

EDMUND G. BROWN JR.
GOVERNOR

MATTHEW RODRIGUEZ
SECRETARY FOR
ENVIRONMENTAL PROTECTION

State Water Resources Control Board

MAR 08 2012

CERTIFIED MAIL NO.7004-2510-0003-9152-9266
Return Receipt Requested

GRR Vineyard LLC
C/O Corporation Service Company – Agent for Service of Process
2730 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833

Dear GRR Vineyard LLC:

ENFORCEMENT ACTION ENF00124 - ADMINISTRATIVE CIVIL LIABILITY COMPLAINT AND NOTICE OF PROPOSED CEASE AND DESIST ORDER REGARDING UNAUTHORIZED DIVERSION OF WATER WITHIN THE NAPA WATERSHED IN NAPA COUNTY

Enclosed are an Administrative Civil Liability (ACL) Complaint and a draft Cease and Desist Order (CDO). This letter serves as notice to GRR Vineyard LLC (GRR Vineyard) of the intent of the State Water Resources Control Board (State Water Board), Division of Water Rights (Division) to proceed with these enforcement actions. Therefore, this matter requires your immediate attention.

By letter dated August 18, 2011, the Division notified GRR Vineyard of its investigation into the water rights for existing reservoirs within the area subject to the Policy for Maintaining Instream Flows in Northern California Coastal Streams (Instream Flow Policy), adopted May 4, 2010 (Notice Letter). A copy of the Notice Letter is enclosed for your convenience. The Notice Letter informed GRR Vineyard that the Division identified a property that GRR Vineyard owns in the Instream Flow Policy area as containing a reservoir for which no record of a valid existing water right could be found. The property in question is identified by the Napa County Assessor as Parcel Number 035-120-036.

The State Water Board considers the August 18, 2011 Notice Letter as providing notification of potential violations for enforcement purposes. To date, the State Water Board's records indicate that GRR Vineyard has not submitted: (1) evidence supporting an existing basis of right or explaining why the diversion is not subject to the State Water Board's permitting authority; (2) a corrective action plan describing how GRR Vineyard would prevent further unauthorized diversions from occurring; nor (3) a Statement of Diversion and Use (Statement) for the diversion in question.

In December 2011 the Division did a detailed review of aerial photographs and United States Geological Survey Quadrangle maps, which clearly show that your dam and reservoir constitute a diversion of water as defined by Water Code section 5100. Furthermore, there is no record of either an appropriate water right issued by the State Water Board authorizing GRR Vineyard's water diversion facility or a Statement having been filed with the Division for the storage of water in GRR Vineyard's reservoir.

Based on these findings, I signed the enclosed ACL complaint against GRR Vineyard proposing a liability of **\$15,700** be imposed for unauthorized diversion and use of water for the last three years. Pursuant to the enclosed ACL complaint, the \$15,700 is due and payable within 20 days of receipt of the complaint unless GRR Vineyard requests a hearing before the State Water Board in accordance with Water Code section 1055, subdivision (b). The request must be delivered to or received by mail by the State Water

CHARLES R. HOPPIN, CHAIRMAN | THOMAS HOWARD, EXECUTIVE DIRECTOR

1001 I Street, Sacramento, CA 95814 | Mailing Address: P.O. Box 100, Sacramento, CA 95812-0100 | www.waterboards.ca.gov

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Board within 20 days after receipt of the complaint. At any hearing, the State Water Board may reexamine and adjust the proposed ACL higher or lower, not to exceed the maximum allowed by statute.

Also enclosed is a draft CDO that requires GRR Vineyard to file a Statement for the diversion in questions and to cease and desist from diversion and use of water at the reservoir, or take certain corrective actions within a specified time schedule. The corrective actions required include: (1) submitting a registration form for a small domestic use or livestock stockpond if applicable; or (2) filing for an appropriative water right permit that would authorize the diversion and use of water at the reservoir; and submitting an operational plan that demonstrates how the reservoir will be operated in conformance with the requirements set forth in the Instream Flow Policy. In addition, the CDO specifies that should the State Water Board not issue a water right permit, GRR Vineyards must render the reservoir incapable of storing water subject to the permitting authority of the State Water Board.

If GRR Vineyards disagrees with the facts or time schedules for the corrective actions set forth in the enclosed draft CDO, GRR Vineyard may request a CDO hearing before the State Water Board no later than 20 days from the date of receipt of this notice. Unless a written request for hearing regarding the CDO signed by or on behalf of GRR Vineyard is delivered to or received by mail by the State Water Board within 20 days after receipt of this letter, the State Water Board may adopt the CDO, with the statement of facts and information set forth in the enclosed draft CDO, without a hearing. (Water Code, §1834.)

If GRR Vineyard requests a hearing concerning the ACL complaint and/or the proposed CDO, then a hearing before the State Water Board, or a hearing officer for the State Water Board, will be scheduled and GRR Vineyard will be notified of the hearing date. Prior to the hearing, GRR Vineyard will be required to submit any written testimony and other evidence GRR Vineyard would like the State Water Board to consider.

