

**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
LAHONTAN REGION**

ADMINISTRATIVE CIVIL LIABILITY ORDER NO. R6T-2014-0010

**IN THE MATTER OF
ORMACHEA, GARY L. AND JEAN Y.
FOR VIOLATION OF CEASE AND DESIST ORDER
NO. R6T-2011-0072, SPALDING TRACT SUBDIVISION,
LASSEN COUNTY APN NO. 077-254-20-11**

Lassen County_____

The California Regional Water Quality Control Board, Lahontan Region (Water Board) hereby finds that Ormachea, Gary L. and Jean Y. have violated Water Board Cease and Desist Order (CDO) No. R6T-2011-0072. The Water Board specifically finds:

BACKGROUND

1. Ormachea, Gary L. and Jean Y. (Dischargers) owned Lassen County Assessor Parcel No. (APN) 077-254-20-11 in the Spalding Tract subdivision located on the west shore of Eagle Lake, approximately 20 miles northwest of Susanville, California.
2. Based upon Lassen County records and/or Spalding Community Services District (District) records, the Dischargers owned and/or operated an onsite wastewater disposal system located at the above-referenced parcel prior to November 27, 2013. The onsite wastewater disposal system permitted waste containing nutrients to be discharged, and/or threatened a discharge of waste containing nutrients, to waters within the Eagle Lake basin.

CHRONOLOGY OF EVENTS

3. In September 1984, pursuant to Water Code section 13243, the Water Board amended the *Water Quality Control Plan for the Lahontan Region* (Basin Plan) to prohibit the discharge of waste containing nutrients from the Spalding Tract subdivision to surface waters and groundwater of the Eagle Lake basin after September 14, 1989.
4. On October 22, 2007, the District's community sewer system (system) became operational. As a result, there is now an available method for the Spalding Tract subdivision property owners to comply with the above-referenced Basin Plan prohibition.

5. On September 14, 2011, the Water Board adopted CDO No. R6T-2011-0072 against the Dischargers for their onsite wastewater disposal system located at Lassen County APN No. 077-254-20-11.
6. CDO No. R6T-2011-0072 required the Dischargers, by November 10, 2011, to either (1) connect their onsite wastewater disposal system to the District's community sewer system, or (2) properly abandon the onsite wastewater disposal system in accordance with Lassen County regulations. Upon completing one of the two activities, the Dischargers are required to submit to the Water Board documentation of compliance with the above-referenced Basin Plan prohibition.
7. The Dischargers failed to comply with CDO No. R6T-2011-0072, and on July 3, 2013 the Water Board's Prosecution Team issued the Dischargers a Notice of Violation citing the ongoing violation.
8. On November 19, 2013, the Assistant Executive Officer issued Complaint No. R6T-2013-0092. The Complaint alleged that the Dischargers violated the requirements of CDO No. R6T-2011-0072 and recommended that the Water Board assess the Discharger an administrative civil liability (ACL) of \$3,050.
9. On November 27, 2013, the Dischargers sold their above-referenced parcel in Spalding Tract.
10. On February 13, 2014, in South Lake Tahoe, California, after notice to the Dischargers and all other affected persons and the public, the Water Board conducted a public hearing at which evidence was received to consider this Order, and the Dischargers and/or their representative(s) had the opportunity to be heard and to contest the allegations in the Complaint.

REGULATORY CONSIDERATIONS

11. The Water Board adopted the *Water Quality Control Plan for the Lahontan Region* (Basin Plan) pursuant to Water Code section 13243. The Basin Plan contains the following prohibition:

“The discharge of waste from the Spaulding [sic] Tract or Stones-Bengard subdivisions with other than a zero discharge of nutrients to any surface waters or ground waters in the Eagle Lake basin is prohibited after September 14, 1989. (Basin Plan, Chapter 4, *Implementation*, Unit/Area-Specific prohibitions for the Eagle Drainage Hydrologic Area at p. 4.1-4.)
12. On September 14, 2011, the Water Board adopted CDO No. R6T-2011-0072, enforcing the above-referenced Basin Plan prohibition.

