

California Regional Water Quality Control Board
North Coast Region

ORDER NO. R1-2008-0100

MINOR AMENDMENT TO:

Watershed-wide Waste Discharge Requirements (WDR)
Order No. R1-2006-0039 and Order No. R1-2006-0041, and accompanying
MRP Order No. R1-2006-0039, MRP Order No. R1-2006-0041, and MRP Order No.
RB1-2008-0071;
Cleanup and Abatement Order Nos: 98-100, R1-2004-0028,
R1-2006-0046 and R1-2006-0055;
Land Disposal Sites WDR Order No. 97-5 and Order No. R1-2001-0061, and
accompanying MRP Order No. 97-5 and MRP Order No. R1-2001-0061

FOR CHANGE OF OWNERSHIP TO
Humboldt Redwood Company, LLC

And

MINOR AMENDMENT TO:

NPDES permit No. CA0006017 (WDR Order No. R1-2006-0020)

FOR CHANGE OF OWNERSHIP TO
Town of Scotia Company, LLC
Scotia, California

Humboldt County

The California Regional Water Quality Control Board, North Coast Region (hereinafter Regional Water Board) finds that:

1. On January 18, 2007, the Scotia Pacific Company, Salmon Creek Corporation and Pacific Lumber Company (collectively referred to as Palco) filed for Chapter 11 bankruptcy in Corpus Christi, Texas. On July 8, 2008, the bankruptcy court issued its Judgment and Order confirming a reorganization plan proposed by Marathon Bank Structured Finance Fund L.P. (Marathon) and Mendocino Redwood Company, LLC (MRC). Among other components, this plan consolidates the Scotia sawmill and approximately 210,000 acres of commercial timberlands operations in Humboldt County to be managed by a new company, Humboldt Redwood Company (HRC), consistent with the sustainable forestry practices demonstrated by MRC in Mendocino County.
2. The MRC/Marathon Plan was endorsed by a majority of interested parties, including the Governor of the State of California, state and federal resource agencies and the Regional Water Board. The Governor and California State Agencies found that the MRC/Marathon Plan best met the five principles

previously articulated to the bankruptcy court. The plan keeps working timberlands under one owner that has a favorable track record with the state and federal regulators, and contains concrete pledges to abide by all environmental laws, existing permits and agreements. In addition, the plan meets environmental obligations under the stewardship of a viable timber company that will keep the local mill operating on a long term basis and maintain most of the local timber-related jobs and pensions in the long-term and has strong local support.

3. On July 30th, 2008, MRC/Marathon took legal possession of the timberlands and mill, and renamed the new timber company Humboldt Redwood Company LLC (HRC). HRC is the entity that will conduct timber operations and other activities previously regulated by permits issued to Palco. The Regional Water Board issued Watershed-wide Waste Discharge Requirements (WWDRs) Order No. R1-2006-0039 and R1-2006-0041 to Palco for its timber harvesting activities in the Elk River and Freshwater Creek watersheds, respectively. In addition, the Regional Water Board issued Monitoring and Reporting Programs R1-2006-0039, R1-2006-0041, and R1-2008-0071 in conjunction with WWDRs. To facilitate a smooth transition, and maintain compliance with mitigation and other requirements of these permits, an immediate name change to the WWDRs is required to reflect the change in ownership. This is a minor amendment that does not alter any substantive provisions of the permits and orders. No other change in the permits and orders is necessary at this time, but future substantive amendments may be considered based on discussions with HRC and/or as appropriate based on total daily maximum loads (TMDLs) developed for these watersheds, or other Regional Water Board action.. The MRC/Marathon Plan and bankruptcy court confirmation order satisfies the requirement for a written agreement containing the specific date for transfer of permit responsibility, coverage, and liability between the previous and new permittees under the federal regulations for minor NPDES permit modifications. (See 40 C.F.R. § 122.63(d).)
4. The Executive Officer has the authority to process ownership changes for individual previously-enrolled projects under Order Nos. R1-2006-0039 and R1-2006-0041 (Watershed-wide WDRs Elk River and Freshwater Creek watersheds), Order No. R1-2004-0030 (General Waste Discharge Requirements for Discharges Related to Timber Harvest Activities on Non-Federal Lands in the North Coast Region) and Order No. R1-2005-0011 (General Waste Discharge Requirements and Water Quality Certification for Discharges Related to Sand and Gravel Mining, Excavation, and Processing Activities) in accordance with the provisions of those orders. Similarly, the Executive Officer has delegated authority to amend water quality certifications issued pursuant to section 401 of the Clean Water Act and waste discharge requirements as necessary for the following orders: WDID No. 1B05006WNHU (summer stream-crossings on the Van Duzen River located at Root Creek, Cummings Creek, 10 Mile Creek, and Strong Station); WDID No. 1B03040WNHU (summer stream-crossings on the Eel River located at Truck

Stop Bar and Dyerville); WDID No. 1B05058WNHU (seasonal percolation pond at Scotia).

