

**STATE OF CALIFORNIA
REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION**

STAFF REPORT FOR REGULAR MEETING OF JULY 6, 2007
Prepared on May 31, 2007

ITEM NUMBER: 16

SUBJECT: Moss Landing Power Plant Backflushing Settlement, Monterey County, Supplemental Environmental Projects, Request for Funding

KEY INFORMATION

<u>Moss Landing Power Plant Backflushing Settlement Fund</u>	<u>Project Fund</u>	<u>Monitoring Fund</u>
Initial Value of Fund Account	\$2,850,000	\$950,000
Remaining Unencumbered Funds	\$ 390,000	\$ 49,871
Funds requested	\$ 390,000	\$ 0

This Action: Approve proposed projects for funding

SUMMARY

This item recommends funding two grant proposals that will demonstrate the effectiveness of agricultural best management practices. If the Board approves these projects, funding will come from the Moss Landing Power Plant backflushing settlement. The first proposed project, for \$190,000, will entail wetland restoration activities in and along Carreros Creek. The goal of this project is to improve water quality and habitat in Carreros Creek, which directly connects to Elkhorn Slough. The restoration site is located on an ecological teaching and demonstration farm, and will serve as a teaching model for hundreds of growers that visit the farm each year.

The second proposed project, for \$200,000, will install vegetated waterways and hedgerows adjacent to farms. The goal of this project is to improve water quality via reduced pesticide applications, erosion control and nutrient abatement.

Staff recommends approval of these proposals because they will provide tangible water quality results and will serve as models to agricultural operations in the Central Coast Region. The proposed projects directly address documented pollution problems (Total Maximum Daily Load listings) in the lower Salinas and Elkhorn Slough areas. There are 40 impaired water body listings in northern Monterey County, 29 identifying agriculture as a potential source. Many of these listings are for nutrients, pesticides and sediment, all of which are addressed by the two proposed projects.

DISCUSSION

Background

The Central Coast Water Board and Pacific Gas & Electric Company (PG&E) agreed to settle a dispute regarding alleged violations of National Pollutant Discharge Elimination System permits (NPDES permits) held by PG&E from 1974 through 1998 for the company's operation of the Moss

Landing Power Plant in Monterey County. The alleged violations supported assessment of civil liability pursuant to Water Code Section 13385.

PG&E and the Water Board agreed to settle the alleged violations via a consent judgment, which required PG&E to provide \$5,000,000 for the following supplemental environmental projects:

a) Payment of \$2,850,000 to establish a "Non-Point Source Projects Fund" (Projects Fund) through the Community Foundation for Monterey County. The judgment requires that a portion of the fund be used to administer the funding program. This fund pays for projects focused on education and on-farm management practices that prevent and reduce polluted run-off.

b) Payment of \$950,000 to establish a "Nonpoint Source Monitoring Fund" (Monitoring Fund) with the Community Foundation for Monterey County. These funds pay for water quality monitoring associated with determining the effectiveness of on-farm management practices, and pay for watershed level monitoring.

c) Payment of \$950,000 to establish a fund with the Community Foundation for Monterey County to supplement the Central Coast Ambient Monitoring Program's (CCAMP) activities in Monterey Bay and associated watersheds; and

d) Payment of \$250,000 for reimbursement of Water Board staff oversight costs.

On July 11, 2003, the Central Coast Water Board approved criteria for evaluating supplemental environmental projects proposals for funding from the Moss Landing Power Plant backflushing settlement fund. The court-approved settlement requires these funds be spent: (1) to improve water quality primarily via projects that reduce pollution from agricultural sources and (2) to monitor the effectiveness of those projects. The criteria also state that the Water Board itself will review and approve proposals with a budget over \$50,000. The Executive Officer may approve proposals with a budget of \$50,000 or less. For reference, the criteria are included here as Attachment 1. Staff uses the criteria to rank proposals for consideration by the Water Board.

Funding Cycle and Status

The Water Board first approved grant proposals on December 2, 2004. If the Board approves the two proposed projects, there will be no funds left in the Project Fund, except for interest earned on money that has not yet been paid out to current projects. At this time, the Community Foundation can not predict the exact amount of interest that will be earned.

The Monitoring Fund currently has \$49,871 available. This will likely increase as interest accumulates...

Since 2004, Regional Board staff and the Community Foundation have issued requests for proposals (RFPs) twice a year. A final RFP to distribute any remaining funds will likely be issued in December of 2007.

Update on current grants

There are currently 19 grants funded through the Projects Fund, and eight grants funded through the Monitoring Fund. All are currently being implemented; two are scheduled for completion this summer.

Overall, there have been few problems associated with the grants, and all grants are in good standing (i.e., all products and deliverables are on course or have been completed). About a third of

grantees have asked for time extensions. Extension requests have tended to result from staff turnover, delays as the result of difficulties negotiating contract language, or long waiting periods for county grading permits.

Regional Board staff provided a table of current projects to the Board in June 2007 and will provide a more detailed update and review of the Moss Landing Settlement Fund grants during 2008, as more projects are completed.

Summary of Two Proposals Recommended for Funding

Proposal One: Carneros Creek Wetland Restoration and Stream Crossing

The Agriculture and Land-Based Training Association (ALBA) requests \$190,000 from the Projects Fund for wetland and stream crossing restoration. A previous Project Fund grant paid for technical assessments and project designs (\$179,543). The U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS) Wetland Reserve Program will contribute \$170,000, thereby leveraging Moss Landing Settlement Funds. Attachment 2 provides the line item budget.

