
North Coast Regional Water Quality Control Board

Regional Water Quality Control Board North Coast Region Staff Summary Report October 3, 2024

ITEM: 2

SUBJECT: Public Hearing on Draft Order No. R1-2024-0035 to consider issuance of a Cease and Desist Order (CDO or Order) to Vintage Wine Estates, Inc., Ray's Station Winery (VWE) to Cease and Desist from discharging waste and/or threatening to discharge waste in violation of Waste Discharge Requirements.

BOARD ACTION: The North Coast Regional Water Quality Control Board (Regional Water Board or Board) will consider evidence and argument from VWE and the Prosecution Team and consider whether to issue a Cease and Desist Order.

BACKGROUND: On July 2, 2024, Prosecution Team staff issued a draft Cease and Desist Order to Vintage Wine Estates Inc., which owns and operates Ray's Station Winery located at 13300 Buckman Drive, Hopland, CA (Facility). Vintage Wine Estates is enrolled for coverage under the Regional Water Board's General Waste Discharge Requirements for Discharges of Wine, Beverage, and Food Processor Waste to Land in the North Coast Region, Order No. R1-2016-0002 (General WDR).

The process wastewater system at the Facility is subject to the General WDR that addresses discharges of process water from wineries. The Facility is also subject to the Industrial Stormwater General Permit. The Facility's on-site process wastewater treatment system consists of two lined aeration ponds (Pond 1 and Pond 2), one process wastewater treated effluent storage pond, and five Rapid Infiltration Basins (RIB) for disposal. The wastewater treatment pond system is designed to produce effluent in compliance with the General WDR's effluent limitations for above ground reuse or disposal. When the Facility was enrolled in the General WDR, the Notice of Coverage letter authorized the Facility to dispose of treated process wastewater to a 12-acre vineyard and to the RIBs. The 12-acre vineyard was subsequently removed from the project plan. The following is a summary of events contained in the draft Cease and Desist Order, which was prepared by the Prosecution Team:

- Beginning in January 2019, nearby residents on multiple sides of the Facility property reported to Staff that they had experienced foul odors emanating from the Facility.

- Beginning on July 24, 2020, Staff conducted multiple inspections of the Facility, as well as several additional drive-by inspections of the Facility to confirm the presence of odors. Staff met with Facility operators and corrective actions to address the odors were taken in 2019-2020.
- Objectionable odors continued to be reported, and staff issued an enforcement letter July 22, 2022. The Facility took actions to respond to the complaints and letter.
- From October 2022 - April 2023, alleged unauthorized discharge actions took place. In March 2023, additional odor complaints were received and staff investigated. Staff reported unauthorized discharges.
- A Notice of Violation was issued to the Facility on May 2, 2023, for nuisance odors and unauthorized discharge of process wastewater.
- On December 20, 2023, the Regional Water Board Assistant Executive Officer issued a Water Code section 13267 Investigative Order directing monitoring and reporting related to alleged discharges from the Facility.
- On December 20, 2023, Staff issued a Notice of Violation for violations of the Industrial General Permit and General WDR for winery, beverage and food processing.
- Between January 2024 and June 2024, staff received additional odor complaints, conducted investigations at the Facility, and met with Facility operators.
- Staff issued an additional Water Code section 13267 Investigative Order in May 2024, and received additional odor complaints from nearby residents. Staff investigated the site, and had discussions with Facility operators about fixing the source of the odor complaint which may have been tied to an inoperable aerator.
- On June 12, 2024, staff issued a Notice of Violation to the Facility related to odor conditions and operational components of the Facility that did not comply with the General WDR.
- On June 13, 2024, an additional Notice of Violation was issued related to an alleged unauthorized discharge from the Facility.
- On June 17, 2024, the Facility notified staff of problems with the liners on the treatment ponds, and discussed how it would address emergency conditions at the Facility.
- On June 20, 2024, the Assistant Executive Officer issued an emergency Cleanup and Abatement Order related to conditions at Pond 1 and 2.

DISCUSSION: The draft Cease and Desist Order would require Vintage Wine Estates to cease all unauthorized discharges and address odor conditions. To achieve this, the Order would require submission of a Corrective Action Work Plan (Plan) within 90 days of Board adoption of the Order. The Order requires completion of corrective actions within one year of Executive Officer approval of the Plan but no later than March 1, 2026. The Order would also require submission of progress reports, update to Facility operations manuals, and a final Corrective Action Summary Report.

On July 24, 2024, Vintage Wine Estates filed for bankruptcy. VWE has stated its intentions are to sell substantially all the company's assets, including Ray's Station Winery. VWE represents that it is in ongoing negotiations with potential buyers of Ray's Station. VWE states that it intends to move forward with corrective action for the treatment ponds (actions covered by the emergency Cleanup and Abatement Order) while it continues negotiations with potential buyers.

VWE requests that the Regional Water Board not adopt the Order as VWE will either find a buyer for the facility or cease operations (and all discharges) making the Order moot. VWE contests numerous allegations and findings presented by the Prosecution Team. If the Board were to adopt the draft Order, VWE requests changes to both the findings in the Order and operative conditions. With respect to the requirements under the Order, VWE requests changes to the due dates of the Corrective Action Work Plan submittal, completion of corrective actions, and report submissions to reflect the uncertainty of VWE's continued ownership. In the event the Facility is sold, VWE requests termination of the Order.

Notwithstanding VWE's stated intent to sell the facility, the Prosecution Team has requested that the Board consider issuing a Cease and Desist Order.

The Hearing Procedure provides the opportunity for the Respondent to submit a proposed draft order and for the Prosecution Team to submit any revisions to its original draft order on or before September 20, 2024. Should either party provide such submittals, they will be provided to Board Members and posted on the agenda web page/made available to the public.

RECOMMENDATION: At this time, the Executive Officer does not have a recommendation. At the conclusion of the hearing and any deliberations, the Executive Officer may provide a recommendation.

SUPPORTING DOCUMENTS:

1. Prosecution Team Draft Order No. R1-2024-0035
2. Notice of Hearing and Hearing Procedure
3. Respondent Legal and Technical Memorandum in Response to Draft Order

4. Proposed Order(s) submitted by Prosecution Team and VWE (will be provided when received).
5. Prosecution and VWE evidence (available electronically).

Copies of the supporting documents and evidence not posted on the agenda page are available upon request by emailing Nathan.Jacobsen@waterboards.ca.gov