
POWELL
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LUBERSKY

LLP
—♦—



Michael A. Nesteroff
206-223-6242
nesteroffm@lanepowell.com

June 24, 2002

Andrew A. Fitz, Esq.
Assistant Attorney General
Ecology Division
P.O. Box 40117
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Re: **631 Queen Anne Ave. N., Seattle, WA**
LPSL File No. 13000.540

Dear Andy:

Enclosed is the Memorandum of Agreement signed by ChevronTexaco. After the appropriate individuals have signed on behalf of Ecology, please provide us with a copy for our files.

Thank you for your cooperation in this matter. If you have any questions, please feel free to call me.

Very truly yours,

LANE POWELL SPEARS LUBERSKY LLP

Michael A. Nesteroff

MAN:man
Enclosure
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*Anchorage, AK
Olympia, WA
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JUN 28 2002
DEPT OF ECOLOGY

MEMORANDUM OF AGREEMENT

BETWEEN
THE STATE OF WASHINGTON DEPARTMENT OF ECOLOGY
AND
CHEVRONTEXACO

I. Recitals

1. On September 28, 1999, the State of Washington Department of Ecology (Ecology) informed Texaco Inc. of its status as a potentially liable person under the Model Toxics Control Act, chapter 70.105D RCW, for a release or threatened release of hazardous substances at or near the Manhattan Express Deli (formerly Arnold's Mini-Mart) located at 631 Queen Anne Avenue North, Seattle, Washington (the Site).

2. Texaco Downstream Inc. (formerly Texaco Inc.) and the State of Washington Department of Ecology (Ecology) have entered into Consent Decree No. 01-2-35862-6SEA, entered with the King County Superior Court on December 24, 2001, to resolve Ecology's claim against Texaco for remedial action costs incurred by Ecology through September 28, 1999, related to the Site.

3. Site management responsibilities have recently been transferred from Texaco to Chevron Products Company, a division of Chevron U.S.A., Inc., an affiliate of ChevronTexaco, Inc. (ChevronTexaco). ChevronTexaco, as successor to Texaco, intends to enter into Ecology's Voluntary Cleanup Program (VCP) and pursue cleanup of this site voluntarily, with technical assistance from Ecology pursuant to WAC 173-340-515(2). This approach has been approved by Ecology under WAC 173-340-515(2)(b). See letter dated June 3, 2002, from Brian Sato, Ecology Site Manager to Brett Hunter, Chevron

Products Co. Ecology's future technical assistance costs will be collected pursuant to WAC 173-340-550(6).

4. WAC 173-340-550(2) provides that each person who is liable under chapter 70.105D.RCW is liable for remedial action costs incurred by Ecology. The regulation further provides that "[Ecology] may send its request for payment to all potentially liable persons who are under an order or decree for the remedial action costs at the site." ChevronTexaco's predecessor Texaco has been named by Ecology as a potentially liable person with respect to this Site. ChevronTexaco is not currently under an order or decree with respect to remedial action costs at the site, except for the fixed-period past cost consent decree referenced above. Nevertheless, it is the mutual objective of Ecology and ChevronTexaco to resolve Ecology's remedial action cost claims from September 29, 1999 to the date of this agreement concurrent with transferring the Site to the VCP. Since an order or decree for the Site is not expected to be forthcoming unless the Site leaves the VCP, this Memorandum of Agreement will serve to memorialize ChevronTexaco's obligation and agreement to reimburse such costs. As of March 31, 2002 these costs total \$31,376.80.

II. Agreement

1. Within thirty (30) days of receiving a cost invoice from Ecology, ChevronTexaco shall pay to Ecology the invoiced amount in satisfaction of Ecology's remedial action costs incurred from September 29, 1999 to the date of this Agreement.

2. ChevronTexaco agrees to pay the above costs without the obligation to pay such costs imposed through an order. By doing so, ChevronTexaco waives any right to petition for reimbursement of such costs under RCW 70.105D.050(2).

3. Because ChevronTexaco's payment will reimburse Ecology's remedial action cost claims for the relevant period in full, ChevronTexaco's payment of such costs, and Ecology's acceptance of such payment, constitutes accord and satisfaction for such remedial action cost liability.