A request for an ACL hearing and/or a CDO hearing may be made by mailing the request to the State Water Board at the following address:

Division of Water Rights
P.O. Box 2000
Sacramento, CA 95812-2000

A Request for hearing may also be hand delivered to:

Division of Water Rights, Records Unit
1001 I Street, 2nd Floor
Sacramento, CA 95814

In summary, GRR Vineyard should take immediate action to:

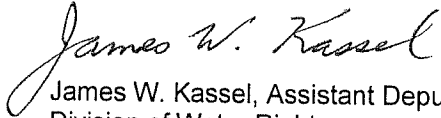
- (1) Remit payment of the ACL, or a written request for a hearing with regard to the ACL;
- (2) File a Statement as required by California Water Code sections 5100-5107; and
- (3) Begin complying with the provisions of the draft CDO within 30 days by submitting the required Statement and one of the following (in accordance with the provisions of the draft CDO):
 - (a) evidence that a registration form for the registration of a small domestic use or livestock stockpond has been submitted to the Department of Fish and Game;
 - (b) an appropriative water right application;
 - (c) a letter of intent not to pursue a water right permit and committing to develop and submit a plan to render the reservoir incapable of storing water subject to the State Water Board's authority; or submit a written request for a hearing with regard to the CDO.

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Failure to respond to this letter and the issuance of the enclosed ACL Complaint and draft CDO in the time period provided will result in the State Water Board issuing a final ACL Order and CDO. Furthermore, the State Water Board may consider additional enforcement of those orders without further notice.

If you have any questions concerning this matter or there are facts or circumstances that you would like to discuss, then please contact one of the following: John O'Hagan, Manager Enforcement Section at (961) 341-5368 or JOHagan@waterboards.ca.gov; or Yvonne West, Senior Staff Counsel Office of Enforcement at (916) 322-3626 or YWest@waterboards.ca.gov.

Sincerely,



James W. Kassel, Assistant Deputy Director
Division of Water Rights

Enclosures:

- August 18, 2011 Notice Letter
- Administrative Civil Liability Complaint
- Draft Cease and Desist Order
- Exhibit A: Aerial Photograph
- Exhibit B: USGS Topo Map

cc: GRR Vineyard LLC
221 Devlin Road
Napa, CA 94558

Georg Rafael
2076 Dry Creek Road
Napa, CA 94558

STATE OF CALIFORNIA
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
STATE WATER RESOURCES CONTROL BOARD

DIVISION OF WATER RIGHTS

ADMINISTRATIVE CIVIL LIABILITY COMPLAINT

In the Matter of Unauthorized Diversion and
Failure to File a Statement of Water Diversion and Use by

GRR Vineyard LLC

SOURCE: Unnamed Stream tributary to Napa River

COUNTY: Napa

YOU ARE HEREBY GIVEN NOTICE THAT:

1. GRR Vineyard LLC (GRR Vineyard) is alleged to have violated California Water Code section 1052(a), which states:

The diversion or use of water subject to [division 2 of the Water Code (commencing with section 1000)] other than as authorized in [division 2] is a trespass.
2. California Water Code section 1052(b) provides that the State Water Resources Control Board (State Water Board) may administratively impose civil liability in an amount not to exceed \$500 for each day that a trespass occurs.
3. California Water Code sections 5100-5107 establish a program requiring persons (with some exceptions not relevant to you) who divert water from a surface stream to file a Statement of Water Diversion and Use (Statement).
4. GRR Vineyard is alleged to have violated California Water Code section 5101, which states, in pertinent part:

Each person who, after December 31, 1965 diverts water shall file with the board, prior to July 1 of the succeeding year, a statement of his or her diversion and use . . .
5. California Water Code section 5107(c)(1) provides that the State Water Board may administratively impose civil liability in the amount of \$1,000 for the failure to file a Statement, plus \$500 per day for each additional day on which the violation continues if the person fails to file a Statement within 30 days after the State Water Board has called the violation to the attention of that person.
6. California Water Code section 1055(a) provides that the Executive Director of the State Water Board may issue a complaint to any person or entity on whom administrative civil liability (ACL) may be imposed. On May 17, 1999, the Executive Director delegated to the Deputy Director for

Water Rights the authority to issue a complaint to impose an ACL under California Water Code section 1055(a). Pursuant to State Water Board Resolution 2007-0057, the Deputy Director for Water Rights is authorized to issue an order imposing an ACL when a complaint has been issued and no hearing has been requested within 20 days of receipt of the complaint. State Water Board Resolution 2007-0057 also authorizes redelegation of this authority from the Deputy Director for Water Rights to the Assistant Deputy Director of Water Rights. This authority has been redelegated.

