

Monarch Grove Homeowners Association,
P.O. BOX 6818,
Los Osos, CA 93402.

August 12th 2005

Roger W. Briggs, Executive Officer,
California Regional Water Quality Board,
895 Aerovista Place, Suite 101,
San Luis Obispo, CA. 93401-0397.

Dear Mr. Briggs,

This letter is in response to yours dated June 29th regarding a Complaint for Administrative Civil Liability for Violation of Water Reclamation Requirements Order No. R3-2002-0061. The Monarch Grove Homeowners Association, hereinafter referred to as MGHA, regrets that you are recommending that MGHA be assessed a fine of \$75,000 for violations from January 2004 to February 2005. We will ask the Board on Oct 6th to not levy this penalty at this time for the following reasons:

1. On April 1st 2004 the MGHA, in an attempt to solve problems with the plant, hired Micro Media to operate the plant. Somewhat naively, we failed to monitor the manager's actions but rather depended upon them as professionals to operate the plant on our behalf. This does not, of course, alleviate our responsibility in this regard. Since we received the Cleanup & Abatement Order in early June we are monitoring very closely the performance of the plant. I personally visit the plant once or twice per week to discuss performance with the Operator. I also get copies of all reports and ensure that they are filed in a timely manner.

2. In December 2004 actions were taken to improve the plant and, as detailed below, they seem to have worked:

January 2005 - Only five violations
February 2005 - Only five violations
March 2005 - No Violations
April 2005 - Only three violation
May 2005 - No Violations
June 2005 - No Violations
July 2005 - No Violations

We are sure that you will agree that giant steps have been taken since the poor performance in 2004. There are no guarantees that the plant will continue to operate violation free but the present trend is very encouraging. Micro Media has proposed changing the screens on the front end of the plant but, as this was done in 2001, we are somewhat skeptical that this plan will provide a permanent solution to the problems. We are currently investigating other alternatives and should be in a position to present these at the hearing presently scheduled for October 6th.

3. The violations listed in 2 above are all for turbidity the highest of which was 3.27 NTU. On reviewing the July report we observe that the highest reading was 0.88 NTU with an average of 0.59 NTU for the month.

Item No. 3 Attachment No. 7
October 6, 2005 Panel Hearing
Monarch Grove Homeowners
Association Wastewater Facility

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SAN LUIS OBISPO, CA 93401

4. The MGHA recognizes the gravity of these violations, however, we trust you will understand our position regarding the actions of the company we chose to manage our system.

5. Micro Media have indicated that they will leave the plant on Aug 31st thus leaving MGHA holding the bag. We intend to press for the fulfillment of the contract which calls for a 90 day notice of termination.

6. The MGHA believes that the homeowners have not received an economic benefit over the past several years in their role as owner and operator of the plant. In fact, just the opposite has occurred. At the time the MGHA received ownership of the plant, the previous owner told the homeowners that costs would decline as more houses were built and added to the system. This wasn't the case as homeowner fees were raised to cover additional costs associated with more frequent hauling of sludge from the plant to meet permit compliance, increased insurance and other operating and maintenance costs. In addition the MGHA after considering the recommendation of the RWQCB staff and others determined that the proper course of action would be to connect to the community wastewater system and abandon this plant. On June 6th 2002 the LOCSD Board of Directors accepted the Montgomery Watson Harza and John L Wallace Associated engineering reports, which determined the costs and benefits to having the homeowners connect to the community system. The LOCSD Board set a deadline of September 9th 2002 for the MGHA to submit to the Board a request for service and have a funding commitment in place by June 30th 2003. A special assessment vote was taken and an assessment of \$116,282 was approved. Funds were collected and made available to the LOCSD by the deadline. The LOCSD Board conducted the groundbreaking ceremonies for the community wastewater project last month with construction scheduled to begin in late August or early September. The MGHA anticipates that the eighty-three homes will be connected to the community system within the next two years. Over the next twenty-four months the MGHA is committed to meet the requirements of its wastewater permit until such time as the plant can be removed from service.

We put ourselves at the mercy of the Board and plead for leniency in this case. We also request that no fine be levied at this time and also, should a fine be assessed, that all monies collected be earmarked to go towards improvement of the plant.

Sincerely,



James Wilson,
Director, MGHA.