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3 STATE OF CALIFORNIA
4 STATE WATER RESOURCES CONTROL BOARD
5 DIVISION OF DRINKING WATER
6

7 **Name of Public Water System:** Terrace Water Company

8 **Water System No:** 3610048
9

10 **Attention:** Chris Taylor, President

11 925 Jackson Street

12 Colton, CA 92324
13

14 **Issued:** April 6, 2020
15

16 **COMPLIANCE ORDER FOR VIOLATION OF CALIFORNIA HEALTH AND SAFETY**
17 **CODE SECTION 116555(a)(3) AND**
18 **CALIFORNIA CODE OF REGULATIONS, TITLE 22, SECTION 64554**
19

20 **SOURCE CAPACITY VIOLATION**

21 **2020**
22

23 The California Health and Safety Code (hereinafter "CHSC"), Section 116655 authorizes
24 the State Water Resources Control Board (hereinafter "State Water Board"), to issue a
25 compliance order to a public water system when the State Water Board determines that
26 the public water system has violated or is violating the California Safe Drinking Water
27 Act (hereinafter "California SDWA"), (CHSC, Division 104, Part 12, Chapter 4,

1 commencing with Section 116270), or any regulation, standard, permit, or order issued
2 or adopted thereunder.

3
4 The State Water Board, acting by and through its Division of Drinking Water (hereinafter
5 "Division"), and the Deputy Director for the Division, hereby issues Compliance Order
6 No. 05_13_20R_002 (hereinafter "Order") pursuant to Section 116655 of the CHSC to
7 the Terrace Water Company (hereinafter "System"), for violation of CHSC, Section
8 116555(a)(3), requiring a reliable and adequate supply of pure, wholesome, healthful,
9 and potable water, and California Code of Regulations (hereinafter "CCR"), Title 22,
10 Section 64554, setting source capacity requirements.

11 12 **STATEMENT OF FACTS**

13 The System is classified as a community public water system with a population of 2,000
14 serving 603 connections. The System operates under Domestic Water Supply Permit
15 No. 05-13-14P-002 issued by the State Water Board on January 17, 2014.

16
17 The System relies on two (2) groundwater wells: Wells 01 and 02. Well 02 has been
18 offline since June 2018, and the system is only relying on Well 01 and the emergency
19 intertie with Colton.

20
21 Based on the most recent ten (10) years of production data, the System reported the
22 highest MDD as 1,300,000 gallons per day in 2011. The lowest MDD was reported by
23 the System in 2018 as 564,288 gallons per day. In accordance with California Code of
24 Regulations, Title 22, Section 64554(a), a public water system must at all times have
25 adequate source capacity to meet the highest 10-year MDD, which here would be
26 1,300,000 gallons from July 2011. Using the System's most current production yield
27 records provided by the System, the System is producing a source flow of 475,200
28 gallons per day, and therefore does not meet the maximum day demand (MDD)

1 requirements. Summaries of production data, system demand data, and a source
2 capacity evaluation were used to determine compliance with source capacity
3 requirements and are included in Appendix 1.

4
5 An emergency water transfer agreement was signed on December 19, 2013 between
6 City of Colton and Terrace Water Company. The agreement was amended on June 4,
7 2019 allowing Terrace to receive non-emergency water on an as-available basis for the
8 duration of the Addendum agreement term. Because the agreement between the System
9 and the City of Colton does not specify a minimum flow that will be provided to the
10 System, and also the agreement could be terminated for any reason or no reason by
11 providing the other party a thirty (30) day written notice, the water flow from the
12 interconnection cannot be considered as a permanent source when calculating the
13 System's compliance with source capacity MDD requirements.

14
15 CHSC, Section 116555(a)(3) requires all public water systems to provide a reliable and
16 adequate supply of pure, wholesome, healthful, and potable water and CCR, Title 22,
17 Section 64554(a) requires that public water systems shall at all times have the capacity
18 to meet the System's maximum day demand (MDD) as established by Section 64554
19 subsection (b).

20 21 **DETERMINATION**

22
23 Based on the above Statement of Facts, the State Water Board has determined that
24 without additional source capacity, the System may not be able to provide an adequate
25 and reliable supply of water to its customers and has failed to comply with requirements
26 from CHSC, Section 116555(a)(3) and CCR, Title 22, Section 64554. The Division has
27 the authority under Sections 116655 (a)(2) and 116655 (b)(4) of the CHSC to take steps

1 necessary to prevent increasing water demands for the System until such time that an
2 adequate and proven source capacity is provided.