ALLEGATIONS

7. In December 2007 the State Water Board produced a draft Substitute Environmental Document (SED) as part of its development of the Policy for Maintaining Instream Flows in Northern California Coastal Streams (Instream Flow Policy). Appendix E of the SED contains the report Potential Indirect Environmental Impacts of Modification or Removal of Existing Unauthorized Dams produced by Stetson Engineers in December 2007. In order to complete this report, Stetson Engineers produced a Geographic Information System (GIS) layer which identified the locations of the existing potential unauthorized dams. In June and July of 2011, a review of the GIS layer, aerial photographs, and United States Geological Survey (USGS) topographic maps of the Napa River watershed was undertaken by the State Water Board, Division of Water Rights (Division). The review provided evidence that Napa County Assessor's Parcel Number 035-120-036 contained a reservoir that appears to collect surface flow from an Unnamed Stream and is subject to the permitting authority of the State Water Board. According to Napa County, GRR Vineyard is the current owners of parcel 035-120-036. From a review of water rights filed with the Division, the Division concluded that there was no record of a Statement having been filed in accordance with Water Code section 5101 et. seq. for the reservoir on this parcel.
8. On August 18, 2011, the Division mailed GRR Vineyard a letter which notified GRR Vineyard that a reservoir had been identified on Assessor's Parcel Number 035-120-036 (Notice Letter). The Notice Letter informed GRR Vineyard that the State Water Board does not have any record of a Statement or an appropriate water right authorizing the diversion of water for the subject property and that they need to file for a water right if the reservoir is collecting water to storage from a surface stream. The Notice Letter explains that unauthorized diversions are considered a trespass against the state for which the State Water Board may issue a civil liability in the amount of \$500 per day for each day that the trespass occurs. Additionally, the Notice Letter advised them of the requirements to file a Statement and potential penalties for failure to file a Statement pursuant to Water Code section 5100, et seq. Lastly, the Notice Letter requested that GRR Vineyard take one of the following actions: (1) if GRR Vineyard is claiming an existing basis of right or diverting water not subject to the State Water Board's permitting authority, then they should submit evidence supporting those facts within 30 days of the receipt of the Notice Letter; or (2) If GRR Vineyard agrees that the diversion was subject to the permitting authority of the State Water Board, then the Notice Letter gave GRR Vineyard 60 days to develop and submit a corrective action plan to prevent the unauthorized diversion of water.
9. As of February 24, 2012, GRR Vineyard has not responded in any manner to the Notice Letter. The Notice Letter was sent regular mail via the U.S. Postal Service to the property's mailing address and is presumed to have been delivered because it has not been returned by the U.S. Postal Service as undeliverable. GRR Vineyard has not submitted any of the following: (1) evidence supporting an existing basis of right or demonstrating that the diversion is not subject to the State Water Board's permitting authority; (2) a corrective action plan describing how GRR Vineyard would prevent further unauthorized diversions from occurring; nor (3) a Statement of Water Diversion and Use for the diversion in question.
10. In December 2011, the Division did a detailed review of National Agriculture Imagery Program aerial photographs dated 2010 available from United States Department of Agriculture (USDA) (Exhibit A) and the Napa USGS Quadrangle, dated 1980 (Exhibit B). These aerial images and maps clearly show that the reservoir is formed by a single axis dam that has been constructed

across a stream channel. Division staff estimates the watershed area above the dam is 15 acres and the reservoir surface area when full is approximately 1.2 acres. Assuming an average depth of 15 feet, Division staff estimates that the reservoir could store approximately 12.6 acre-feet. Using precipitation data from USGS Digital Line Graphs and the watershed area Division staff estimate an average annual runoff of 8.75 acre-feet. The location of the reservoir, area of the watershed, capacity of the reservoir, and average annual runoff, demonstrate that any reduction in water stored in the reservoir due to consumptive use, evaporation, and/or seepage would be refilled annually. Therefore, the dam and reservoirs constitutes a diversion of water as defined by Water Code section 5100. Furthermore, the reservoir is a post-1914 diversion and use because it was not included on the original 1951 USGS Quad map (Exhibit B) and is first documented on the map in 1980 as a photo revision. Therefore, the reservoir is a diversion and use subject to the State Water Board's permitting authority (division 2 of the Water Code) for which GRR Vineyard has not applied for, or obtained a water right permit.

PROPOSED CIVIL LIABILITY

11. The basis of this complaint is the unauthorized diversion, storage, and use of water by GRR Vineyard since at least 2007, and the failure to file a Statement for the diversion of water at the reservoir. The unauthorized diversion and use of water constitutes a trespass subject to liability under California Water Code section 1052 and the failure to file a Statement constitutes a violation subject to liability in accordance with California Water Code section 5107.
12. The maximum civil liability that can be imposed by the State Water Board in the matter of the unauthorized diversion and use of the water is \$500 for each day in which the trespass occurred. Evidence demonstrates that the reservoir has been in existence and continuously holding water since at least 1980. GRR Vineyard has owned the property since 2007 and has collected water from the Unnamed Stream and continuously held some water in storage for over 5 years. Considering only the last three years of unauthorized diversion and use a civil liability of \$547,500 could be considered (\$500 per day 1095 days) for the trespass in this case.
13. In addition, GRR Vineyard failed to file a Statement for their diversion and use of water from the Unnamed Stream for either 2009 or 2010 by the deadline of July 1 of either year. The California Water Code section 5107(c)(1) provides that the State Water Board may administratively impose civil liability pursuant to section 1055 in an amount not to exceed \$1,000, plus \$500 per day for each additional day on which the violation continues if the person fails to file a Statement within 30 days after the State Water Board has called the violation to the attention of that person. Such notice was provided by the Notice Letter on August 18, 2011. By February 24, 2012, GRR Vineyard has been on notice of the requirements for filing a Statement for 190 days, therefore the maximum civil liability that can be considered at this time is \$1,000 plus 160 days (\$500), or \$81,000.
14. In total the State Water Board could consider a penalty of \$628,500 (\$547,500 plus \$81,000) for both the unauthorized diversion and the failure to file a Statement. In determining the amount of civil liability, California Water Code section 1055.3 requires that the State Water Board consider all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the nature and persistence of the violation, the length of time over which the violation occurs, and any corrective action taken by the violator.
15. In this case, GRR Vineyard has collected and stored water from the Unnamed Stream. These diversions have annually reduced the amount of water available for legitimate downstream water right holders and for the Central California Coastal steelhead trout fishery and other riparian habitat. While the adverse impacts of unauthorized water diversions on prior right holders and the steelhead trout fishery have not been quantified for this case, unauthorized diversions of water have been shown to contribute to the cumulative impact of reducing water supplies and habitat for steelhead trout. The State of California lists the Central California Coastal steelhead

as a species of special concern, and on August 18, 1997, the National Marine Fisheries Service listed the steelhead trout as threatened under the Federal Endangered Species Act. As of the date of this complaint, GRR Vineyard has failed to take any corrective action.

