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SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (Agreement) is entered into between the California Energy Commission (Commission), with its principal office at 1516 Ninth Street, Sacramento, California 95814, and Spa Manufacturers, Inc. (Spa Mfg.), with a place of business at 6060 Ulmerton Road, Clearwater, Florida 33760, collectively referred to as the "Parties."

I. RECITALS

(1) The Commission's Appliance Efficiency Regulations at California Code of Regulations, Title 20, Article 4, sections 1601-1609 (Appliance Efficiency Regulations),¹ set forth the requirements to sell or offer for sale regulated appliances in California. The pertinent requirements include:

- Testing: The appliance is tested as required in 1603, using the applicable test method set forth in section 1604.
- Efficiency: The appliance meets the required efficiency standards set forth in sections 1605.2 or 1605.3.
- Marking: The appliance is correctly marked and labeled as required under section 1607.
- Certification: The appliance is certified to the Commission and appears in the Commission's most recent Appliance Efficiency Database (Database) as required under section 1606.

(2) The Commission's enforcement authority includes the removal of non-complying appliances from the Database, as set forth in section 1608, and the issuance of administrative civil penalties under section 1609.

(3) Spa Mfg. manufactures one model of portable electric spa and one model of a swim spa that it sells or offers for sale in California either directly or through retailers or distributors.

(4) Spa Mfg. products are subject to the testing, efficiency, marking, and certification requirements for this appliance class as described in paragraph I(1) above.

(5) The Commission alleges that from July 2011 to July 2018, Spa Mfg. sold or offered for sale one portable electric spa in California that did not meet the energy efficiency standards prescribed by section 1605.3, was not listed in the Database as required in section 1606, and was not marked as required in section 1607.

(6) Spa Mfg. acknowledged that the sale of this one spa was a mistake due to a clerical error on its part and has maintained that such spa should not have been sold and shipped to California as it was not listed on the Database and provided to the Commission the reasons behind the mistake.

(7) Based on the above recitals, the Commission, through adjudication, could impose penalties for each violation alleged, obtain injunctive relief to prohibit Spa Mfg. from continuing to sell or offer for sale, non-

¹ All references are to California Code of Regulations, Title 20, Article 4, unless otherwise specified.

compliant portable electric spas in California and take any other enforcement action as allowed by law.

(8) Section 1609(b)(3) and California Public Resources Code section 25402.11(a)(2) identify the following factors the Commission shall consider when determining the amount of an administrative civil penalty:

- The nature and seriousness of the violation.
- The persistence of the violation, meaning a responsible person's history of past violations of the Appliance Efficiency Regulations over the previous seven years.
- The number of violations arising from the course of conduct that is subject of the enforcement proceeding.
- The length of time over which the violation occurred.
- The willfulness of the persons responsible for the violation.
- The harm to consumers and to the state that resulted from the amount of energy wasted due to the violation.
- The number of persons responsible for the violation.
- The efforts of the persons responsible for the violation to correct the violation prior to initiation of an enforcement action by the Energy Commission.
- The cooperation, by the persons responsible for the violation, with the Energy Commission during its investigation.
- The assets, liabilities, and net worth of the persons responsible for the violation. This information will be considered to reduce the administrative civil penalty amount, should a responsible person or persons elect to provide asset, liability, and net worth documentation to the Executive Director to demonstrate that a reduction in a penalty amount is necessary to avoid an undue burden.

(9) Penalties must be set at levels sufficient to deter violations. In developing this Agreement, the Commission considered the facts of the case and applied the above factors to determine an appropriate settlement. Further, in this case Spa Mfg. cooperated with the Commission in the investigation by providing to the Commission sales data of non-compliant units, and agrees that they will not sell in the State of California any of its products that do not meet the Commission's Appliance Efficiency Regulations. The efforts by Spa Mfg. saved the Commission time and resources in investigating the violations and minimized the impacts on energy consumption and the environment in California from the non-compliant units.

(10) Spa Mfg. is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with the Commission. The Commission accepts this Agreement in termination of this matter. Accordingly, the Parties agree to resolve this matter completely by means of this Agreement, without the need for adjudication.

II. TERMS AND RELEASE

In consideration of the recitals listed above which are incorporated into this section by reference, and the mutual agreements set forth below, the Commission and Spa Mfg. agree as follows:

- (1) This Agreement covers the following Spa Mfg. appliance type (s): Mirage
- (2) For selling or offering for sale in California portable electric spas identified in paragraph I(5), whose model number is identified in paragraph II(1) that did not meet the energy efficiency standards prescribed by section 1605.3, was not certified to the Database as required by section 1606, and was not marked per section 1607 and, in consideration of the factors listed in paragraph I(7) and I(8) above, Spa Mfg. shall pay as an administrative civil penalty the total sum of eight thousand, four hundred ninety nine dollars (\$8,499.00) by check made payable to the California Energy Commission by March 1, 2019. The Commission shall be responsible for the removal of the Mirage Spa from its lab. Payment shall be made by the applicable due date, and sent with the corresponding remittance statement to the following address:

California Energy Commission
Accounting Office, MS-2
1516 Ninth Street
Sacramento, California 95814-5512

- (3) Spa Mfg. also agrees to take each of the following actions:
- a. Remove all of its products from the California market that do not meet the Appliance Efficiency Regulations.
 - b. Remove all certifications from the Database, without prejudice for adding products in the future that meet the Appliance Efficiency Regulations.
- (4) This Agreement shall apply to and be binding upon Spa Mfg. and its principals, officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and upon the Commission and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (5) In consideration of the payment specified above, the Commission hereby releases Spa Mfg. and its principals, directors, officers, agents, employees, shareholders, subsidiaries, predecessors and successors from any and all claims for violations of section 1608 (efficiency, marking, certification), relating to the appliances identified in paragraph I(5), whose model number is identified in paragraph II(1).
- (6) This Agreement constitutes the entire agreement and understanding between the Commission and Spa Mfg. concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between the Commission and Spa Mfg. concerning these claims.
- (7) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all Parties to this Agreement.
- (8) Spa Mfg. further agrees that if the subject matter of this agreement comes before the Commission in an administrative adjudication, neither any member of the Commission, nor the Executive Director, shall be

disqualified because of prior consideration of this Agreement.

(9) Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.

(10) This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice of law rules. Any litigation arising out of or related to this Agreement shall be filed in the Superior Court of California, County of Sacramento.


(11) Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.

(12) The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement.


(13) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either Party on the ground that said Party drafted it.

(14) This Agreement is effective upon signature by a representative of Spa Mfg. with authority to bind the company, and approval by an authorized agent of the Commission or, if required, the Commission at a publicly noticed meeting through an order or resolution. The Parties agree that fax or scanned signatures and multiple signature pages are acceptable for purposes of executing this Agreement.

California Energy Commission

By: 
Name: Drew Bohan
Title: Executive Director
Date: 2-27-19

Spa Manufacturers, Inc.

By: 
Name: Cindy Magra
Title: Pres
Date: 2/14/2019