3 4 **DIRECTIVES**

5 To ensure that the water supplied by the System is at all times reliable and adequate,
6 the System is hereby directed to take the following actions:

- 7
- 8 1. Effective immediately, upon receipt of this Order, the Division imposes a service
9 connection moratorium on the System and directs the System to not make any
10 additional service connections to its water system, including any such service
11 connections for which a "will serve" letter was issued at any time by the System,
12 but for which a building permit was not issued prior to the date of this Order. As
13 used in this Order, "will serve" letter means any form of notice, representation or
14 agreement that the System will supply water to a property, parcel or structure.
15
 - 16 2. By **April 20, 2020**, the System must identify any and all properties for which "will
17 serve" letters have been issued, but a service connection has not been made.
18
 - 19 3. By **May 29, 2020**, the System must advise the owner(s) of those properties that
20 were issued will serve letters, but have not yet been issued a building permit by
21 the date of this order, and all appropriate local planning agencies that the "will
22 serve" letter issued for such property is null and void and may not be relied upon
23 for any purpose.
24
 - 25 4. By **June 5, 2020**, the System must provide to the Division the following
26 documents:
27
 - 28 a) Copies of all "will serve" letters issued by the System at any time for which a
29 building permit has not been issued and a service connection has not been

1 made, including the address(es) or parcel number(s) of the respective
2 property(ies);

3 b) A list of properties that were provided “will serve” letters and have a building
4 permit(s) by the date of this order, including the address(es) or parcel
5 number(s) of the respective property(ies);

6 c) a list of the property owners and applicable planning agencies it notified that
7 its “will serve” letters for properties without building permits are null and void
8 along with a certification that the required notification was completed by the
9 System; and

10 d) a current list of all service connections, including the address of each.

11
12 5. The System must complete and submit to the Division a pump test report for Well
13 No. 1 no later than **June 30, 2020**. Pump tests shall be completed in accordance
14 with the procedures stated under CCR, Title 22, Section 64554(f).

15
16 6. On or before **December 31, 2020**, the System must submit to the Division a
17 completed feasibility study that must review the proposed options for meeting the
18 System’s water demand requirements. The Study must include consolidation with
19 nearby public water systems as an option. The feasibility study must discuss cost
20 estimates, including the operation and maintenance (O&M) costs, and the
21 potential environmental impacts of each of the options considered. The report
22 should identify a preferred alternative that is more sustainable and cost effective
23 for the community far in the future and include discussion on the reliability of the
24 selected preferred alternative, and an explanation for why the other options were
25 rejected.

26
27 7. After Division approval of the preferred alternative, prepare for Division approval
28 a Corrective Action Plan (CAP), identifying how it will implement the preferred

1 alternative to ensure that the System delivers an adequate and reliable water
2 supply to its consumers and addresses the System's demand requirements. The
3 plan must include a time schedule for completion of each of the phases of the
4 project, such as design, financing, environmental review, construction, and
5 startup, and a date as of which the System will be in compliance with source
6 capacity requirements, which must be no later than **December 31, 2021**, unless
7 the System is able to demonstrate why a later compliance date is necessary.

8
9 8. On or before **February 26, 2021**, submit the CAP required under Directive No. 7
10 above, to the State Water Board's office located at 464 W. 4th Street, Room 437
11 San Bernardino, CA 92401; or submit an electronic copy via email to the following
12 address: Dwpdist13@waterboards.ca.gov

13
14 9. Per Section 116530 of the California Health and Safety Code, the Division
15 requires that information related to the System's financial capacity to implement
16 the proposed CAP be submitted no later than **February 26, 2021**. For the purpose
17 of this directive, the financial information must include, but is not limited to the
18 following:

19 a. An overall evaluation of the financial health of the system by a Certified
20 Public Accountant or appropriately qualified financial officer. The
21 evaluation must include and take into consideration audited financial
22 statements from the past 5 years, monthly revenue and expenses from the
23 past 5 years, management and status of outstanding debt and impending
24 debt that will be accrued as a result of implementing the CAP and from any
25 other planned water system expenses, documentation demonstrating how
26 funding for the requirements outlined in this Order will be secured and
27 financed, information on the expected increase in operational expenses
28 due to the requirements outlined in this Order, management and status of

1 the System's reserve funds, and information on the System's rate structure
2 and any proposed rate increases that are anticipated. The evaluation must
3 include a concluding statement on the System's overall current and
4 anticipated financial health.