5. The Regional Board has issued the following cleanup and abatement orders (CAOs) for discharges into the waters of the state caused by Palco's timber harvest-related activities: CAO Nos. 98-100 (North Fork Elk River), R1-2004-0028 (South Fork Elk River and Mainstem Elk River Watersheds), R1-2006-0046 (Freshwater Creek Watershed) and R1-2006-0055 (North Fork Elk River Watershed). These orders require amendments to reflect the new ownership by HRC. No material changes to the substantive requirements of these CAOs are contemplated or authorized by this Order.
6. The following permits and orders regulating land disposal sites require name change amendments to reflect the new ownership of HRC: (WDR Order No. 97-5 and MRP 97-5 (Hely Creek Wood Waste Disposal Site), and WDR Order No. R1-2001-0061, MRP R1-2001-0061 (Tank Gulch Solid Waste Disposal Site¹).
7. The Regional Board has identified four sites at which significant environmental remediation is necessary: 121 Main Street in Scotia (Palco Ademars Scotia Chevron/Company Garage); Carlotta (511 Highway 36), Fortuna (1440 Newburg Road) and Scotia (125 Main Street). These sites are not subject to formal clean up orders; however, the Regional Water Board expects that staff will work with the new owners to ensure that the required cleanup activities continue.
8. Under the MRC/Marathon Plan, a new company, Town of Scotia Company, LLC, will own and operate the municipal wastewater treatment facility (WWTF) and a steam electric power plant (power plant) for the town of Scotia that is subject to the requirements of National Pollution Discharge Elimination System (NPDES) permit (Order No. R1-2006-0020). A minor amendment reflecting this change in ownership is required. This amendment does not alter any substantive provisions of the permit and no other change in the permit is necessary at this time. The MRC/Marathon Plan and bankruptcy court confirmation order satisfies the requirement for a written agreement containing the specific date for transfer of permit responsibility, coverage, and liability between the previous and new permittees under the federal regulations for minor permit modifications. (See 40 C.F.R. § 122.63(d).).
9. This Order is not intended to be an exhaustive list and there may be additional obligations and/or permits and orders that require further changes in accordance with the new ownership and management and/or other Regional Water Board action. The Regional Water Board staff will work diligently with the new companies to ensure a smooth transition that minimizes disruptions to the community and furthers compliance with water quality protection.

¹ A Notice of Intent and annual fee must be submitted to the State Water Resources Control Board to extend coverage to the new owner under the General Industrial Stormwater NPDES permit for this site.

THEREFORE IT IS HEREBY ORDERED that Order Nos. R1-2006-0039, R1-2006-0041, and Monitoring and Reporting Programs R1-2006-0039, R1-2006-0041 and R1-2008-0071 are amended to replace the named Dischargers Scotia Pacific Company, Salmon Creek Corporation and Pacific Lumber Company, with Humboldt Redwood Company LLC. Clean Up and Abatement Order Nos. 98-100, R1-2004-0028, R1-2006-0046 and R1-2006-0055 are amended to replace Humboldt Redwood Company LLC as a responsible party. Order No. 97-5, MRP 97-5 and Order No. R1-2001-0061, MRP R1-2001-0061 are amended to replace the named Dischargers with Humboldt Redwood Company LLC. NPDES Order No. R1-2006-0020 is amended to replace the named Dischargers with Town of Scotia Company, LLC. The Executive Director shall modify the permits and orders as necessary consistent with this Order and post the amended permits and orders on the Regional Water Board's website once the changes are completed.

CERTIFICATION

I, Catherine Kuhlman, Executive Officer do hereby certify that the foregoing is a full, true, and correct copy of a Order adopted by the California Regional Water Quality Control Board, North Coast Region, on September 11, 2008.

Catherine Kuhlman
Executive Officer