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Decision 88 01 043 JAN 28 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Yucca Water Company,) Ltd., a California corporation, to) borrow funds under the Safe Drinking) Water Act of 1984 and establish a) surcharge to existing water rates to) repay the principal and interest on) such loan.) CIS #U-372-W

Application 86-07-026 (Filed July 9, 1986; amended November 21, 1986)

ORDER REOPENING APPLICATION 86-07-026

Interim Decision (D.) 87-04-064 dated April 22, 1987 authorized Yucca Water Company, Ltd. (Yucca), a California corporation, to borrow \$4,610,268 from the Safe Drinking Water (SDW) fund administered by the Department of Water Resources (DWR) to construct system improvements needed to bring the system up to minimum waterworks standards and to provide a safe source of water to its customers. The project was designed to be completed in 20 months. The scope of the project is shown on Attachment A to that decision.

At the hearing in this proceeding, Yucca's consulting engineer testified that the company's existing distribution facilities, including its pipelines, booster pumps, and storage tanks, are incapable of meeting minimum daily water demands and adequate fire flows. This is due to inadequate pressures which, in turn, are caused by an insufficient water supply, undersized pipes, inadequate booster capacity, and insufficient storage.

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Ted W. Jurling, Yucca's president and sole shareholder, testified that Yucca did not have the funds necessary to construct the needed facilities; its request to borrow construction funds needed from its bank was denied. Subsequently he applied for a SDW fund loan. DWR made a loan commitment and a revised commitment to loan the necessary funds subject to Commission approval, including authorization to apply surcharges needed to amortize the loan. DWR also required Yucca to hold a public meeting to consider the feasibility of the project. The interim decision authorized Yucca to enter into a SDW loan agreement with DWR for \$4,610,268 and to file the interim rates contained in its amended application after the execution of a loan agreement. Ordering Paragraph 6 states:

> "6. Yucca with the assistance of its consulting engineer shall promptly undertake to hire a qualified field supervisor and a qualified office manager. Yucca shall advise the Evaluation and Compliance Division [renamed the Commission Advisory and Compliance Division (CACD)] in writing five days after hiring each of these individuals. Its filing shall describe the qualifications of its new personnel."

Yucca's hiring of a qualified field supervisor is needed for the safe operation of the system. A qualified office manager is needed for proper accounting of funds, including segregation of surcharge revenues to repay the DWR loan.

Yucca has not advised the Commission that it had hired a qualified field supervisor or a qualified office manager.

Since issuance of D.87-04-064 the Commission has been advised of several outages on the system. The Health Officer of San Bernardino County (County) certified to the Chairman of the County Board of Supervisors (Chairman) that, pursuant to Sections 450 and 458 of the California Health and Safety Code, there is a substantial public health hazard. The Chairman then issued an

- 2 -

emergency proclamation that a health emergency exists for Yucca's 2,800 customers. (See Attachment A to this decision.)

On August 20, 1987, the State Department of Health Services issued its compliance order No. 04-007 to Yucca (Attachment B to this decision).

Further information furnished to the Commission Advisory and Compliance Division indicates that Yucca is not fulfilling the requirements of D.87-04-064 in that it is not taking necessary action to prevent further threats to public health and safety. In addition to its noncompliance with that decision, it is not complying with the minimum standards for design and construction of water service facilities set forth in the Commission's General Order (GO) 103.

Furthermore, Yucca has filed an advice letter transmitting loan surcharge rates. These rates are substantially below the level of interim rates authorized in D.87-04-064, e.g. the filed surcharge for 5/8-inch by 3/4-inch meter is \$5.63 rather than the \$9.43 interim rate authorized. The filed rates are apparently based on the DWR loan charge criteria established after passage of Proposition 55, the Safe Drinking Water Bond Act of 1986.