16. GRR Vineyard received an economic advantage over other legitimate water diverters in the area by foregoing the costs of buying the water or pumping groundwater from a well, forgoing the cost of acquiring an appropriative water right, and forgoing the cost of annual water right fees. The GRR Vineyard property contains a reservoir with an estimated capacity of 12.6 acre-feet. The University of California Cooperative Extension has produced cost studies for various crops and commodities for different regions of California. Studies produced for the North Coast region for production of wine grapes and olive oil from 2009 through 2011 all indicate the typical cost of pumping groundwater from a 120 foot deep well with a 10 horsepower motor is approximately \$198 per acre-foot. The reservoir has existed since at least 1980 and GRR Vineyard has owned the property since 2007. Evaporation losses for the 12.6 acre-foot reservoir have been estimated at 3.6 acre-feet per year. Not considering consumptive use of water or seepage loss from the reservoir, GRR Vineyard has replaced at least evaporation losses in each of the last three years that GRR Vineyard owned the property. Accordingly, GRR Vineyard has avoided paying an estimated \$2,138.

Additionally, the Division estimates that its staff cost to review the existing project and develop the enforcement documents to be \$ 2,200. If this matter goes to hearing, it is estimated that the additional staff cost to prosecute this case would be approximately \$10,000. The water right filing fee for 12.6 acre-feet of water would be \$1,039 and the annual water right fees since fiscal year 2009-10 would be \$350.

17. Having taken into consideration the factors described above and the enforcement goal of deterrence, the Assistant Deputy Director for Water Rights recommends an ACL for the past 3 years of violation in the amount of **\$15,700**. This liability amount includes a proposed \$1,000 for failure to file required Statements and is the minimum liability recommended by the Division Prosecution Team in order to recover staff costs incurred and to impose a disincentive for continued unauthorized diversions and violations of the new Statement law. Should the matter go to hearing, the State Water Board may consider a different liability, including additional staff costs incurred, up to the maximum amount provided by law:

RIGHT TO HEARING

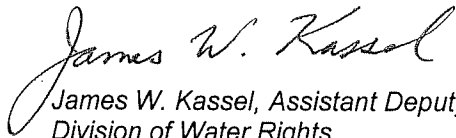
18. GRR Vineyard may request a hearing on this matter before the State Water Board. Any such request for hearing must be received or postmarked within 20 days of the date this notice is received. (Water Code, sec. 1055, subd. (b).)
19. If GRR Vineyard requests a hearing, GRR Vineyard will have an opportunity to be heard and to contest the allegations in this complaint and the imposition of an ACL by the State Water Board. If a hearing is requested, a separate notice setting the time and place for the hearing will be mailed no later than 10 days before the hearing date.
20. If GRR Vineyard requests a hearing, the State Water Board will consider at the hearing whether to impose the civil liability, and if so, whether to adjust the proposed liability within the amount authorized by statute. Based on the evidence received at the hearing, the State Water Board may take any appropriate action in accordance with sections 100, 275, and 1050 et seq. of the Water Code and its responsibilities under the public trust doctrine. Any State Water Board order imposing an ACL shall be final and effective upon issuance.

21. If GRR Vineyard does not wish to request a hearing within 20 days of the date of this Complaint, GRR Vineyard shall file a Statement, waive their rights to hearing and reconsideration of this matter, and remit a cashier's check or money order for the amount of the ACL set forth in paragraph 17 above, to:

State Water Resources Control Board
Division of Water Rights
Enforcement Section
P.O. Box 2000
Sacramento, CA 95812-2000

22. If GRR Vineyard does not request a hearing and does not remit the ACL, the State Water Board will issue a final ACL Order and seek recovery of the full amount of the ACL as authorized by Water Code section 1055.4

STATE WATER RESOURCES CONTROL BOARD



James W. Kassel, Assistant Deputy Director
Division of Water Rights

Dated: MAR 08 2012

STATE OF CALIFORNIA
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
STATE WATER RESOURCES CONTROL BOARD

DIVISION OF WATER RIGHTS

ORDER WR 2012 -00XX-DWR

CEASE AND DESIST ORDER

In the Matter of Unauthorized Diversion by the

GRR Vineyard LLC

SOURCE: Unnamed Stream tributary to Napa River

COUNTY: Napa

The State Water Resources Control Board (State Water Board or Board) is authorized under Water Code section 1831 to issue a Cease and Desist Order (CDO) requiring GRR Vineyard LLC (GRR Vineyard) to cease and/or abate a threatened, unauthorized diversion, storage, and use of water in violation of California Water Code section 1052.

GRR Vineyard is alleged to have violated or are threatening to violate California Water Code section 1052 for which section 1831 (d) provides, in part:

The State Water Board is authorized to issue a Cease and Desist Order when it determines that any person is violating or threatening to violate any of the following:

- (1) *The prohibition set forth in section 1052 against the diversion or use of water subject to division 2 (commencing with section 1000) of the Water Code other than as authorized by division 2.*

On {DATE}, and in accordance with the provisions of section 1834 of the California Water Code, the State Water Board, Division of Water Rights (Division) provided notice of the CDO against GRR Vineyard for the violation and threatened violation of the prohibition against unauthorized diversion, storage, and use of water. Pursuant to State Water Board Resolution 2007-0057, the Deputy Director for Water Rights is authorized to issue a notice of cease and desist, and when a hearing has not been timely requested, issue a CDO in accordance with Water Code section 1831 et seq. State Water Board Resolution 2007-0057 also authorizes redelegation of this authority from the Deputy Director for Water Rights to the Assistant Deputy Director for Water Rights. This authority has been redelegated.

The State Water Board or its delegee, the Assistant Deputy Director for Water Right, finds that:

1. GRR Vineyard owns property that includes a reservoir on an Unnamed Stream tributary to Napa River. Any water diverted to storage in the reservoir from the Unnamed Stream is subject to the State Water Board's permitting and licensing authority as detailed in division 2 (commencing with section 1000) of the California Water Code.
2. GRR Vineyard does not have a water right permit or license to store surface water in said reservoir.