5 b. An asset management plan (AMP) must be completed by the System. The
6 AMP must include an inventory of the System's infrastructure components,
7 a description of the components' condition, age, service history, and useful
8 life, criteria to determine when to repair, rehabilitate or replace assets, a
9 prioritization of critical assets, long term funding strategies, and a timeline
10 delineating the schedule for the System's asset management plan.

11 c. The System must complete the Financial Assessment Questionnaire for
12 Disadvantaged Medium/Large Community Water Systems included in
13 Appendix 2 of this Order. The questionnaire provides several resources
14 and guidance documents that are available to assist the System in
15 completing items a & b of this directive.

16
17 10. Perform the Division approved CAP, and each and every element of said plan,
18 according to the time schedule set forth therein.

19
20 11. On or before **March 31, 2021** and every three months thereafter, submit a report
21 to the Division in the form provided as Appendix 3 showing actions taken during
22 the previous quarter (calendar three months) to comply with the CAP.

23
24 12. In accordance with CCR, Title 22, Section 64554(a), a public water system must
25 at all times have adequate source capacity to meet the highest 10-year MDD, the
26 System shall achieve compliance with all source capacity requirements as
27 described in CCR, Title 22, Section 64554 no later than **December 31, 2021**. A
28 source capacity evaluation has been included in Appendix 1 of this Order.
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13. On or before **June 1, 2020** and every month thereafter, submit a report to the Division summarizing source production and consumption data for the previous month.

14. On or before **May 29, 2020** complete and return to the State Water Board the "Notification of Receipt" form attached to this Order as Appendix 4. Completion of this form confirms that the System has received this Order and understands that it contains legally enforceable directives with due dates.

All submittals required by this Order, with exception of analytical results, must be electronically submitted to the State Water Board at the following address. The subject line for all electronic submittals corresponding to this Order must include the following information: Water System name and number, compliance order number and title of the document being submitted.

Eric J. Zúñiga, District Engineer
Dwpdist13@waterboards.ca.gov

The State Water Board reserves the right to make 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.

Nothing in this Order relieves the System of its obligation to meet the requirements of the California SDWA (CHSC, Division 104, Part 12, Chapter 4, commencing with Section 116270), or any regulation, standard, permit or order issued or adopted thereunder.

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PARTIES BOUND

This Order shall apply to and be binding upon the System, its owners, shareholders, officers, directors, agents, employees, contractors, successors, and assignees.

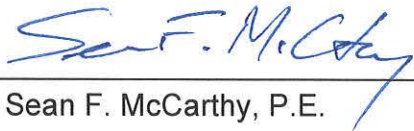
SEVERABILITY

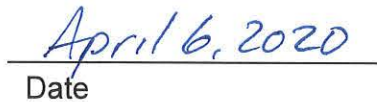
The directives of this Order are severable, and the System shall comply with each and every provision thereof notwithstanding the effectiveness of any provision.

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FURTHER ENFORCEMENT ACTION

The California SDWA authorizes the State Water Board to issue a citation or order with assessment of administrative penalties to a public water system for violation or continued violation of the requirements of the California SDWA or any regulation, permit, standard, citation, or order issued or adopted thereunder including, but not limited to, failure to correct a violation identified in a citation or compliance order. The California SDWA also authorizes the State Water Board to suspend or revoke a permit that has been issued to a public water system if the public water system has violated applicable law or regulations or has failed to comply with an order of the State Water Board, or to petition the superior court to take various measures against a public water system that has failed to comply with an order of the State Water Board, including issuance of an injunction to enforce a compliance plan, enjoining further service connections, or any other relief that may be required to ensure compliance with the SDWA and applicable regulations. The State Water Board does not waive any further enforcement action by issuance of this Order.


Sean F. McCarthy, P.E.