Based on the foregoing information, we conclude that this proceeding should be reopened for further hearing to determine what measures Yucca has undertaken to comply with D.87-04-064 and GO 103. We put Yucca on notice that if we find it has been unresponsive to the requirements of D.87-04-064 and GO 103 we may consider taking action under Public Utilities Code Section 855, which states:

> "855. Whenever the commission determines, after notice and hearing, that any water or sewer system corporation is unable or unwilling to adequately serve its ratepayers or has been actually or effectively abandoned by its owners, or is unresponsive to the rules or orders of the commission, the commission may petition the superior court for the county

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A_86-07-026 ALJ/JJL/ek/ra

within which the corporation has its principal office or place of business for the appointment of a receiver to assume possession of its property and to operate its system upon such terms and conditions as the court shall prescribe. The court may require, as a condition to the appointment of such receiver, that a sufficient bond be given by the receiver and conditioned upon compliance with the orders of the court and the commission, and the protection of all property rights involved. The court shall provide for disposition of the facilities and system in like manner as any other receivership proceeding in this state."

IT IS ORDERED that:

1. Application 86-07-026 is reopened for further hearings to determine whether Yucca Water Company, Ltd. is complying with the requirements of Decision 87-04-064 and the requirements of the Commission's General Order 103.

2. A prehearing conference shall be held before Administrative Law Judge Jerry J. Levander on Monday, February 8, 1988, at 1:30 p.m. at Yucca Valley Community Center, 57090 Twentynine Palms Highway, Yucca Valley, California 92284, to:

a. Clarify the issues.

b. Identify prospective witnesses.

c. Establish the scope of each witness's testimony.

d. Set hearing date(s).

3. The Executive Director is directed to cause a certified copy of this order to be personally served upon applicant's president and owner, Ted W. Jurling at 7530 Acomo Trail, Yucca Valley, CA 92284. Copies of this decision shall be mailed to the appearances at the original hearings in this proceeding and to Fred Hanson for Albert A. Webb Associates at 3788 McCray Street, Riverside, CA 92506-2973.

> This order is effective today. Dated <u>JAN 28 1988</u>, at San Francisco, California.

> > STANLEY W. HULETT President DONALD VIAL FREDERICK R. DUDA G. MITCHELL WILK JOHN B. OHANIAN Commissioners

I CERTING THAT-THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY

Victor Woisson, Exocutive Director

ATTACHMENT A Page 1

INTEROFFICE MEMO

DATE July 30, 1987 PHONE

- FROM RICHARD L. ROBERTSLA.S., MPH Director, Environmental Health Services
 - TO GEORGE PETTERSEN, M.D., Director Department of Public Health



County of San Bernardino

UBJECT PROCLAMATION OF LOCAL EMERGENCY OR A BEALTH MEASURE

Based upon the immediate health threat to the users of the Yucca Water Company, Ltd. as confirmed by the staff of the Department of Environmental Health Services, I recommend that the County Health Officer recommend to the Chairman of the Board of Supervisors that a local emergency be proclaimed.

The suggested proclamation for the Chairman's signature has been reviewed and approved by County Counsel.

RLR:pr

cc: John Joyner, Chairman, Board of Supervisors Harry Mays, County Administrative Officer Bob Ingram, EPWA Administrator Diana Barich, State Department of Health Services Paul Ryan, Division Chief, Environmental Health Services

ATTACHMENT A Page 2

EROFFICE MEMO

PHONE



County of San Bernardino

FROM GEORGE R. PETTERSEN, M.D., MPH Director of Public Health

TO JOHN JOYNER, Chairman Board of Supervisors, Fifth District

SUBJECT PUBLIC BEALTH EMERGENCY



Based upon a review of information presented to me by Mr. Richard Roberts of Environmental Health Services of San Bernardino County it is my opinion that a local health emergency exists for the customers of the Yucca Water Company, Ltd. system which services about 2,800 homes in portions of Yucca Valley.

I recommend that you request all affected state agencies, including the California Department of Health Services, the Hi-Desert Water District, Joshua Basin Water District and Desert View County Water District, provide such aid and assistance as is within their means to alleviate this local emergency.