VIOLATIONS

13. The Dischargers violated CDO No. R6T-2011-0072 by failing to satisfy the requirement to comply with the above-referenced Basin Plan prohibition by November 10, 2011. A review of District records and Water Board records shows the Dischargers did not (1) connect their onsite wastewater disposal system to the District's system, or (2) properly abandon the onsite wastewater disposal system in accordance with Lassen County regulations. This violation subjects the Dischargers to liability pursuant to Water Code section 13350, subdivision (a).

CALCULATION OF ADMINISTRATIVE CIVIL LIABILITY

14. Pursuant to Water Code section 13350, subdivision (e), civil liability may be imposed administratively on a daily basis in an amount not to exceed five thousand dollars (\$5,000) for each day in which the violation occurs.

15. Pursuant to Water Code section 13327, in determining the amount of civil liability, the Water Board is required to consider the nature, circumstance, extent, and gravity of the violation or violations, whether the discharge is susceptible to cleanup or abatement, the degree of toxicity of the discharge, and, with respect to the violator, the ability to pay, the effect on ability to continue business, any voluntary cleanup efforts undertaken, any prior history of violations, the degree of culpability, economic benefit or savings, if any, resulting from the violation, and other matters as justice may require.

16. On November 17, 2009, the State Water Resources Control Board (State Water Board) adopted Resolution No. 2009-0083 amending the Water Quality Enforcement Policy (Enforcement Policy). The Enforcement Policy was approved by the Office of Administrative Law and became effective on May 20, 2010. The Enforcement Policy establishes a methodology for assessing an ACL. The use of this methodology addresses the factors that are required to be considered when imposing a civil liability as outlined in Water Code section 13327. The entire Enforcement Policy can be found at:
http://www.waterboards.ca.gov/water_issues/programs/enforcement/docs/enf_policy_final111709.pdf

17. **Maximum Administrative Civil Liability:** Pursuant to Water Code section 13350, subdivision (e)(1), the total maximum administrative civil liability that may be imposed for the violation in this Order is **\$3,610,000**.

18. **Minimum Administrative Civil Liability:** Pursuant to Water Code section 13350, subdivision (e)(1)(B), the minimum administrative civil liability that must be imposed for the violation in this Order is **\$72,200**, unless the Water Board makes express findings pursuant to Water Code section 13350, subdivision (f).

19. Water Code section 13350, subdivision (f) states that:

“A regional board shall not administratively impose civil liability in accordance with paragraph (1) of subdivision (e) in an amount less than the minimum amount specified, unless the regional board makes express findings setting forth the reasons for its action based upon the specific factors required to be considered pursuant to Section 13327.”

Water Code section 13327 allows for “other factors as justice may require.” The Water Board finds that the minimum statutory liability of \$72,200 is an amount excessive in light of the violations alleged herein and in relation to the cost savings associated with the non-compliance from those violations. Step 7 of Attachment A of the penalty methodology identifies specific factors under Water Code section 13327 that the Water Board considered in determining the liability amount.

On balance, in light of the considerations outlined in Step 7 of Attachment A, the Water Board finds that a lower penalty, less than the minimum amount cited in Finding No. 18, in the amount of \$559 is appropriate to achieve compliance while providing a sufficient level of deterrence.

20. The Enforcement Policy requires that:

“The adjusted Total Base Liability shall be at least 10 percent higher than the Economic Benefit Amount so that liabilities are not construed as the cost of doing business and that the assessed liability provides a meaningful deterrent to future violations.”

The Complaint cites the economic benefit of violating CDO No. R6T-2011-0072 as \$533 (economic benefit derived from the delayed cost of connecting to the District’s system). However, the State Water Board recalculated the economic benefit using the date the sale went through, and found the economic benefit to be \$508. The economic benefit plus ten percent is \$559. The alternative minimum administrative civil liability of \$559 satisfies the Enforcement Policy’s economic benefit requirement.

21. Administrative Civil Liability Determination: The Water Board has applied the Enforcement Policy’s ACL methodology and considered each of the Water Code section 13327 factors as shown in Attachment A of this Order. The Water Board hereby finds that civil liability should be imposed administratively on the Dischargers in the amount of **\$559**.

GENERAL

22. This Order only resolves liability that the Dischargers incurred for violations specifically alleged in the Complaint. This Order does not relieve the Discharger of liability for any violations not alleged in the Complaint. The Water Board retains the authority to assess

additional civil liabilities for violations of applicable laws or orders for which civil liabilities have not yet been assessed, or for violations that may subsequently occur.

