

EXECUTIVE OFFICER'S SUMMARY REPORT  
9:00 a.m., Thursday, September 11, 2008  
Regional Water Quality Control Board  
Hearing Room  
5550 Skylane Boulevard, Suite A  
Santa Rosa, California 95403

ITEM: 4

SUBJECT: Public Hearing to consider Adoption of Order No. R1-2008-0100 amending the permits and orders previously issued to Scotia Pacific Company, Salmon Creek Corporation, and the Pacific Lumber Company, to the Humboldt Redwood Company, LLC, and the Town of Scotia Company, LLC.

#### DISCUSSION

On January 18, 2007, the Scotia Pacific Company, Salmon Creek Corporation and Pacific Lumber Company (collectively referred to as PALCO) filed for Chapter 11 bankruptcy in Corpus Christi, Texas. On July 8, 2008, the bankruptcy court issued its Judgment and Order confirming a reorganization plan proposed by Marathon Bank Structured Finance Fund L.P. (Marathon) and Mendocino Redwood Company, LLC (MRC). Among other components, this plan consolidates the Scotia sawmill and approximately 210,000 acres of commercial timberlands operations in Humboldt County to be managed by a new company, Humboldt Redwood Company, LLC, consistent with the sustainable forestry practices demonstrated by MRC in Mendocino County.

On July 30, 2008, MRC/Marathon took legal possession of the timberlands and mill, and renamed the new timber company Humboldt Redwood Company LLC (HRC). HRC is the entity that will conduct timber operations and other activities previously regulated by permits issued to PALCO.

The Executive Officer has the authority to process ownership changes for individual previously-enrolled projects under Order Nos. R1-2006-0039 and R1-2006-0041 (Watershed-wide WDRs Elk River and Freshwater Creek watersheds), Order No. R1-2004-0030 (General Waste Discharge Requirements (GWDRs) for Discharges Related to Timber Harvest Activities on Non-Federal Lands in the North Coast Region).

For the Watershed-wide WDRs, the Executive Officer has been approving ownership changes for previously enrolled and new units for the "Tier 1" acres, which must meet the receiving water limitations of the Landslide Reduction Model. The Executive Officer has approved ownership changes for previously enrolled units where the timber has been felled for the "Tier 2" units, which must meet the no landslide discharge requirements and Monitoring and Reporting Program No. R1-2008-0071. The Executive Officer has been approving ownership changes for the GWDRs.

The Regional Water Board issued Watershed-wide Waste Discharge Requirements (WWDRs) Order No. R1-2006-0039 and R1-2006-0041 to PALCO for its timber harvesting activities in the Elk River and Freshwater Creek watersheds, respectively. In addition, the Regional Water Board issued Monitoring and Reporting Programs R1-2006-0039, R1-2006-0041, and R1-2008-0071 in conjunction with WWDRs. To facilitate a smooth transition, and maintain compliance with mitigation and other requirements of these permits, an immediate name change to the WWDRs is required to reflect the change in ownership. This is a minor amendment that does not alter any substantive provisions of the permits and orders. No other change in the permits and orders is necessary at this time, but future substantive amendments may be considered based on discussions with HRC and/or as appropriate based on total daily maximum loads (TMDLs) developed for these watersheds, or other Regional Water Board action.

Additionally, four Cleanup and Abatement Orders (CAOs), two Waste Discharge Requirements permits on land disposal sites, and other permits associated with seasonal activities previously issued to PALCO, and all monitoring and reporting programs associated with the above named orders, require name changes.

Under the MRC/Marathon Plan, a new company, Town of Scotia Company, LLC, will own and operate the municipal wastewater treatment facility (WWTF) and a steam electric power plant (power plant) for the town of Scotia that is subject to the requirements of National Pollution Discharge Elimination System (NPDES) permit (Order No. R1-2006-0020). A minor amendment reflecting this change in ownership is required. Although mistakenly left off the posted draft order the accompanying Cease and Desist Order No. R1-2006-0073 also requires an amendment to reflect the new ownership by Town of Scotia Company, LLC and subsequently is included in the proposed order. These amendments do not alter any substantive provisions of the permit and no other change in the permit is necessary at this time. The MRC/Marathon Plan and bankruptcy court confirmation order satisfies the requirement for a written agreement containing the specific date for transfer of permit responsibility, coverage, and liability between the previous and new permittees under the federal regulations for minor permit modifications. (See 40 C.F.R. § 122.63(d).).

The proposed Order No. R1-2008-0100 amends the permits and orders to change the ownership to Humboldt Redwood Company, LLC, and Town of Scotia Company, LLC, Scotia, California and authorizes the Executive Officer to modify the permits and orders as necessary consistent with the Order and to post the amended permits and orders on the Regional Water Board's website once the changes are completed. No other changes to those permits are under consideration at this time, and will not be authorized by the Order.

PRELIMINARY STAFF  
RECOMMENDATION:

Adopt Order No. R1-2008-0100 as proposed.