Date

Chief, South Coast Section
Southern California Field Operations Branch



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Appendices [4]:

1. Source Capacity Evaluation
2. Financial Assessment Questionnaire for Disadvantaged Medium/Large Community Water Systems
3. Quarterly Progress Report
4. Notification of Receipt Form

Certified Mail No. 7017 0600 0001 1704 8532

APPENDIX 1: Source Capacity Evaluation

Table 1: List of Active Sources, PS Codes, Type, Capacity

Source Name	Source Class	PS CODE	Type (Well, SW, CC, etc.)	Capacity (gpm)	Most recent pump test on file?	Pump Test Date	Current DWSAP on file?
Well 01	GMVU	3610048-001	Well	330	No		Yes
Well 02	GMVU	3610048-002	Well	0	No		Yes
SUBTOTAL CAPACITY:				330	gal/min (gpm)		
TOTAL CAPACITY:				475,200.00	gal/day (GD)		
TOTAL CAPACITY:				0.48	MGD		
TOTAL CAPACITY WITH HIGHEST SOURCE OFFLINE:				0.48	MGD		

Table 2: Water Production in the Past Ten Years (2009-2018)*

Year	Maximum Day, (G)	Day	Maximum Month	Max Month Total, gal	Annual Purchased, gal	Annual Sold, gal	Annual Total, G
2018	564288	1/5/2018	July	13207092	12315820	0	124112329
2017	724000	7/15/2017	July	18413100	0	0	151432200
2016	713000	8/30/2016	July	17,322,120	0	0	136712870
2015	718000	8/15/2015	August	16,820,800	0	0	151,678,220
2014	998000	7/5/2014	July	24132420	0	0	122074080
2013	NA	6/4/2013	June	NA	0	0	
2012	1280000	8/17/2012	August	31310000	0	0	244785000
2011	1300000	7/3/2011	July	32265000	0	0	229965000
2010	NA	n/a	August	NA	0	0	
2009	NA	n/a	August	NA	0	0	

Note: *Information obtained from Annual Reports Submitted to the Division

Figure 1: Water Production Over the Past Ten Years

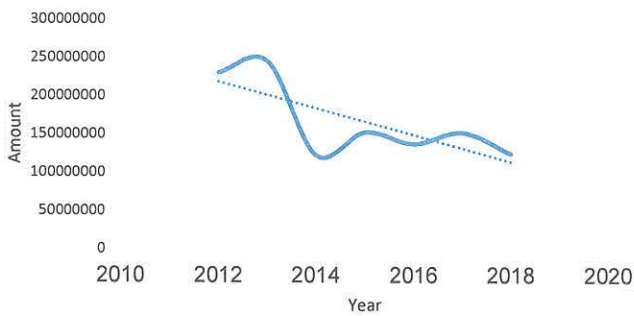


Table 3: Maximum Day Demand

Max Year	Total Source Capacity	Maximum Day Demand	Source Capacity (highest source offline - groundwater only)	Maximum Day Demand
2011	0.48 MG	1.30 MG	- MG	1.30 MG

Appendix 2: Financial Assessment Questionnaire for Disadvantaged Medium/Large CWS

Asset Management

- 1) Do you have as-built drawings and maps of all water system facilities showing the locations of each water source, treatment facilities, pumping plant(s), storage tanks, water mains, isolation valves, etc.? Choose an item. When were the schematic drawings and maps last updated? Click or tap to enter a date.
- 2) Do you have an asset inventory? Choose an item.
- 3) Do you evaluate assets for their condition and/or criticality of repair, rehabilitation, or replacement? Choose an item. What is the date of the last evaluation? Click or tap to enter a date.
- 4) Do you have an asset management plan? Choose an item. What is the date of the plan? Click or tap to enter a date.

Strategic Plans - Master Plan / Capital Improvement Plan / Facility Replacement and Refurbishment Plan

- 5) Do you have a Master Plan (MP), Capital Improvement Plan (CIP), or another strategic plan? Choose an item. What is the date of the last update? Click or tap to enter a date.
- 6) What percent of your annual budget is allocated to CIP reserve? Choose an item. How often is the CIP Reserve funded? Choose an item. Is the annual amount funded to the CIP reserve equal to or greater than the amount of depreciation of system assets? Choose an item.

Reserves Management

- 7) Do you maintain separate reserve funds? Choose an item.
If so, do you have the following types of reserve funds:
 - a. Debt Choose an item. What percent of your budget is deposited annually? Choose an item.
 - b. Operations Choose an item. What percent of your budget is deposited annually? Choose an item.
 - c. Emergency Choose an item. What percent of your budget is deposited annually? Choose an item.
 - d. Capital Choose an item. What percent of your budget is deposited annually? Choose an item.
- 8) Are there specific deposit and withdrawal policies or guidelines for the reserve accounts? Choose an item.
- 9) Do you have mutual aid arrangements in place? Choose an item.
 - a. Do you have a funding mechanism in place to support mutual aid requests? Choose an item.