4. Nothing in this Agreement shall be construed to limit ChevronTexaco's right under RCW 70.105D.080 to seek recovery of the remedial action costs paid under this Agreement from any other person liable under RCW 70.105D.040.

For STATE OF WASHINGTON, DEPARTMENT OF ECOLOGY:

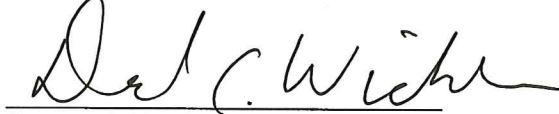

STEVE ALEXANDER
Section Head
Toxics Cleanup Program

Date: 6/27/02


ANDREW A. FITZ
Assistant Attorney General
WSBA #22169

Date: 6/27/02

For CHEVRON PRODUCTS CO.:


Dave Wickland

Date: 6/18/02

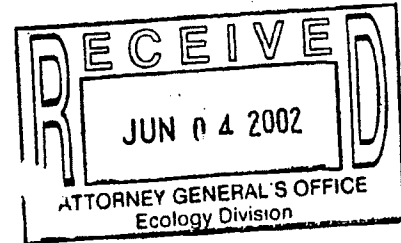


STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

Northwest Regional Office, 3190 - 160th Ave S.E. • Bellevue, Washington 98008-5452 • (425) 649-7000

June 3, 2002

Brett Hunter
Chevron Products Co.
6001 Bollinger Canyon Road
San Ramon, CA 94583



Dear Mr. Hunter:

This letter is to confirm discussions between the Department of Ecology (Ecology) and Chevron Products Co., a division of Chevron U.S.A., Inc., an affiliate of ChevronTexaco Inc.; successor to Texaco Downstream Inc. (ChevronTexaco) with respect to the manner in which ongoing and future site investigation and remedial alternative study at the Monterey Apartments/Arnold's Mini-Mart site will proceed. Although ChevronTexaco's predecessor Texaco was named as a potentially liable person under the Model Toxics Control Act, chapter 70.105D RCW, Ecology has agreed, pursuant to WAC 173-340-515(2), to allow ChevronTexaco to work through the voluntary cleanup program (VCP) rather than under the formal enforcement process. The following conditions attach to this decision:

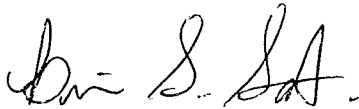
- 1) ChevronTexaco agrees to participate in the VCP with ongoing technical assistance requested under WAC 173-340-515(5). I will continue to monitor the site for Ecology under this provision.
- 2) ChevronTexaco reimburses Ecology's "current oversight" costs (i.e., costs incurred since September 28, 1999) and future technical assistance costs associated with Ecology's review under the VCP. Ecology understands that Texaco and the other named PLP for this site (the Arnolds) have reached a private agreement to share in both the "current oversight" costs and future technical assistance costs.
- 3) To ensure that the condition of WAC 173-340-515(2)(a) remains satisfied, Chevron and/or its consultants agree to establish a schedule of deliverables for the next phase of investigation (and any phases to follow) that is agreeable to me. This schedule will include submission of VCP reports and/or proposals to Ecology. Implicit in this schedule is Ecology's reserved right to exercise its enforcement authority and discretion if ChevronTexaco fails to follow this timeline. In addition, ChevronTexaco agrees to consider my input, as provided under WAC 173-340-515(5), with respect to the work being performed.



- 4) ChevronTexaco understands that Ecology reserves its full enforcement authorities and discretion with respect to this site and ChevronTexaco. ChevronTexaco understands that Ecology may exercise these authorities at any time.

Because the nature and scope of potential remedial activity at the site is unknown, the agreement confirmed in this letter does not extend to such activity. Ecology and ChevronTexaco will discuss regulatory approaches to remediation upon the conclusion of ChevronTexaco's investigative work. ChevronTexaco, of course, reserves its opportunities under law to pursue contribution from third parties for costs related to this site.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian S. Sato". The signature is fluid and cursive, with the first name "Brian" and last name "Sato" clearly distinguishable.

Brian S. Sato, P.E.
Project Manager
Toxics Cleanup Program
(425) 649-7265

cc: Andy Fitz, Attorney General's Office