3. GRR Vineyard has violated Water Code section 1052 in the past by diverting surface water from the Unnamed Creek to storage in the reservoir for later use without a basis of right.
4. The reservoir also presents a threat of future unauthorized diversion and use of water in violation of Water Code section 1052.

FACTUAL BASIS FOR ISSUING A CDO

The facts and information upon which this CDO is based are as follows:

1. In December 2007 the State Water Board produced a draft Substitute Environmental Document (SED) as part of its development of the Policy for Maintaining Instream Flows in Northern California Coastal Streams (Instream Flow Policy). Appendix E of the SED contains the report Potential Indirect Environmental Impacts of Modification or Removal of Existing Unauthorized Dams produced by Stetson Engineers in December 2007. In order to complete this report, Stetson Engineers produced a Geographic Information System (GIS) layer which identified the locations of the existing potential unauthorized dams. In June and July of 2011, a review of the GIS layer, aerial photographs, and United States Geological Survey (USGS) topographic maps of the Napa River watershed was undertaken by the State Water Board, Division of Water Rights (Division). The review provided evidence that Napa County Assessor's Parcel Number 035-120-036 contained a reservoir that appears to collect surface flow from an Unnamed Stream and is subject to the permitting authority of the State Water Board. According to Napa County, GRR Vineyard is the current owner of parcel 035-120-036. From a review of water rights filed with the Division, the Division concluded that there was no record of a Statement of Water Diversion and Use (Statement) having been filed in accordance with Water Code section 5101 et. seq. for the reservoir on this parcel.
2. On August 18, 2011, the Division mailed GRR Vineyard a letter which notified GRR Vineyard that a reservoir had been identified on Assessor's Parcel Number 035-120-036 (Notice Letter). The Notice Letter informed GRR Vineyard that the State Water Board does not have any record of a Statement or an appropriate water right authorizing the diversion of water for the subject property and that they need to file for a water right if the reservoir is collecting water to storage from a surface stream. The Notice Letter explains that unauthorized diversions are considered a trespass against the State for which the State Water Board may issue a civil liability in the amount of \$500 per day for each day that the trespass occurs. Additionally, the Notice Letter advised them of the requirements to file a Statement and potential penalties for failure to file a Statement pursuant to Water Code section 5100, et. seq. Lastly, the Notice Letter requested that GRR Vineyard takes one of the following actions: (1) if GRR Vineyard is claiming an existing basis of right or diverting water not subject to the State Water Board's permitting authority, then they should submit evidence supporting those facts within 30 days of the receipt of the Notice Letter; or (2) If GRR Vineyard agrees that the diversion was subject to the permitting authority of the State Water Board, then the Notice Letter gave GRR Vineyard 60 days to develop and submit a corrective action plan to prevent the unauthorized diversion of water.
3. As of February 24, 2012, GRR Vineyard has not responded in any manner to the Notice Letter. The Notice Letter was sent regular mail via the U.S. Postal Service to the subject property and is presumed to have been delivered because it has not been returned as undeliverable. GRR Vineyard has not submitted any of the following: (1) evidence supporting an existing basis of right or demonstrating that the diversion is not subject to the State Water Board's permitting authority; (2) a corrective action plan describing how GRR Vineyard would prevent further unauthorized diversions from occurring; nor (3) a Statement of Water Diversion and Use for the diversion in question.

4. In December 2011, the Division did a detailed review of National Agriculture Imagery Program aerial photographs dated 2010 available from United States Department of Agriculture (USDA) (Exhibit A) and the Napa USGS Quadrangle, dated 1980 (Exhibit B). These aerial images and maps clearly show that the reservoir is formed by a single axis dam that has been constructed across a stream channel. Division staff estimates the watershed area above the dam is 15 acres and the reservoir surface area when full is approximately 1.2 acres. Assuming an average depth of 15 feet, Division staff estimates that the reservoir could store approximately 12.6 acre-feet. Using precipitation data from USGS Digital Line Graphs and the watershed area Division staff estimate an average annual runoff of 8.75 acre-feet. The location of the reservoir, area of the watershed, capacity of the reservoir, and average annual runoff, demonstrate that any reduction in water stored in the reservoir due to consumptive use, evaporation, and/or seepage would be refilled annually. Therefore, the dam and reservoir constitutes a diversion of water as defined by Water Code section 5100. Furthermore, the reservoir is a post-1914 diversion and use because it was not included on the original 1951 USGS Quadrangle map (Exhibit B) and is instead documented for the first time in 1980 as a photo revision to the map. Accordingly, the reservoir is a diversion and use subject to the State Water Board's permitting authority (division 2 of the Water Code) for which GRR Vineyard has not applied for, or obtained a water right permit.

IT IS HEREBY ORDERED, pursuant to sections 1831 through 1836 of the California Water Code, that GRR Vineyard shall cease the unauthorized diversion of water from the Unnamed Stream tributary to Napa River, file a Statement for the diversion of water at the reservoir, and pursue one the following corrective action options and satisfy the appropriate time schedules outlined herein:

Corrective Action Options

Option 1:

1. If the reservoir in question qualifies for a Small Domestic Use or Livestock Stockpond Registration in accordance with Water Code sections 1228 and forward, then within 30 days of the date of this order, GRR Vineyard shall provide evidence to the Assistant Deputy Director for Water Rights that a Small Domestic Use and Livestock Stockpond Registration form has been completed and submitted to the Water Rights Coordinator for the Department of Fish and Game (DFG) in the Region 3 Office in Napa, and GRR Vineyard must diligently pursue that registration.
2. If the DFG or the State Water Board rejects GRR Vineyard's registration request on the grounds that the reservoir in question is not eligible for registration, then within 30 days of DFG or the State Water Board issuing that decision, GRR Vineyard shall: (1) file an appropriate water right application with the Division and comply with Option 2 below; or (2) inform the State Water Board that they will not pursue a water right permit and will comply with option 3 below.

