

CALIFORNIA ENERGY COMMISSION

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www.energy.ca.gov

DOCKET**00-AFC-12C**DATE May 19 2011RECD. May 19 2011

May 19, 2011

Adrienne Harris
Program Director
Morro Bay National Estuary Program
601 Embarcadero # 11
Morro Bay, CA 93442-2280

**MORRO BAY MODERNIZATION AND REPLACEMENT POWER PLANT
PROJECT (00-AFC-12)**

Dear Ms. Harris:

Thank you for submitting your proposal for the allocation of the funds associated with Condition of Certification BIO-T-14 of the Energy Commission's Amended Order, No. 05-0622-01, authorizing demolition of the Morro Bay tank farm.

Pursuant to Condition of Certification BIO-14-T, Dynegy, LLC has provided the Morro Bay National Estuary Program (MBNEP) with a check in the amount of \$91,500 as mitigation for 3.0 acres of Morro shoulderband snail iceplant habitat at the existing tank farm site, which will be impacted by the demolition of the tank farm, scheduled to begin on May 20, 2011. BIO-14-T states that the "Energy Commission and MBNEP shall enter into a Memorandum of Understanding (MOU) as to the authority to spend the Compensation Funds. No Funds will be spent prior to completion of the MOU, unless an exceptional opportunity has arisen, in which case, the Energy Commission CPM may authorize expenditure of Funds."

On May 12, 2011, Energy Commission staff participated in a conference call with MBNEP to discuss how the disbursement of the funds. MBNEP subsequently submitted a two project proposal. Project 1 is to bid on the purchase of a 0.28 acre lot in the community of Los Osos/Baywood that will go to auction on May 19, 2011. This parcel of land is bay front property which contains both dune and wetland habitat. The proposed amount of the \$91,500 used would be between \$30,625 and \$50,000. This property would be set aside as natural, undeveloped habitat with the possibility of future restoration assistance. Under Project 2 of the proposal, the MBNEP would use the remaining funds, after the acquisition proposed for Project 1, to restore habitat at the proposed East Sweet Springs location specifically geared towards Morro shoulderband snail. As stated in your proposal, assuming a 17% administrative overhead fee, funds for Project 2 would range between \$25,945 to \$45,320 depending on funds expended for Project 1.

Approval of MBNEP Mitigation Proposal

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Energy Commission staff has reviewed the proposal and agrees that the potential land acquisition is an exceptional opportunity and hereby approves MBNEP's proposal for the use of the \$91,500 provided for mitigation under BIO-14-T. Staff also agrees that the funds remaining after the land acquisition may be used in the East Sweet Springs restoration project.

If you have any questions, please contact me at (916) 651-8891 or by email at mdyas@energy.state.ca.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Dyas', written over a circular stamp or seal.

Mary Dyas
Compliance Project Manager

Attachment

Cc: Docket Unit, California Energy Commission
Kevin W. Bell, Senior Legal Counsel, California Energy Commission
Barb Irwin, Project Director, Dynegy
Joy Nishida, Biological Resources Unit, California Energy Commission