ALBA conducts extensive agricultural outreach and education in Monterey County. They focus on education to protect and improve water quality, especially among Latino farmers, land managers and landowners. The ALBA Farm Training and Research Center at the Triple M Ranch is a 195-acre farm property located on Carneros Creek, less than one mile from the Elkhorn Slough. Under ALBA management for over five years, the farm has become a training center and model farm for soil conservation, water quality improvements, habitat enhancement and innovative farming practices. Local, limited-resource farmers are able to lease land to explore organic production and witness first-hand conservation working in harmony with crop production. The farm hosts field days and tours for hundreds of farmers and visitors each year.

Funds will restore a 4,000-foot reach of Carneros Creek at the Triple M Ranch, which will improve connectivity with 40 acres of adjacent wetlands and enhance floodplain processes that improve water quality. This reach of Carneros Creek was channelized for farming sometime before 1917. The ditched channel was maintained by dredging during the last century, resulting in the placement of dredge spoil levees along both banks. Fourteen acres of farm fields adjacent to the creek have been removed from production for the purpose of wetland restoration. This project will result in substantial freshwater wetland restoration along a principal tributary to Elkhorn Slough.

If the Water Board approves, funds from the Projects Fund will pay for implementation of engineering and geomorphic designs for wetland restoration. Key project implementation features include: (1) earth moving and re-vegetation to restore channel and seasonal wetland geomorphology, (2) a combination water-level control structure and bridge to replace a wet ford which is a key access road to the Triple M Ranch and adjacent properties.

ALBA estimates that the project will reduce suspended sediment, total nitrogen and ortho-phosphate concentrations in Carneros Creek by 30%. In addition to direct water quality benefits, this project will serve as a model for wetland restoration on farming operations. Hundreds of visitors each year, including growers and landowners participating in water quality short courses, will be able to view the project site from several points on the property.

Proposal Two: On-site Implementation of Vegetated Waterways and Hedgerows for Water Quality Improvements.

The Central Coast Ag Water Quality Coalition is requesting \$200,000 from the Projects Fund for on-site implementation of vegetated waterways and hedgerows. A previous Moss Landing Project Settlement fund grant (\$200,000) paid for a similar work. The project was highly successful, and has resulted in a waiting list of other growers now interested in installing vegetation. Attachment 3 provides the line item budget.

During this two-year project, the Central Coast Ag Water Quality Coalition, in collaboration with the Community Alliance of Family Farms (CAFF) will install vegetative conservation practices, totaling 100,000 square feet of grassed waterways and filter strips; 3000 linear feet of hedgerows, and 871,200 square feet (20 acres) of cover crops on a minimum of 10 farms. The project's measurable results will be to: 1) improve the quality of water running off the sites and protect the local hydrologic system; 2) educate growers and others in the watershed about the benefits of these practices and how to install and maintain them; and 3) increase the total number of plantings in the watershed.

Vegetated waterways are known to be effective at abating nutrient and pesticide run-off, and vegetated banks prevent erosion. In addition, vegetation established as hedgerows act as insectaries for beneficial insects. This lessens the need to apply pesticides to control insects harmful to crops. The Ag Waiver monitoring program is showing toxicity due to pesticides in our agricultural areas. Therefore, any project that reduces pesticide applications is an important part of improving water quality.

Water Board staff has had concerns that vegetation projects established adjacent to farm fields would drastically diminish as a result of new food safety guidelines; however, CAFF has provided staff with a list of 19 growers within the lower Salinas and Elkhorn Slough area still interested in implementing vegetative practices. Additionally, the Water Board granted Project funds to CAFF and the Coalition to perform similar work in 2005. That project has been highly successful, and has resulted in implementing almost twice as many projects as anticipated. Staff is therefore confident that this new project can be completed with equal success.

CONCLUSION

Both proposals described here, and all the projects funded through the settlement, link together as part of a larger effort to improve water quality in the lower Salinas and Elkhorn Slough areas. All grantees are asked to coordinate their projects, such that activities from one grant complement activities adjacent or similar to other grants. For example, previous funds allocated for education and coordination of growers resulted in increased grower interest in hedgerows and vegetated waterways. This creates the vital link between teaching growers the importance of implementing pollution prevention practices, and then taking steps towards the actions necessary to implement those practices.

As part of our vision effort, we stress that healthy functioning watersheds will be achieved through proper land management (Measurable Goal #3 [<http://www.waterboards.ca.gov/centralcoast/Board/Agendas/032406/Item17/documents/Item17StaffReport.pdf>]). The wetland restoration and vegetated waterways and hedgerows projects directly implement this goal by returning land to a more sustainable condition and by reducing the most commonly found pollutants in northern Monterey County: nutrients, pesticides and sediments.

RECOMMENDATION

Staff recommends that the Water Board approve funding the proposed projects:

1. Carneros Creek Wetland Restoration (\$190,000)
2. Vegetated Waterways and Hedgerows (\$200,000)

ATTACHMENTS

1. PG&E fund criteria
2. Budget for Carneros Creek restoration (ALBA)
3. Budget for vegetated waterways and hedgerows (Coalition)

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