GRP:pr

cc: Harry Mays, County Administrative Officer Richard Roberts, Environmental Health Services Diana Barich, State Department of Health Services

ATTACHMENT A Page 3

MINUTES OF THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY, CALIFORNIA

August 3, 1987

FRCM: RICHARD L. ROBERTS, R.S., MPH, Director Department of Environmental Health Services

SUBJECT: PROCLAMATION OF LOCAL EMERGENCY IN THE YUCCA VALLEY AREA OF THE COUNTY OF SAN BERNARDINO

RECOMMENDATION: Ratify the proclamation of local emergency and request that all affected state and local agencies provide such aid and assistance to Yucca Water Company, Ltd. as is within their means to alleviate this local emergency.

BACKGROUND: The water system has experienced recurring water outages due to failure to meet high service demands and failure to improve substandard facilities.

At the present time, Yucca Water Company, Ltd. has inadequate source and storage capacities to reliably provide safe, potable water in sufficient quantities to convalescent hospitals and residential dwellers within their service area. The distribution system is subject to back-siphonage and bacterial contamination. No fire protection is available during water outages. The immediate public health emergency can be alleviated by obtaining adequate standby water supply from all affected state and local agencies, including Hi-Desert Water District, Joshua Basin Water District, and Desert View County Water District.

<u>REASON FOR RECOMMENDATION</u>: Whenever a local emergency is proclaimed by the Director (Chairman of the Board of Supervisors), the Board of Supervisors shall take action to ratify the proclamation within seven (7) days thereafter or the proclamation shall have no further force or effect.

FISCAL IMPACT: No increase in appropriation or expenditure is required by the Department of Environmental Health Services.

<u>REVIEW BY OTHERS</u>: This board agenda item has been reviewed by Deputy County Counsel Paul Grube, and Public Health Officer George Pettersen.

PRESENTER: Richard L. Roberts.

ATTACHMENT A Page 4

PROCLAMATION OF LOCAL EMERGENCY IN THE YUCCA VALLEY AREA OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA

IN ACCORDANCE WITH THE POWER VESTED IN ME AS CHAIRMAN OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, by Chapter I of Division 1 of Title 2 of the San Bernardino County Code, commencing with Section 21.011, and by the California Emergency Services Act, set forth in the California Government Code, commencing with Section 8550. I hereby proclaim that a local emergency exists in that portion of the Yucca Valley area of the County of San Bernardino which is served by the Yucca Water Company, Ltd.

The facts underlying and supporting this proclamation are that the Health Officer of San Bernardino County has determined that a health emergency exists to the customers of the Yucca Water Company. Ltd. system which services about 2800 homes in San Bernardino County area of Yucca Valley.

The water system has experienced recurring water outages due to failure to meet high service demands and failure to improve substandard system facilities. At the present time Yucca Water Company, Ltd. has inadequate source and storage capacities to reliably provide safe, potable water in sufficient quantities to convalescent hospitals and residential dwellers within their service area. The distribution system is subject to back-siphonage and bacterial contamination. No fire protection is available during water outages. The immediate public health emergency can be alleviated by obtaining adequate standby water supply from all affected state and local agencies, including Hi-Desert Water District. Joshua Basin Water District, and Desert View County Water District.

The Health Officer of the County of San Bernardino has certified to me, pursuant to Section 450 and 458 of the California Health and Safety Code, that the foregoing circumstances pose a substantial public health hazard.

I therefore request that all interested state and local agencies, including the California Department of Health Services, the Hi-Desert Water District, Joshua Basin Water District and Desert View County Water District provide such aid and assistance as is within their means to alleviate this local emergency.

uly 30, 1997 DATE

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Board of Supervisors of the County of San Bernardino

LTE CE ALLACARNIA-HEALTH AND WELFARE AGENCY

EPARTEAENT OF HEALTH SERVICES

AN SOUTH COMMERCENTER CIRCLE, SUITE B ANSERMANDINO, CA 92408

August 20, 1987

Yucca Water Company, Ltd. P. O. Box 1540 Yucca Valley, CA 92286

Attention: Mr. Ted Jurling President

Dear Mr. Jurling,

Enclosed is Compliance Order No. 04-007 issued by this Department under authority of Section 4033 of the Health and Safety Code.