Option 2:

1. Within 30 days of the date of this Order, GRR Vineyard shall file an appropriate water right application with the Division for storage and use of water in their reservoir, and diligently pursue securing a permit by satisfying all Division requests for information, environmental documents, maps, and fees within the designated time frames, or any extension of time granted by the Division; and
2. Within 90 days of the date of this Order, GRR Vineyard shall submit a reservoir operation plan (Operation Plan) for acceptance by the Assistant Deputy Director for Water Rights. The Operation Plan must demonstrate how the reservoir will be operated without storing additional water subject to the State Water Board's permitting authority, or alternatively how it will be operated in compliance with the State Water Board's Instream Flow Policy. If GRR Vineyard intends to continue to divert and store water subject to the State Water Board's permitting authority while

pursuing a water rights permit through the application process, then the operation plan must at a minimum detail interim operating conditions consistent with Section 2.2 of the Instream Flow Policy. Specifically, the reservoir operation plan shall describe how GRR Vineyard will bypass all water outside the Instream Flow Policy's diversion season of December 15th to March 31st, provide for an appropriate minimum bypass flow (MBF) during the diversion season, and keep hourly records of the diversion of water. The MBF should be based on the criteria in Instream Flow Policy Table 2.1 with the assumption that the points of diversion are below anadromy until it is demonstrated to the Division's satisfaction that the points of diversion are on a Class II or Class III stream. If it is determined that the point of diversion is on a Class II or Class III stream, then the interim MBF should be based on the February median flow. The reservoir operation plan shall include the installation of measuring devices and bypass facilities, a monitoring and reporting schedule for those facilities that complies with section 10 of the Instream Flow Policy, and a schedule detailing the completion date for the construction of those facilities. GRR Vineyard shall implement the Operation Plan in accordance with the schedule contained therein. No additional water shall be collected to storage unless consistent with the Operation Plan as accepted by the Assistant Deputy Director for Water Rights, if and until a permit is issued pursuant to GRR Vineyard's water right application submitted in accordance with paragraph 1 of this option.

3. If the State Water Board denies or cancels GRR Vineyard's water right application, then within 150 days of the State Water Board issuing that decision, GRR Vineyard shall submit a plan to the Assistant Deputy Director for Water Rights for permanently rendering the reservoir incapable of storing water subject to the permitting authority of the State Water Board. The plan must satisfy the same requirements and is subject to the same acceptance criteria that are detailed below in option 3.

Or,

Option 3:

1. Within 30 days of the date of this Order, GRR Vineyard shall inform the State Water Board that they will not pursue a water right permit to authorize the collection of water to storage from the unnamed stream. Thereafter, within 150 days of the date of this order, GRR Vineyard shall submit a plan to the Assistant Deputy Director for Water Rights to permanently render the reservoir incapable of storing water subject to the State Water Board's permitting authority. The plan shall include a time schedule not to exceed two years for completion of the proposed alteration and the identification of any permits or agreements necessary from other federal, state and local agencies to complete the work. Upon acceptance of the plan by the Assistant Deputy Director as sufficient to render the reservoir incapable of being an unauthorized diversion or threat of future diversion in violation of Water Code section 1052, GRR Vineyard shall diligently comply with all provisions and time schedules of the plan. If GRR Vineyard is unable to comply fully with the plan due to other federal, state, or local agencies with authority over the work required, GRR Vineyard shall immediately alert the Assistant Deputy Director for Water Rights of the reason for delay and any problems with fully complying with the provisions of the plan and diligently work to overcome such obstacles.

Compliance with Future Directives of Division

Whichever corrective action option is taken, GRR Vineyard shall comply with any written directive of the Assistant Deputy Director for Water Rights regarding that corrective action Option until such time as the State Water Board issues a water right permit or the reservoir is rendered incapable of storing water subject to State Water Board's permitting authority.

Consequences of Non-Compliance

In the event GRR Vineyard fails to comply with the requirements of this Order, they shall be in violation of this CDO and subject to additional enforcement, which may include the imposition of administrative civil liability pursuant to Water Codes section 1845 (b)(1) of up to \$1,000 for each day in which the violations occurs, or referral to the Attorney General to take further enforcement actions as described in California Water Code section 1845(a):

Failure of any person to comply with a CDO issued by the State Water Board pursuant to this chapter may subject that person to further enforcement action, including assessment of civil liability of up to one thousand dollars a day and referral to the Attorney General for the issuance of prohibitory or mandatory injunctive relief as appropriate, including a temporary restraining order, preliminary injunction, or permanent injunction.

Reservation of Enforcement Authority and Discretion

Nothing in this Order is intended to or shall be construed to limit or preclude the State Water Board from exercising its authority under any statute, regulation, ordinance, or other law, including but not limited to, the authority to bring enforcement against GRR Vineyard for unauthorized diversion or use in violation of Water Code section 1052 regardless of compliance with an Operation Plan or other corrective action plan accepted in accordance with a corrective action option 2 described herein above.

Regulatory Changes

Nothing in this Order shall excuse GRR Vineyard from meeting any more stringent requirements that may be imposed hereafter by applicable legally binding legislation, regulations or water right permit requirements.

