

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.**

In the Matter of:

Flint Hills Resources LP,
Respondent.

Administrative Settlement
Agreement
AED/MSEB # 8152

This Administrative Settlement Agreement (ASA) is made and entered into by and between the United States Environmental Protection Agency (EPA) and Flint Hills Resources LP (Respondent) having an office at 4111 E. 37th Street N., Wichita, KS 67220.

Purpose:

1. The purpose of this ASA is to resolve Respondent's alleged violations of the Clean Air Act (CAA) and the Renewable Fuel Standards regulations promulgated thereunder at 40 C.F.R. Part 80, Subpart M (RFS2 Regulations).

Statutory and Regulatory Authority:

2. Section 211(o) of the CAA, 42 U.S.C. § 7545(o), originally enacted as part of the Energy Policy Act of 2005 (EPAct) and as amended by the Energy Independence and Security Act of 2007, Pub. L. No. 110-140, 121 Stat. 1492, required EPA to promulgate regulations designed to increase the amount of renewable fuels used in transportation fuel in the United States, lower greenhouse gas emissions, and reduce the nation's reliance on foreign-sourced petroleum.
3. The RFS1 and RFS2 Regulations require renewable fuel producers and importers to generate and assign Renewable Identification Numbers (RINs) in proportion to

the amount and type of renewable fuel that they produce or import. 40 C.F.R. §§ 80.1125, 80.1126, 80.1425, 80.1426.

4. 40 C.F.R. § 80.1406 defines an obligated party as “any refiner that produces gasoline or diesel fuel within the 48 contiguous states or Hawaii, or any importer that imports gasoline or diesel fuel into the 48 contiguous states or Hawaii during a compliance period.”
5. 40 C.F.R. §§ 80.1427(a) and 80.1430 require each obligated party and each exporter of renewable fuel to demonstrate compliance with its Renewable Volume Obligation (RVO) by obtaining and retiring the number of RINs required by the calculation set forth at 40 C.F.R. §§ 80.1407 or 80.1430.
6. 40 C.F.R. § 80.1131(a)(7) provides that a RFS1 RIN that was improperly generated is invalid, and 40 C.F.R. § 80.1431(a)(1)(ix) provides that a RFS2 RIN that was improperly generated is invalid.
7. 40 C.F.R. § 80.1460(c)(1) states that no person shall fail to acquire sufficient RINs, or use invalid RINs, to meet the person’s RVO under 40 C.F.R § 80.1427.
8. 40 C.F.R. § 80.1461(a)(1) states that any person who violates a prohibition under 40 C.F.R. § 80.1460(a)–(d) is liable for the violation of that prohibition.
9. 40 C.F.R. §§ 80.1463(a) provides that any person who is liable for a violation under 40 C.F.R. §§ 80.1461 is subject to a civil penalty as specified in Sections 205 and 211(d) of the CAA, 42 U.S.C. §§ 7524 and 7545(d), for every day of each such violation.

10. 40 C.F.R. § 80.1463(b) provides that any person who is liable under 40 C.F.R. § 80.1461(a) for a violation of 40 C.F.R. § 80.1460(c) for failure to meet its RVO is subject to a separate violation for each day in the compliance period.
11. Sections 205 and 211(d) of the CAA authorize EPA to assess a civil penalty of up to \$37,500 per day for each violation, plus the economic benefit or savings resulting from each violation. 42 U.S.C. §§ 7524, 7545(d).

Background:

12. Respondent used the 66,657 RINs identified in Attachment A (the Subject RINs), which were generated by Washakie Renewable Energy, LLC (Washakie), to meet its RVO.
13. EPA alleges that the Subject RINs are invalid. Washakie claimed that the Subject RINs were generated for biodiesel produced at Washakie's Plymouth, Utah facility. However, from January 29, 2010, to October 15, 2010, when the Subject RINs were generated, Washakie failed to produce any biodiesel at this facility.
14. Respondent represents that it believed that the Subject RINs were valid at the time it acquired the Subject RINs and at the time it used the Subject RINs to meet its RVO.
15. EPA and Respondent (the Parties), desiring to settle and resolve this matter, in consideration of the mutual covenants and agreements contained herein, which consideration is acknowledged by the Parties to be adequate, agree as set forth herein. By agreeing to the terms of this ASA, Respondent makes no admission of law or fact with respect to any of the allegations set forth in this ASA.

Violations:

16. EPA alleges that Respondent violated Section 211(o) of the CAA, 42 U.S.C. § 7545(o), and 40 C.F.R. §§ 80.1460(c)(1) by using the Subject RINs to meet its RVO.