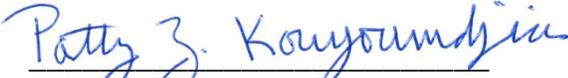
23. Issuance of this Order is an enforcement action and is, therefore, exempt from the California Environmental Quality Act (Pub. Resources Code § 21000 et seq.), pursuant to California Code of Regulations (CCR), title 14, section 15321, subdivision (a)(2).
24. Any person aggrieved by this action of the Water Board may petition the State Water Board to review the action in accordance with Water Code section 13320 and CCR, title 23, section 2050 and following. The State Water Board must receive the petition by 5:00 p.m., 30 days after the date of this Order, except that if the thirtieth day following the date of this Order falls on a Saturday, Sunday or state holiday, the petition must be received by the State Water Board by 5:00 p.m. on the next business day. Copies of the law and regulations applicable to filing will be provided upon request, and may be found on the Internet at:

http://www.waterboards.ca.gov/public_notices/petitions/water_quality.

IT IS HEREBY ORDERED THAT:

1. An ACL is imposed upon the Dischargers in the amount of **\$559**.
2. The Dischargers shall submit payment with a cashier's check or money order in the full amount of **\$559** payable to the State Water Resources Control Board's Waste Discharge Permit Fund within 30 days of the date this Order is adopted.
3. Should the Dischargers fail to make the specified payment to the State Water Resources Control Board's Waste Discharge Permit Fund within the time limit specified in this Order, the Water Board may enforce this Order by applying for a judgment pursuant to Water Code section 13328. The Water Board's Executive Officer is hereby authorized to pursue a judgment pursuant to Water Code section 13328 if the criterion specified in this paragraph is satisfied.

I, Patty Z. Kouyoumdjian, Executive Officer, do hereby certify that the foregoing is a full, true, and correct copy of an Order adopted by the California Regional Water Quality Control Board, Lahontan Region on February 13, 2014.



Patty Z. Kouyoumdjian
Executive Officer

Attachment A: Administrative Civil Liability Methodology, Ormachea

ATTACHMENT A

ADMINISTRATIVE CIVIL LIABILITY METHODOLOGY

The Complaint alleges that the Dischargers failed to comply with a cease and desist order (CDO) issued by the Lahontan Regional Water Quality Control Board (Water Board), which required the Dischargers by November 10, 2011, to either connect the Dischargers' onsite wastewater disposal system to the Spalding Community Services District's (District) community sewer system or to properly abandon the Dischargers' onsite wastewater disposal system, in accordance with Lassen County regulations. For the purpose of applying the Enforcement Policy's administrative civil liability (ACL) methodology, the alleged violation is a non-discharge violation. Because the Complaint only alleges a non-discharge violation, Step Nos. 1 and 2 of the Enforcement Policy's ACL methodology are not addressed.

Step 3: Initial Liability Determination

The per-day factor for the violation is **0.55**. This factor is determined by a matrix analysis based upon the Potential for Harm and the Deviation from Applicable Requirements.

- a. The Potential for Harm for the violation is determined to be **moderate**. The Dischargers' failure to connect their onsite wastewater disposal system to the District's sewer system or to properly abandon it allows waste containing nutrients to be discharged to the groundwater of the Eagle Lake basin. Such discharges, should they occur, can introduce nutrients, such as nitrogen and phosphorus, to the groundwater, which flows into Eagle Lake. Nitrogen and phosphorus can increase algal growth and the rate of eutrophication in Eagle Lake, a closed-basin lake. Increased eutrophication can adversely affect the habitat for the Eagle Lake trout, and other aquatic and terrestrial organisms supported by Eagle Lake. Increased algal growth also has the potential to adversely affect the public's water contact recreation (e.g., wading, swimming, water skiing) and non-contact water recreation (e.g., aesthetic enjoyment) of Eagle Lake.