Directive No. 1 of the Order requires that Yucca Water Company immediately cease adding service connections until adequate source, storage and distribution facilities are in place and approval to add services is given by the Department. Therefore, you must not extend service to any new properties you are not now serving nor expand or enlarge a service or meter to any presently served property. The effective date of this ban on connections is the date of the Order, August 20, 1987. This means that service can only be provided if the property owner presents you with a copy of a valid San Bernardino County building permit application that was filed with the Department of Building and Safety on or before August 20, 1987.

Furthermore, you shall not make any commitments to provide service or issue any "will serve" letters until the ban is removed by this Department. Properties for which you previously issued "will serve" letters shall not be provided service unless a building permit application was filed by August 20, 1987.

Directive No. 2 of the Order requires submittal of an Emergency Action Plan including documentation that emergency water sources will be available within an acceptable period of time. We would consider the following as acceptable compliance with this requirement:

- An executed contract between the Company and Blue Skies Country Club for emergency use of water from their wells, and/or
- 2. An executed contract between the Company and a licensed potable water hauler for stationing potable water tank trucks at key locations in the affected service area



ATTACHMENT B Page 1

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Yucca Water Co., Ltd. August 20, 1987 Page No. 2

within four hours from the commencement of the water outage.

Directive No. 11 of the Order requires submittal of a complete permit application to use the new wells presently under construction on emergency basis in accordance with the Safe Drinking Water Bond Law contract. You are advised that before any new well may be used to supply your domestic water system a complete application must be submitted to us and a permit to use the source must be issued by this Department. This includes the well under construction on the school house property.

For an application to be complete it must contain adequate information to allow us to make a full evaluation of the proposed well location and construction. This includes but is not limited to complete plans and specifications and a plot plan showing land uses and ownership within a 200 foot radius of each well site. It is our understanding that the location of sewage disposal facilities on the school house well site are unknown. The physical location of all facilities that could encroach upon the well must be determined and the septic systems moved if necessary.

Among other provisions, the amended permit for new sources will include the requirements that:

- 1. Continuous, reliable disinfection be provided for water from all wells upon completion of construction.
- 2. The Company own or have a legal easement for all properties on which new sources are located.

Within the next few days Diana L. Barich of our San Bernardino District Office would like to meet with you and your engineer to discuss the requirements of the Order and your plans for compliance.

Very truly yours,

lester E lunderme

Chester E. Anderson, P. E., Chief Southern California Region Public Water Supply Branch

cc Ltr and Order: Supervisor Joyner SBCDEHS San Bdno. Co. Planning San Bdno. Co. Dept. of Building & Safety Department of Water Resources San Bdno. Co. Fire Agency - Dan Schuler A. A. Webb & Assoc.

ATTACHMENT B Page 3

STATE OF CALIFORNIA DEPARTMENT OF HEALTH SERVICES

IN RE: Yucca Water Company, Ltd. P. O. Box 1540 Yucca Valley, CA 92286

TO: Mr. Ted Jurling, President Yucca Water Company, Ltd.

FINDINGS OF FACT

Yucca Water Company, Ltd., (hereinafter "Company") is privately owned public utility serving a 2800 service connection water system in the Yucca Valley area of San Bernardino County. The water system has been plagued by water shortages and outages caused by inadequate source, storage and distribution facilities. On December 22, 1983 the California Department of Health Services (hereinafter. "Department") issued a compliance order to the Company for violation of the Primary Drinking Water Standard for nitrates and for failure to take corrective action necessary to assure that a pure, wholesome and potable water was supplied to the users. The compliance order required submittal of an engineering report and time schedule for making major system improvements, and required the Company to install emergency interties with Hi-Desert Water District (HDWD).