Terms of the Agreement and Civil Penalty:

17. In any enforcement or penalty action arising out of this ASA or the subject matter of this ASA:
- a. The Parties agree that the settlement of this matter is in the public interest and that this ASA is the most appropriate means of resolving the matter; and
 - b. The Parties further agree that jurisdiction to settle this matter exists pursuant to Sections 205 and 211 of the CAA, 42 U.S.C. §§ 7524 and 7545, 40 C.F.R. Part 80, and other provisions of law.
18. Respondent agrees to pay a civil penalty of \$6,666 associated with the invalid RIN “use” violations to the United States of America within thirty (30) calendar days of the effective date of this ASA (penalty due date), but not before the effective date. Late payment of the penalty is subject to interest and fees as specified in 31 U.S.C. § 3717. Respondent agrees to pay the amount in the manner specified below:
- a. Pay the EPA Penalty using any method, or combination of methods, provided on the following website:
http://www.epa.gov/cfo/finservices/payment_instructions.htm. If paying by check, please use Lockbox 979077.

- b. Respondent may make an online payment through the Department of the Treasury by visiting WWW.PAY.GOV. In the “Search Public Forms” field, enter “SFO 1.1”, click “EPA Miscellaneous Payments – Cincinnati Finance Center” and complete the “SFO Form Number 1.1.”
- c. Identify each and every payment with “AED/MSEB # 8152”; and
- d. Within 24 hours of payment, email proof of payment to Tahani Rivers at rivers.tahani@epa.gov (“proof of payment” means, as applicable, a copy of the check, confirmation of credit card or debit card payment, confirmation of wire or automated clearinghouse transfer, and any other information required to demonstrate that payment has been made according to EPA requirements, in the amount due, and identified with “AED/MSEB # 8152”).

Stipulated Penalties:

- 19. Respondent shall pay stipulated penalties of \$1,000 per day for failure to timely pay the penalty, or provide proof thereof, pursuant to Paragraph 18.
- 20. Stipulated penalties under Paragraph 19 of this ASA shall begin to accrue on the day after performance is due and shall continue to accrue until the day compliance is achieved. Stipulated penalties shall be paid in accordance with Paragraph 18 of this ASA.

General Provisions:

- 21. This ASA becomes effective upon the date executed by EPA (effective date of the ASA), at which time a copy will be returned to Respondent.

22. Notwithstanding any other provision of this ASA, upon Respondent's failure to perform, or default, or failure to comply with any term of this ASA, EPA may refer this matter to the United States Department of Justice to recover civil penalties pursuant to Section 205 of the CAA, 42 U.S.C. § 7524, commence an action to enforce this ASA, recover the civil penalty pursuant to Section 205 of the CAA, or pursue any other remedies available to it. Respondent specifically agrees that in the event of such default or failure to comply, EPA may proceed in an action based on the original claim of violations of the CAA and the regulations promulgated thereunder at 40 C.F.R. Part 80. Respondent expressly waives its right to assert that such action is barred by 28 U.S.C. § 2462, any applicable statute of limitation, or other provisions limiting actions as a result of passage of time. Respondent acknowledges that its tax identification number may be used for collecting or reporting any delinquent monetary obligation arising from this Agreement. *See* 31 U.S.C. § 7701.
23. The Parties represent that the individual or individuals executing this ASA on behalf of Respondent are authorized to do so and that such execution is intended and is sufficient to bind Respondent, its agents, assigns, or successors.
24. Respondent waives its rights, if any, to a hearing, trial or any other proceeding on any issue of fact or law relating to the matters consented to herein.
25. The validity, enforceability, and construction of all matters pertaining to this ASA shall be determined in accordance with applicable federal law.
26. This ASA is contingent upon the truthfulness, accuracy and completeness of Respondent's disclosures and representations to EPA in this ASA.

27. This ASA is effective upon execution by the Parties, and may be signed in counterparts, electronically transmitted or otherwise delivered, each of which will be deemed an original.

Effect of ASA:

28. This ASA is deemed to resolve the EPA's civil claims for the violations alleged in Paragraph 16 and all other violations of 40 C.F.R. Part 80, Subpart M, arising from Respondent's use of the Subject RINS to meet its RVO.
29. The resolution of claims set forth in Paragraph 28 shall take effect upon the receipt by the United States of the civil penalty payment required by Paragraph 18. Nothing herein shall limit the right of EPA to proceed against Respondent in the event of default or noncompliance with this ASA, for violations of Section 211 of the CAA, 42 U.S.C. § 7545, which are not the subject matter of this ASA, for other violations of law, or with respect to other matters not within the scope of this ASA. This ASA in no way affects or relieves Respondent of responsibility to comply with other state, federal, or local laws or regulations.

SIGNATURES ON FOLLOWING PAGES

*Administrative Settlement Agreement – In the Matter of:
Flint Hills Resources LP
AED/MSEB # 8152*

The following agree to the terms of this ASA:

Flint Hills Resources LP

Q&S

By: [Redacted] Date: 6/1/15

Typed or Printed Name: [Redacted]

Typed or Printed Title: Vice President

Federal Tax Identification Number: 41-0743457

CD

*Administrative Settlement Agreement – In the Matter of:
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United States Environmental Protection Agency

By: 

Phillip A. Brooks, Director
Air Enforcement Division
Office of Civil Enforcement

Date: 7/21/2015