To prevent these types of adverse impacts to Eagle Lake's beneficial uses, the Water Board amended its *Water Quality Control Plan for the Lahontan Region* (Basin Plan) in September 1984, to prohibit the discharge of waste containing nutrients to the surface waters and groundwater of the Eagle Lake basin beginning September 14, 1989. The Water Board's CDO issued to the Dischargers enforces that Basin Plan prohibition. At a minimum, the Dischargers' onsite wastewater disposal system presents a threatened discharge of waste containing nutrients that can reasonably be expected to adversely affect Eagle Lake's cold freshwater habitat (COLD), water contact recreation (REC-1), non-contact water recreation (REC-2), and sport fishing (COMM) beneficial uses. It is also reasonable to expect that such impacts are reversible upon ceasing such waste discharges.

Waste discharges from onsite wastewater disposal systems in the Spalding Tract subdivision can also introduce bacteria into the groundwater, which is the local water supply. Many Spalding Tract subdivision property owners have private wells, and past studies have shown that bacteria levels increase in those private wells when nearby onsite wastewater disposal systems are being used. Bacteria contained in domestic wastewater can adversely affect human health when consumed. Such conditions represent an adverse impact to the Eagle Lake groundwater basin's municipal and domestic supply (MUN) beneficial use. This impact can reasonably be expected to occur when waste discharges from onsite wastewater disposal systems occur. Fortunately, past studies have also shown that this impact is relatively short term in nature when the waste discharge ceases. Therefore, violating the CDO presents a **moderate** threat to beneficial uses that will likely attenuate without acute or chronic effects, once the Dischargers have complied with the CDO.

- b. The Deviation from Applicable Requirements to abandon or connect the septic system is **major**. The reason for the **major** designation is that Water Board staff notified the Dischargers of their failure to comply with the CDO's November 10, 2011 compliance date in a July 3, 2013 Notice of Violation (NOV). The NOV was issued after the Dischargers had approximately 1.5 construction seasons to comply with the CDO's requirement to either connect the Dischargers' onsite wastewater disposal system to the District's community sewer system or to properly abandon the Dischargers' onsite wastewater disposal system, if appropriate. The remainder of the 2013 construction season has past, and to date, the Dischargers have still failed to comply.

There was ample time to satisfy the requirements of the CDO since its adoption. The District's community sewer system has been available to connect to since October 2007; however, the Dischargers failed to connect or properly abandon their onsite wastewater disposal system and subsequently were issued a CDO in September 2011. The Dischargers have now had an additional two full construction seasons since the CDO was issued to comply with its requirements, but have not.

- c. There are 722 days of violation for the period beginning November 11, 2011 and ending November 1, 2013, the date of drafting ACL Complaint No. R6T-2013-0092. The statutory maximum amount per day per violation is \$5,000. Therefore, 722 days of violation at the statutory maximum per day of \$5,000, yields a maximum initial liability of **\$3,610,000** (722 days x \$5,000/day). Applying the Potential for Harm per-day factor of 0.55 from Table 3, and the statutory maximum liability amount for each day of violation, yields an initial liability of **\$1,985,500** (0.55 x 722 days of violation x \$5,000 per day).

Step 4: Adjustment Factors

The Enforcement Policy allows for multi-day violations to be consolidated provided specific criteria are satisfied. The Enforcement Policy also describes three factors related to the violator's conduct that should be considered for modification of the initial liability amount: the violator's culpability; the violator's efforts to clean up or cooperate with regulatory authorities after the violation; and the violator's compliance history. After each of these factors is considered for the violations alleged, the applicable factor should be multiplied by the proposed amount for each violation to determine the revised amount for that violation.

a. Multiple Day Violations

The Enforcement Policy provides that, for violations lasting more than 30 days, the Water Board may adjust the per-day basis for civil liability if certain findings are made and provided that the adjusted per-day basis is no less than the per-day economic benefit, if any, resulting from the violation.

The Dischargers have failed to comply with their CDO for at least 722 days. The continuance of these violations does not result in an economic benefit that can be measured on a daily basis. The economic benefit is the delayed cost of having the onsite wastewater disposal system either connected to the District's community sewer system or properly abandoned, if appropriate. Therefore, an adjustment can be made.

The Water Board Prosecution Team (Prosecution Team) recommends applying the alternative approach to civil liability calculation provided by the Enforcement Policy. Using this approach, the calculation of days of violation will include the first day of violation, plus one additional day of violation for each five-day period up to the 30th day of violation, and thereafter, plus one additional day of violation for each 30-day period. Using this approach, the total number of days is revised to 30 days of violation.