STATE WATER RESOURCES CONTROL BOARD

*James W. Kassel, Assistant Deputy Director
Division of Water Rights*

Dated:

State Water Resources Control Board

AUG 18 2011

TO: Property Owners within Napa River Watershed in Napa County

NOTICE OF POTENTIAL UNAUTHORIZED DIVERSION AND USE OF WATER, AND FAILURE TO FILE A STATEMENT OF WATER DIVERSION AND USE FOR DIVERSION OF WATER IN NAPA COUNTY

The State Water Resources Control Board's (State Water Board) Division of Water Rights (Division) is investigating the water rights for existing reservoirs in Marin, Mendocino, Napa, Sonoma, and portions of Humboldt counties. The Division is responsible for the administration of appropriative water rights in California initiated after 1914; commonly referred to as "post-1914 appropriative water rights." In most cases, any reservoir constructed after 1914 that collects surface water for storage requires an appropriative water right issued by the State Water Board. This investigation is being conducted as part of the State Water Board's continuing authority to protect public trust resources such as the threatened salmon and steelhead fisheries. The diversion of water to storage can lead to dewatering of stream channels and loss of gravel and woody debris critical to fishery habitat. The Division is trying to protect the fishery resources from unauthorized diversions by ensuring that all storage facilities are operating legally.

Marin, Mendocino, Napa, Sonoma and Humboldt Counties are within the area subject to the State Water Board's Policy for Maintaining Instream Flows in Northern California Coastal Streams (Policy), adopted May 4, 2010. Implementation of this Policy guides the processing of applications for new water rights within the Policy area. There are three stream class types identified in the Policy area. Class I streams are streams where fish are always or seasonally present. Class II streams are streams where fish are not present, but aquatic non-fish vertebrates (frogs, salamanders, etc.) and/or aquatic benthic macro-invertebrates (insects) exist. Class III streams do not support aquatic life. The Policy states that the State Water Board, after May 5, 2011, will no longer approve water right applications for reservoirs built with an onstream dam on streams designated as a class I or class II stream. Reservoirs built on class III streams may still file a water right application.

You are being contacted because Napa County records indicate you own property in the Policy area, identified by the assessor parcel number listed on the envelope, on which a reservoir has been identified that appears to be on either a class I, class II, or class III stream. Division staff has determined there is no record of an appropriative water right on file authorizing this water diversion facility. An unauthorized diversion of water constitutes a trespass against the State and the State Water Board may impose a civil liability in an amount not to exceed \$500 for each day that a trespass occurs. (Wat. Code, § 1052, et seq).

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In addition, Water Code section 5101 requires, with minor exceptions, that a person who diverts water from a stream in the absence of a permit, license or registration must file a Statement of Water Diversion and Use (Statement) with the State Water Board. The State Water Board may administratively impose a civil liability in the amount of \$1,000 for the failure to file a Statement for diversions that have occurred since 2009, plus \$500 per day for each additional day on which the violation continues if the person fails to file a Statement within 30 days after the State Water Board has called the violation to the attention of that person. (Wat. Code, § 5107, subd. (c)(1)).

This matter requires your immediate attention, and the State Water Board will consider your prompt cooperation and corrective actions taken in response to this notice in determining whether and what civil liability is appropriate for any violations. Your response may be one of the following:

1. If you believe you have been contacted in error, recently sold the above listed property, or do not have a pond or reservoir on the identified property, please immediately contact Division staff at the number below to rectify Division records accordingly.
2. If a pond or reservoir exists on your property, but you have or are claiming an existing basis of water right, or have been filling the facility with purchased water, groundwater or other water not subject to the State Water Board's permitting authority, you should submit any information that supports these facts to the State Water Board within 30 days of the date of this letter. Division staff may schedule an inspection of the reservoir site to confirm these facts before closing the matter. For a list of frequently asked questions and additional information about water subject to the State Water Board's permitting authorities please see http://www.waterboards.ca.gov/waterrights/board_info/.
3. If the pond or reservoir on your property does collect water subject to the State Water Board's water right permitting authority, you will need to take corrective actions to prevent continued unauthorized diversions. Corrective actions may vary, depending on site location, reservoir size and use of water, stream classification and State laws and regulations. Normally, an unauthorized diversion can be stopped, removed, rendered incapable of storing water, or legalized through the appropriate water right permit process. Please note that the filing of a water right application to appropriate water does not authorize diversion of water unless and until the State Water Board issues a permit for that application. Additionally, an application for water right is subject to filing and annual fees, public notice and environmental review under the California Environmental Quality Act (CEQA). The option to file an application to appropriate water in this case may be restricted if the Policy analysis estimating the stream classification is correct. Within 60 days of the date of this letter, you should submit a corrective action that identifies the action to be taken to correct the unauthorized diversion, and a schedule for completion of the corrective actions.

You may want to consult with an attorney or consultant familiar with water right laws before selecting a corrective action or providing a response. The State Water Board maintains a list of attorneys and consultants on its website at:

http://www.waterboards.ca.gov/waterrights/board_info/contacts.shtml.

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Additionally, if you have diverted water in 2009 or 2010, you should immediately file a Statement using the form available at:

http://www.waterboards.ca.gov/waterrights/water_issues/programs/diversion_use/docs/intl_stmnt_for_m.pdf. Information relating to the filing of a Statement, a discussion of the various types of water rights that exist in California and the associated procedures for either obtaining a water right or documenting that a water right already exists is available on our website at: www.waterboards.ca.gov/waterrights/.

If you have any questions, please refer to our website for general water right information, or contact the Division Enforcement Section at (916) 341-5342. Written correspondences should be addressed as follows:

State Water Resources Control Board
Division of Water Rights
Attention: Aaron Miller
P.O. Box 2000
Sacramento, CA 95812-2000.

Please note that if your diversion is unauthorized, the State Water Board can initiate enforcement action at its discretion and without further notice, so timely responses are important.