Debt Management

- 10) Do you have any outstanding private, State, or Federal loans related to the water system? Choose an item. If so, what is the date of final debt payout? Click or tap to enter a date. Is the water system delinquent or in default on any debt(s)? Choose an item.
- 11) Are all the necessary debt reserve requirements met? Choose an item.
- 12) Is the water system utilizing long-term debt to finance operations? Choose an item.

Financial Budgeting

- 13) Is your drinking water system budget maintained separately from other utility or service budgets? Choose an item.
- 14) Does your drinking water system prepare an annual budget document for the upcoming year's operating plan, clearly identifying the projected revenue? Choose an item. Is this budget adopted before the beginning of the fiscal year? Choose an item.

Financial Planning

- 15) Have revenues been sufficient to cover expenses for the past three years? Choose an item.
- Are total revenues sufficient to cover total expenses (including the debt payment, CIP upgrades, and the costs of emergency maintenance)? Choose an item.
 - Are rates high enough to meet short term and long-term needs? Choose an item.
 - Is there a formal growth-pays-for-growth policy and is it reflected in the rate structure? Choose an item.
 - When was the last rate increase? Click or tap to enter a date.
 - When were water rates last evaluated? Click or tap to enter a date.
- 16) What percentage of customers do not pay their bill? Choose an item. Is non-payment absorbed into the budget? Choose an item. Are there reserves maintained to make-up for customer non-payment? Choose an item.

Financial Accounting

- 17) Does the water system have formal accounting systems and written procedures for financial records? Choose an item.
- 18) Who records financial transactions? Choose an item. Who approves financial transactions? Choose an item.
- 19) How often are bank statements reconciled against the water system's accounting records? Choose an item. Who performs the reconciliation? Choose an item.

Financial Reporting

- 20) Are financial reports/standard financial statements prepared for review by the governing board/auditor? Choose an item. How often? Choose an item. Are these reports and standards routinely made available to system customers? Choose an item.

Board Members Training

- 21) Have board members received training on financial budgeting and obligations, if applicable? Choose an item.

APPENDIX 3: QUARTERLY PROGRESS REPORT

Water System: Terrace Water Company	Water System No: 3610048
Compliance Order No: 05_13_20R_002	Violation: Source Capacity
Calendar Quarter:	Date:

This form should be prepared and signed by System personnel with appropriate authority to implement the directives of the Compliance Order and the Corrective Action Plan. Please attach additional sheets as necessary. The quarterly progress report must be submitted by the 10th day of each subsequent quarter, to the Division of Drinking Water, District 13 Office to the following email address: Dwpdist13@waterboards.ca.gov.

Summary of Compliance Plan:

Tasks completed in the reporting quarter:

Tasks remaining to complete:

Anticipated compliance date:

Printed Name

Signature

Title

Date

APPENDIX 4 – NOTIFICATION OF RECEIPT

Compliance Order Number: 05_13_20R_002

Name of Water System: Terrace Water Company

System Number: 3610048

Certification

I certify that I am an authorized representative of the Terrace Water Company and that Compliance Order No. 05_13_20R_002 was received on _____. Further, I certify that the Order has been reviewed by the appropriate management staff of the Terrace Water Company and it is clearly understood that Compliance Order No. 05_13_20R_002 contains legally enforceable directives with specific due dates.

Signature of Water System Representative

Date

**THIS FORM MUST BE COMPLETED AND RETURNED TO THE STATE WATER BOARD,
DIVISION OF DRINKING WATER, NO LATER THAN [May 29, 2020](#)**

Disclosure: Be advised that the California Health and Safety Code, Sections 116725 and 116730 state that any person who knowingly makes any false statement on any report or document submitted for the purpose of compliance with the Safe Drinking Water Act may be liable for, respectively, a civil penalty not to exceed five thousand dollars (\$5,000) for each separate violation or, for continuing violations, for each day that violation continues, or be punished by a fine of not more than \$25,000 for each day of violation, or by imprisonment in the county jail not to exceed one year, or by both the fine and imprisonment.