This results in a Revised Initial Liability Amount as follows:

$$\text{Revised Initial Liability} = (0.55) \times (30 \text{ days of violation}) \times (\$5,000) = \mathbf{\$82,500}$$

b. Adjustment for Culpability

For culpability, the Enforcement Policy suggests an adjustment resulting in a multiplier between 0.5 to 1.5, with the lower multiplier for accidental incidents, and the higher multiplier for intentional or negligent behavior. In this case, a Culpability multiplier of **1.3** has been selected for the reasons described below:

The Prosecution Team has exercised its discretion in deciding whether to pursue administrative civil liability for violating the CDO. Doing so is consistent with the Water Board's primary interest to achieve compliance. The Prosecution Team diligently worked with property owners towards meeting the compliance objective. After providing approximately 1.5 construction seasons to comply, the Prosecution Team issued a July 3, 2013 NOV, notifying the Dischargers that the time to comply with their CDO requirements without additional enforcement action was running out. In spite of the Prosecution Team's efforts to allow ample time to comply before issuing an ACL complaint, the Dischargers have not provided the Prosecution Team with any information indicating any hardship related to the failure to comply or shown any intent to comply.

The Prosecution Team does not have any evidence of willful or intentional negligence in this matter. Therefore, the Prosecution Team does not recommend assigning a value of 1.4 or greater for Culpability, as these values have been reserved for situations where there is evidence of willful or intentional negligence. However, given the lack of response by the Dischargers in spite of the amount of

time given to comply and notification of the Prosecution Team's intent to pursue administrative civil liability, a value of 1.3 for Culpability is appropriate.

c. Adjustment for Cleanup and Cooperation

For cleanup and cooperation, the Enforcement Policy suggests an adjustment resulting in a multiplier between 0.75 and 1.5. A lower multiplier is appropriate for situations where there is a high degree of cleanup and/or cooperation and a higher multiplier is appropriate for situations where cleanup and/or cooperation is minimal or absent. In this case, a Cleanup and Cooperation multiplier of **1.5** has been selected for the reasons described below:

The Dischargers have not cooperated with the Water Board on this issue. Even after the Prosecution Team issued the July 3, 2013 NOV, the Prosecution Team did not observe any attempt by the Dischargers to comply. The lack of effort to comply with the CDO, or even to communicate with the Prosecution Team regarding the reason why compliance has not occurred, warrants a value of 1.5.

d. Adjustment for History of Violations

The Enforcement Policy suggests that where there is a history of repeat violations, a **minimum** multiplier of 1.1 should be used for this factor. In this case, a multiplier of **1.0** has been selected based upon the absence of prior violations of CDO No. R6T-2011-0072. A review of the California Integrated Water Quality System (CIWQS) and Water Board files shows that the violation represents the first violation of CDO No. R6T-2011-0072. Therefore a multiplier of 1.0 is appropriate, and no adjustment to the above liability amount should be made in response to this factor.

Step 5: Determination of Total Base Liability Amount

The Total Base Liability for the violation is **\$160,875.00**. The Total Base Liability for the violation is determined by multiplying the Revised Initial Liability by the multipliers associated with each of the Adjustment Factors discussed above.

Total Base Liability = (Revised Initial Liability) X (Culpability) X (Cleanup/Cooperation) X (History of Violations) = (\$82,500) X (1.3) X (1.5) X (1.0) = **\$160,875.00**.

Step 6: Ability to Pay and Ability to Continue Business

The Enforcement Policy provides that if the Water Board has sufficient financial information to assess the violator's ability to pay the Total Base Liability, or to assess the effect of the Total Base Liability on the violator's ability to continue in business, then the Total Base Liability amount may be adjusted downward.

The Dischargers own the parcels of land, listed below.

Assessor's Parcel No.	County	Property Address	Use Type	Mailing Address	Assessed Total Value	Assessment Year
077-254-20	Lassen	687-705 Ivy Way Susanville, CA	Mobile Home Lot	3710 Camanche Pkwy N., Lone CA	\$16,808	2013
077-254-14	Lassen	Susanville, CA		3710 Camanche Pkwy N., Lone CA	\$1,505	2013
099-190-40	Lassen	691-355 Las Plumas Way Susanville, CA	Residential Single Family	3710 Camanche Pkwy N., Lone CA	\$15,075	2013
				TOTAL	\$33,388	

Without additional information provided by the Dischargers, based on this initial assessment of information available in the public record, it appears the Dischargers do not have assets to pay the Total Base Liability determined in Step 5. However, it appears the Dischargers do have assets to pay the Proposed Liability identified below.

