

**CALIFORNIA ENERGY COMMISSION**

1516 NINTH STREET  
SACRAMENTO, CA 95814-5512  
www.energy.ca.gov



June 15, 2012

R. Alan Padgett  
VP GasCo Asset Management  
Dynergy Morro Bay, LLC  
601 Travis Street, Suite 1400  
Houston, TX 77002

<b>DOCKET</b>	
<b>00-AFC-12C</b>	
DATE	<u>JUN 15 2012</u>
RECD.	<u>JUN 15 2012</u>

**SUBJECT: Morro Bay Modernization & Replacement Power Plant Project  
(00-AFC-12C) – Completion of Phase I and Request to Terminate  
Approval of Phases II and III**

Dear Mr. Padgett:

On May 22, 2012, the Compliance Office received your letter notifying the California Energy Commission (Commission) that Dynergy Inc. (Dynergy) has completed Phase I of the Morro Bay Modernization & Replacement Power Plant Project (project) and wishes to terminate the two remaining phases of the project. On June 11, 2012, we received your second letter clarifying that Dynergy has no intention of pursuing a National Pollution Discharge Elimination System (NPDES) permit for the project.

In 2004, Commission Order No. 04-0802-01 adopted the Commission Decision (Decision) for the project subject to the Decision being filed with the Commission's Docket Unit after the project was granted a NPDES permit by the Central Coast Regional Water Quality Control Board (CCRWQCB).

In 2005, in a subsequent and separate action, Commission Order No. 05-0622-01 authorized demolition of the Morro Bay Tank Farm, consistent with the 2004 Decision which stated that demolition of the tank farm (Phase I) was severable from construction activities on the replacement power plant (Phases II and III). This order was docketed on June 23, 2005. All submittal requirements pursuant to the 2005 Order for Phase I of the project were completed during fiscal year 2011/2012 (see enclosed Demolition Complete letter dated May 10, 2012).

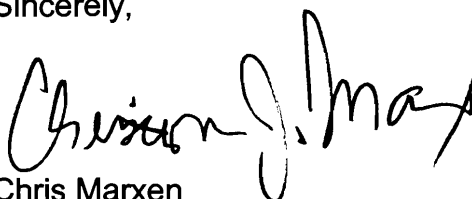
Because Dynergy has not and does not intend to obtain an NPDES permit for Phases II and III of the project, the 2004 Order cannot be docketed by the Compliance Project Manager, the final step of the certification process for Phases II and III cannot be completed, and no authority to construct or operate the replacement power plant currently exists (see enclosed Order No. 04-0802-01).

R. Alan Padgett  
June 15, 2012  
Page 2

Thank you for completing Phase I of the project and providing notification of your intent to terminate Phases II & III of the project. No further compliance fees will be collected as of June 30, 2012.

If you have any questions or would like any additional information, please contact Joan Walter, Compliance Project Manager, at (916) 654-5153 or by e-mail at [jwalter@energy.ca.gov](mailto:jwalter@energy.ca.gov).

Sincerely,

A handwritten signature in black ink that reads "Chris Marxen". The signature is written in a cursive style with a large, looped "C" and "M".

Chris Marxen  
Compliance Office Manager  
Siting, Transmission & Environmental  
Protection Division

Enclosure:

1. Demolition Complete letter dated May 10, 2012
2. Energy Commission Order No. 04-0802-01