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ATTACHMENT B Page 4

Compliance Order No. 04-007

The Company operates under a water supply permit issued by the Department on October 3, 1985. Among other provisions the permit contains requirements that the Company complete improvements to the system within a time schedule acceptable to the Department. The permit also requires that Well No. 4 be provided continuous chlorination.

On August 4, 1986 the Department issued Citation No. 04-001 to the Company for violation of a Primary Drinking Water Standard for bacteriological quality: for failure to take available emergency action to ensure that a pure, wholesome and potable water was continuously supplied to the system; and for failure to comply with a permit provision for notifying the Department, which resulted in prolonged exposure of Company consumers to contaminated water. The Company was assessed a civil penalty of \$300.00 for the violations.

On August 23, 1985 the Company applied for a Safe Drinking Water Bond Law (SDWBL) loan to finance an improvement project to eliminate the severe problems. The Department of Water Resources (DWR) sent the Company a project commitment letter on July 1, 1986. On April 22, 1987 the Public Utilities Commission gave approval for the rate increase to fund the project. DWR prepared the SDWBL project contract and it was sent to the Company on May 29, 1987. The SDWBL contract was signed by the company president, Ted Jurling, on June 15, 1987.

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ATTACHMENT B Page 5

Compliance Order No. 04-007

On June 29, 1987 the Company requested that portions of the project proceed on an emergency basis. Because of Department support, DWR gave permission to proceed on an emergency basis to construct one new well, deepen another, construct 2400 feet of pipeline and make reliability and safety changes in the electrical facilities serving Company pump stations and wells. Construction of these facilities is underway and scheduled to be completed by December 1, 1987. The Company and Department are also requesting that DWR grant approval to proceed with emergency construction of the Hospital Pressure Zone storage tank.

Company engineers will soon begin preparing plans and specifications for the balance of the thirteen phase project. The entire project is scheduled for completion by June 30, 1989.

On August 3, 1987 the Company commenced construction of a well on the school house property that will not be built with SDWBL funds. Neither the location nor the well design have been approved by the Department at this time.

Since 1984 the Company has utilized the emergency interties to purchase water from HDWD to maintain service during peak demand periods. Beginning June 15, 1987, two interconnectionsbetween the systems were reactivated to mitigate water outages occurring at that time in the Company system. The Company purchased up to 300 gpm of water from HDWD.

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ATTACHMENT B Page 6

Compliance Order No. 04-007

On July 27, 1987 HDWD terminated service to the Company because a primary HDWD well failed. Because of hot weather and the Company's inadequate source and storage capacity, water outages began to occur in the upper reaches of the Company's system by 1 p.m. on July 28, 1987.

Outages increased in duration and area from July 29 to August 3, 1987 resulting in water outages for over 850 Company service connections (approximately 2400 people) including a 56 bed convalescent hospital. Many customers had water less than two hours per day. A health advisory recommending all water used for cooking and drinking be boiled before use was issued for the area affected by the outages. The periodic outages continued until August 7, 1987.

Because water was not available from any other sources of supply, Blue Skies Country Club offered use of their wells which are not approved public water supply sources under a valid domestic water supply permit. Chlorinators were installed and these well's were temporarily tied into the system on August 3 and August 6, 1987, with emergency assistance from City of San Bernardino personnel. The health advisory was expanded to include the entire system until bacteriological analyses indicated that water from the unapproved sources was safe. The health advisory was rescinded on August 7, 1987.

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ATTACHMENT B Page 7

Compliance Order No. 04-007

Use of the golf course wells enabled service to be restored to all customers on August 6, 1987. On that date HDWD also reactivated one of the two interconnections and began delivering 100 gpm to the Company's Fox Pressure Zone. During discussions regarding reactivation of the interconnection, HDWD reminded the Department that water from their system was not guaranteed.