Step 7: Other Factors as Justice May Require

The Enforcement Policy provides that if the Water Board believes the amount determined using the above factors is inappropriate, the liability amount may be adjusted under the provision for "other factors as justice may require," if express findings are made.

a. Adjustments for Other Factors as Justice May Require

As shown in Step 9, below, \$72,200 is the minimum statutory liability that shall be assessed unless express findings are made supporting a reduction. The Prosecution Team has determined that this amount is excessive in light of the violations alleged herein and in relation to the cost savings associated with the non-compliance from those violations. Below are specific factors under Water Code section 13327 that the Prosecution Team considered in determining the proposed liability amount.

- i. **Reducing the days of violation:** The Prosecution Team considered calculating the ACL based on a reduced number of days of violation. Using a start date of July 3, 2013, the date of the NOV where Water Board staff reminded the Dischargers that their property was out of compliance, would reduce the days of violations to 122 days (July 3, 2013 – November 1, 2013). Using 122 days of violation would result in a minimum liability of **\$12,200**, based upon the statutory minimum liability of \$100 per day of violation. Even considering the reduction of the minimum liability based on reducing the days of violation, the Prosecution Team believes this liability amount of \$12,200 is excessive.

- ii. **Other Considerations:** In determining the proposed liability amount, the Prosecution Team considered the following specific factors.
- a) **Economic Benefit:** As detailed in Step 8, below, the cost savings of non-compliance is \$508. While the Enforcement Policy requires the recovery of at least economic benefit plus ten percent, a penalty of \$559 is not sufficient to deter non-compliance or create a level playing field among the regulated community. On the other hand, the Prosecution Team acknowledges the minimum liability amount of \$72,200 is well in excess of the economic benefit of non-compliance and unreasonably punitive.
- b) **Property Values of Property Owned:** Water Board staff reviewed Lassen County Assessor's Office records for the properties whose owners are subject to the ACL for the failure to either connect their onsite wastewater disposal system to the District's sewer system or to properly abandon it.¹ County records for the year 2013 show that the properties range in value from \$15,277 to \$63,981. These properties have an average value of \$32,022. Relative to the value of the Dischargers' Spalding Tract property, the minimum statutory liability of \$72,200 is excessive.
- c) **Consistency with Similar ACL Orders Previously Adopted:** ACL complaints were issued to property owners of the nearby Stones-Bengard subdivision in 1997 for failing to either connect their onsite wastewater disposal systems to the Stones-Bengard community sewer system or to properly abandon them. In the Stones-Bengard cases, the Water Board issued ACL complaints proposing assessed liability be imposed in the amount of **\$6,500** per non-compliant property. This was the minimum liability that could be imposed for violating cleanup and abatement orders that had been issued 65 days prior to issuing the administrative civil liability complaints. The cleanup and abatement orders had been issued after the Stones-Bengard property owners had been violating their CDOs issued in 1991 for several years. ACL Orders were subsequently issued for this amount.

In 2012, the Water Board issued ACL Orders to eight Spalding Tract property owners in amounts ranging from \$106 up to \$1,749 per non-compliant property. The liability amounts imposed were, at least in part, related to the length of time it took the property owners to achieve compliance. These eight property owners subsequently brought their properties into compliance, in addition to paying their fines in full.

In light of these past enforcement cases (Stones-Bengard and Spalding Tract) which brought about compliance while imposing a penalty amount significantly less than the \$72,200, the Prosecution Team believes that a lower penalty, more in line with these past enforcement cases, is appropriate to achieve compliance while providing a sufficient level of deterrence.

¹ As of the date of drafting the Complaint, November 1, 2013, there were three property owners failing to comply with their Cease and Desist Orders.

- iii. **Liability Amount:** Water Code section 13350(f) provides that the Water Board may impose civil liability in an amount less than the minimum amount specified where express findings setting forth the reasons for its action based on the specific factors required in Water Code section 13327.