Sincerely,



Aaron Miller, Chief
Enforcement Unit 4

cc: San Francisco Bay
Regional Water Quality Control Board
1515 Clay Street, Suite 1400
Oakland, CA 94612

Department of Fish and Game
Bay Delta Region
7329 Silverado Trail
Napa, CA 94558

National Marine Fishery Service
Attention PRD Division
777 Sonoma Avenue, Room 325
Santa Rosa CA 95404



OWNER GRR VINEYARD LLC

APN 035-120-036

RESERVOIR ID No. 375

IMAGERY SOURCE

UNITED STATES DEPARTMENT OF AGRICULTURE
NATIONAL AGRICULTURE IMAGERY PROGRAM

IMAGERY DATE 2010

STATE OF CALIFORNIA
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
STATE WATER RESOURCES CONTROL BOARD
DIVISION OF WATER RIGHTS

EXHIBIT A

SCALE: 1:12,000

DATE:

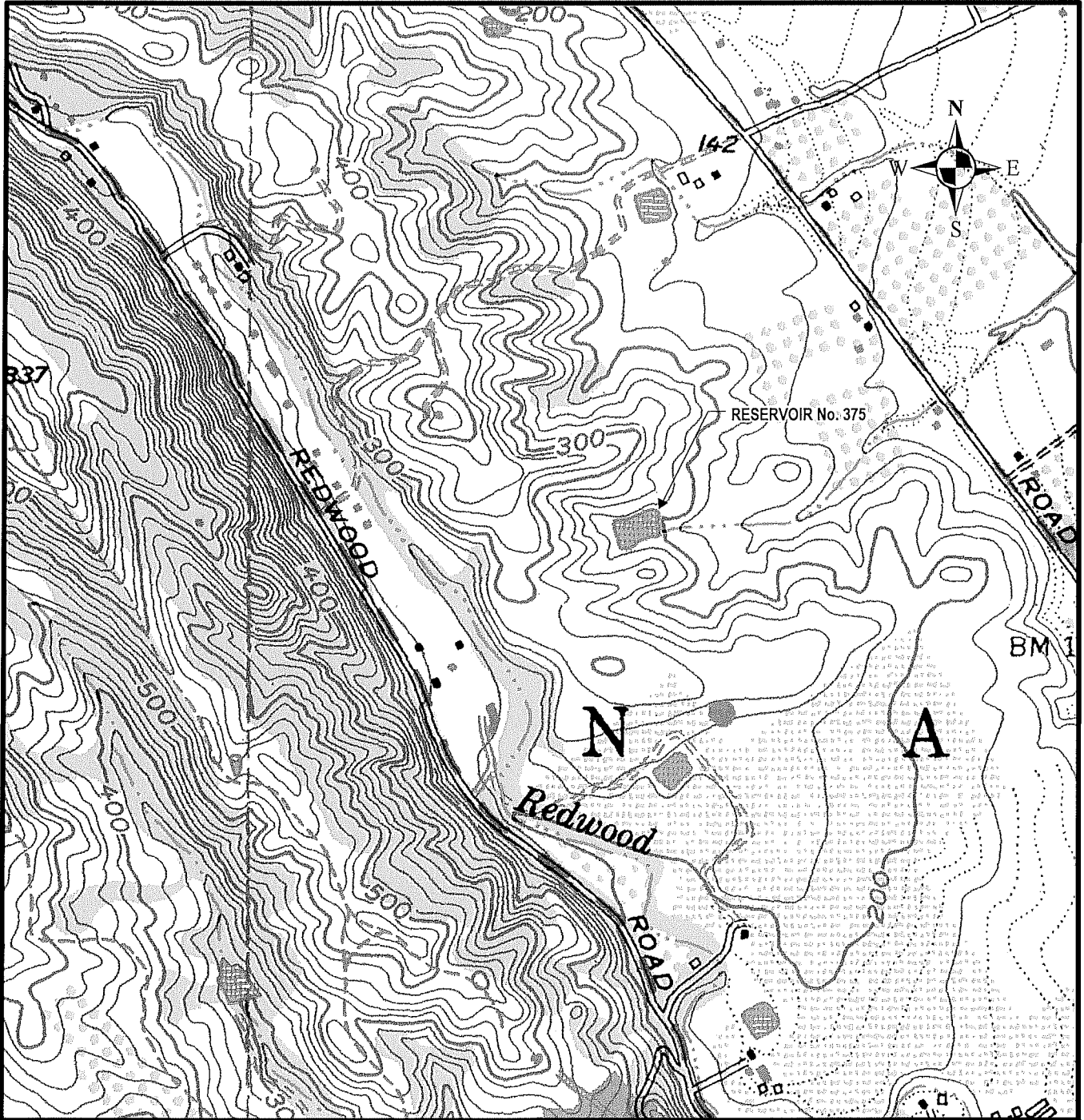
2-22-2012

DRAWN:

JW

CHECKED:

Note: This map does not constitute a public land survey as defined by California Business & Professions Code section 8726. It has been prepared for descriptive purposes only.



OWNER GRR VINEYARD LLC
 APN 035-120-036
 RESERVOIR ID No. 375
 U.S.G.S. QUAD NAPA
 DATE PHOTO REVISED 1980

STATE OF CALIFORNIA
 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
 STATE WATER RESOURCES CONTROL BOARD
 DIVISION OF WATER RIGHTS

EXHIBIT B

SCALE: 1:12,000

DATE: 2-22-2012	DRAWN: JW	CHECKED:
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Note: This map does not constitute a public land survey as defined by California Business & Professions Code section 8726. It has been prepared for descriptive purposes only.