CONCLUSIONS OF LAW

Based upon the described FINDINGS OF FACT, the State of California Department of Health Services (hereinafter "Department") finds that the Company has violated provisions contained in the California Health and Safety Code (H&S Code), Sections 4010 et. seq. These violations include but are not limited to the following:

His Code Section 4017(c) in that the Company failed to provide a continuous, reliable supply of potable water to all customers.

ORDER

Pursuant to Section 4033 of the California Health and Safety Code, the Department hereby orders Respondents, the Yucca Water Company, to do all of the following to ensure that a

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ATTACHMENT B Page 8

Compliance Order No. 04-007

reliable supply of pure, wholesome, potable water is continuously provided to the system:

- 1. Forthwith, cease and desist from adding new service connections to the system until adequate and reliable source, storage and distribution facilities are in place and approval to add services is given by the Department. A new service connection is defined as one to a property for which a valid building permit application was not filed by August 20, 1987 with the San Bernardino County Department of Building and Safety.
- 2. By November 1, 1987 prepare and submit for approval An Emergency Action Plan for providing emergency water service in the event of source, storage, pumping or distribution facility failures. The plan must include documentation confirming that emergency water sources will be available within an acceptable period of time.
- 3. Immediately implement the approved Emergency Action Plan when any source, pumping, or distribution failure occurs.
- 4. By November 1, 1987 obtain portable pumping equipment, install piping modifications and appropriate connections at each pump station and obtain necessary appurtenant facilities to enable interconnection of the Company system with adjacent emergency sources. The pumping

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ATTACHMENT B Page 9

Compliance Order No. 04-007 equipment must be reliable; adequately sized to replace inoperable pumps at any of the systems pump stations; consist of at least two pumps, each capable of delivering water from any Company pressure zone to the one above; have independent sources of power; and be capable of pumping at least 300 gpm at 175 psi when operated in tandem. Specifications for the portable pumps must be submitted for Department approval before acquisition.

- 5. Comply with provisions of the Company's October 3, 1985 domestic water supply permit in accordance with the following schedule:
 - a). By September 1, 1987 purchase a chlorine residual test kit.
 - b). By October 1, 1987 obtain and install disinfection equipment on Well No. 4.

c). By November 1, 1987 hire a qualified field superintendent who is experienced in water system operation and maintenance and possesses at least a Grade II water treatment plant operator certificate in accordance with California Administrative Code Sections 7100-7134.



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Compliance Order No. 04-007

- Construct new system facilities in accordance with the SWDBL contract and the following schedule:
 - a). By December 1, 1987 complete construction of wells, pipeline and electrical facilities being constructed on an emergency basis with SDWBL funds.
 - b). By February 15, 1988 complete emergency construction of an additional storage tank in the Hospital Pressure Zone and connection of the tank to the system.
 - c). By July 1, 1988 provide continuous, reliable disinfection of water from <u>all</u> Company Wells.
 - d). By June 30, 1989 complete construction of all SDWBL project facilities.
- 7. Refrain from using any source of water for which the Department has not issued a domestic water supply permit unless all of the following conditions are met:

a). An emergency condition exists.

b). Adequate water is not available from permitted sources.

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Compliance Order No. 04-007

- c). Use of the source is reviewed and approved by the Department before each and every interconnection is made.
- d). All Department requirements placed on the interconnection and use of the supply are strictly complied with.
- 8. By November 1, 1987 the Company shall report to the Department the ownership status of all properties on which Company source, storage and distribution facilities are located.
- 9. By December 31, 1987 the Company shall obtain legal ownership or a legal easement for all properties on which Company sources, storage and distribution facilities are located.
- 10. On or before the 15th day of every month, submit a report to the Department defining your progress in complying with the requirements herein stated.
- 11. Within 30 days of receipt of this Order submit a complete permit application for the well being constructed on an. emergency basis in accordance with the SDWBL contract.