For the reasons specified above, which are based on the specific factors outlined in Water Code section 13327, the Water Board recommends imposing an ACL in the amount of **\$559**. While this proposed liability amount is below the statutory minimum liability of \$72,200, the Water Board believes this amount represents the economic benefit that Mr. Ormachea obtained by not connecting his property to the District's system.

b. Staff Costs

The Water Board has suspended the practice of adding staff cost into ACLs based upon the California State Auditor's findings stated in its 2012-120 Audit Report. Specifically, one of the findings in the Audit Report is that staffing costs in penalty actions for water quality certification violations are, "generally not supported and are inaccurate because of inflated cost rates." (California State Auditor Report 2012-120 State Water Resources Control Board, *It Should Ensure a More Consistent Administration of Water Quality Certification Program*, June 2013). This enforcement action does not involve violations of a 401 Water Quality Certification as was the focus in Audit Report 2012-120. However, staff believes the justification in the Audit Report still applies to this enforcement action where the staff cost rate has not yet been revised to reflect actual staff salaries and overhead cost for each program. In an abundance of caution, the Water Board, in consultation with the State Water Board, has suspended adding staff cost into ACLs until the issues identified by the State Auditor can be addressed.

Step 8: Economic Benefit

The Enforcement Policy requires that the economic benefit of noncompliance be estimated for any violation. The economic benefit of noncompliance is any savings or monetary gain derived from the act or omission that constitutes the violation.

The Dischargers have realized an economic benefit of noncompliance by failing to connect to the District's system as required by CDO No. R6T-2011-0072. In order to estimate the economic benefit of noncompliance, Water Board staff subpoenaed cost records from contractors who have connected properties to the District's system in the Spalding Tract subdivision. Based upon the subpoenaed data, the average cost to connect to the District's system is \$4,210. The economic benefit of noncompliance is realized by delaying connection to the District's system. This is estimated by calculating the time value of the delay, net of taxes and inflation using U.S. Environmental Protection Agency's BEN model². The economic benefit of noncompliance of delaying connection to the District's system up to the close of escrow on the property is \$508.

² USEPA developed the BEN model to calculate the economic benefit a violator derives from delaying and/or avoiding compliance with environmental statutes. Funds not spent on environmental compliance are available for other profit-making activities or, alternatively, a defendant avoids the costs associated with obtaining additional funds for environmental compliance. BEN calculates the economic benefits gained from delaying and avoiding

Step 9: Maximum and Minimum Liability Amounts

The maximum liability amount the Water Board may assess for the above-referenced violations pursuant to Water Code section 13350, subdivision (e)(1), is \$5,000 per day of violation. Therefore, the maximum liability the Water Board may assess for 722 days of violation (elapsed time since the date of compliance in the CDO) is **\$3,610,000**.

The minimum liability amount provided in Water Code section 13350, subdivision (e)(1)(B) is \$100 per day. Therefore, the minimum liability the Water Board must assess for 722 days of violation is **\$72,200** unless specific findings are made supporting a reduction.

The Enforcement Policy also requires that:

The adjusted Total Base Liability shall be at least 10 percent higher than the Economic Benefit Amount so that liabilities are not construed as the cost of doing business and that the assessed liability provides a meaningful deterrent to future violations.

The economic benefit amount plus ten percent is **\$559**. The Total Base Liability and the Proposed Liability amounts are both equal or greater than \$559.

Step 10: Final Liability Amount

The Total Proposed Liability Amount is **\$559** based upon the considerations discussed in detail, above.

required environmental expenditures such as capital investments, one-time non-depreciable expenditures, and annual operation and maintenance costs.

BEN uses standard financial cash flow and net present value analysis techniques based on generally accepted financial principles. First, BEN calculates the costs of complying on time and of complying late adjusted for inflation and tax deductibility. To compare the on time and delayed compliance costs in a common measure, BEN calculates the present value of both streams of costs, or “cash flows,” as of the date of initial noncompliance. BEN derives these values by discounting the annual cash flows at an average of the cost of capital throughout this time period. BEN can then subtract the delayed-case present value from the on-time-case present value to determine the initial economic benefit as of the noncompliance date. Finally, BEN compounds this initial economic benefit forward to the penalty payment date at the same cost of capital to determine the final economic benefit of noncompliance.