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ATTACHMENT B Page 12

Compliance Order No. 04-007

12. Within 15 days of receipt of this Order send the Department a letter stating that you will comply with the requirements herein stated.

The Department reserves the right to make such modifications to this Order as it may deem necessary to protect public health and safety. Such modifications may be issued as amendments to this Order and shall be effective upon issuance.

All submittals required by this Order shall be addressed to:

Diana L. Barich District Engineer Department of Health Services Public Water Supply Branch 1836 South Commercenter Circle, Ste. B San Bernardino, California 92408

If Respondents are unable to perform the tasks specified in this Order for any reason, whether within or beyond Respondents' control, and if Respondents notify the Department in writing no less than five days in advance of the due date, the Department may extend the time for performance if Respondents demonstrate that they have used their best efforts to comply with the schedules and other requirements of this Order. If Respondents fail to perform any of the tasks specified in this Order by the time described herein or by the time as

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ATTACHMENT B Page 13

Compliance Order No. 04-007

subsequently extended pursuant to this paragraph, Respondents shall be deemed to have not complied with the obligations of this Order and may be subject to additional judicial action including civil penalties specified in Health and Safety Code, Section 4037.5.

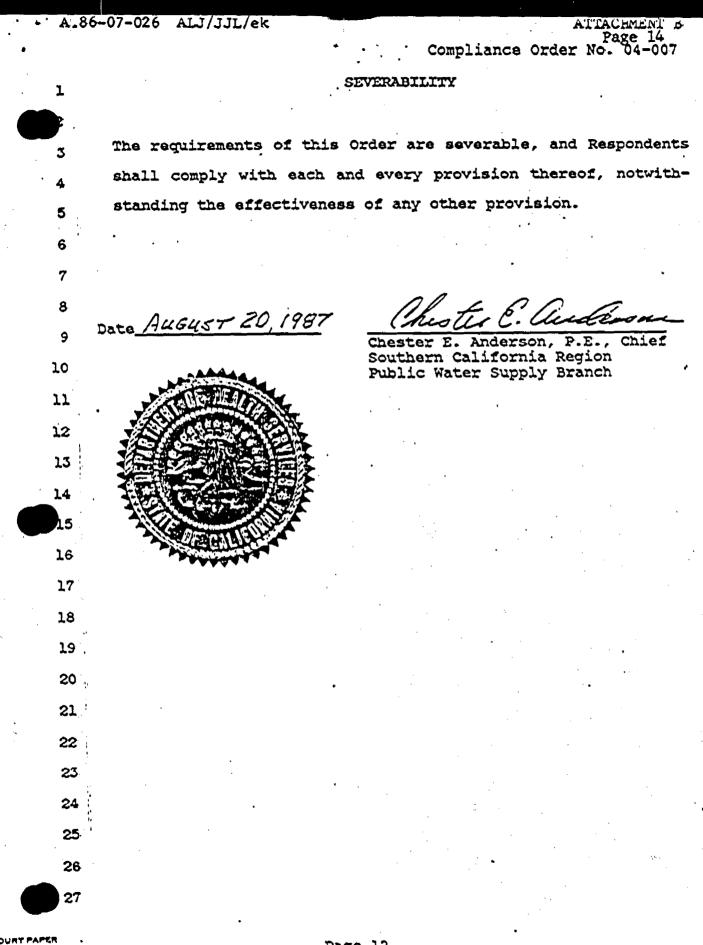
The State of California shall not be liable for any injuries or damages to persons or property resulting from acts or omissions by the Respondents, its employees, agents or Contractors in carrying out activities pursuant to this Order, nor shall the State of California be held as a party to any contract entered into by the Respondents or its agents in carrying out activities pursuant to this Order.

By issuance of this Order, the Department does not waive any further enforcement actions.

PARTIES BOUND

This Order shall apply to and be binding upon the Respondents, its officers, directors, agents, employees, contractors, successors, and assigns.

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