

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

**STAFF REPORT FOR REGULAR MEETING OF DECEMBER 3, 2004**

Prepared on October 20, 2004

**ITEM NUMBER: 25**

**SUBJECT: Former Pacific Gas and Electric Company, Moss Landing, Monterey County  
Supplemental Environmental Projects Update and Request for Funding**

**SUMMARY**

On July 11, 2003, the Central Coast Regional Water Quality Control Board (Regional Board) approved criteria for evaluating supplemental environmental projects (SEPs) to be funded by Pacific Gas and Electric Company (PG&E) through a court settlement agreement. The purpose of these funds is primarily to improve water quality via projects that reduce pollution from agricultural sources and to monitor the effectiveness of these projects. Both the Board-approved criteria and the criteria contained in the consent judgment were used to rank proposals and allocate funds to individual projects. The approved criteria included a provision for Board review of awards greater than \$50,000.

The purpose of this staff report is to obtain Board approval for projects over \$50,000 from this round of project submittals.

**DISCUSSION**

**1) Background**

The Regional Board and PG&E agreed to settle a dispute regarding alleged violations of the National Pollutant Discharge System Permits (NPDES permits) that were 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 Regional Board agreed to settle the alleged civil liability of the company pursuant

to a consent judgment providing for the payment by PG&E a total amount of \$5,000,000 to fund the following Supplemental Environmental Projects:

- a) Payment of \$2,850,000 to establish a "Non-Point Source Projects Fund" through the Community Foundation for Monterey County. A portion of the funds is used to administer the funding program.
- b) Payment of \$950,000 to establish a "Nonpoint Source Monitoring Fund" with the Community Foundation for Monterey County.
- 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 to fund Regional Board staff oversight costs.

On November 8, 2002, Regional Board staff circulated the draft consent judgment to interested parties. A notice was published in the Monterey Herald on November 9, 2002. The public had the opportunity to submit comments regarding this proposed settlement.

On December 13, 2002, the Regional Board concurred with the proposed settlement agreement outlined in the consent judgment. The settlement agreement required the Regional Board to establish specific criteria for the Non-Point Source Projects Fund and the Non-Point Source

Monitoring Fund at a public meeting after opportunity for public comment.

Regional Board staff met with a Technical Advisory Committee and developed specific criteria for acquisition of these funds. These criteria were circulated for comments to an interested parties list.

Staff proposed criteria for the Non-Point Source Projects Fund and the Non-Point Source Monitoring Fund at the March 21, 2003 Board meeting. After public comment and Board discussion, the Board directed staff to provide further clarification of the proposed criteria.

The Board heard additional public comment on the use of the PG&E settlement funds during the May 16, 2003 Board meeting. Staff also received additional comments from the public during an informal presentation and discussion session requested by agencies and other interested parties in the Moss Landing Harbor area.

Input from the public and Board resulted in changes to the criteria and the final criteria were adopted at the July 11, 2003 Board meeting (Attachments 1 and 2). The criteria included a provision for the Board to review awards greater than \$50,000, periodic assessment of the program, and a process for criteria and priority revision if the funding approach is determined by the Board to be ineffective or insufficient.

The criteria for fund use were based on Regional Board water quality priorities. Regional Board monitoring data from the Central Coast Ambient Monitoring Program has shown that non-point source pollution from agriculture is significantly impacting water quality in the Central Coast Region. The lower Salinas area is considered one of our Region's most highly impacted areas. There are 40 Total Maximum Daily Load (TMDL) listings for constituents such as nutrients, pesticides, priority organics, sediment and pathogens in this area alone. 29 of these listing state agriculture as a potential pollution source. The Central Coast Regional Toxic Hot Spot Cleanup Plan (Toxic Hot Spot Plan) concluded that "Past and present storage and use of agricultural biocides is a primary source of chemicals found in Moss Landing Harbor. Fine sediment in run-off from agricultural land is the

primary transport mechanism for many chemicals."

The Agriculture and Rural Lands Action Plan (Agriculture Plan) was developed to address these types of water quality impacts. The plan was initiated as part of the Monterey Bay National Marine Sanctuary's activities to address pollutants entering the Sanctuary's waters. Elements of the Agricultural plan include organizing growers into groups, 15 hours of water quality education and the creation of a farm plan focused on water quality protection efforts. The ultimate goal of these stepwise activities is for the growers to engage with technical assistance staff, who begin the necessary project scoping that ultimately leads to implementing practices that reduce pesticide, nutrient and sediment run-off. Regional Board staff chose the Agricultural Plan and the Toxic Hot Spot Plan as the basis for the PGE Settlement fund criteria since they addressed a) Regional Board priorities and b) the primary source of pollution entering the Moss Landing harbor.

Regional Board staff hired an administrative coordinator (the Community Foundation for Monterey County) to assist in developing and distributing grant materials, draft grant agreements, and oversee payments to grantees. Thus far, the Foundation has drafted and distributed announcements, application and ranking forms, provided outreach to the public, and has organized all other administrative tasks associated with this project. Regional Board staff also convened a Technical Advisory Committee (TAC) to assist in developing grant materials. TAC members include staff from the Monterey Bay National Marine Sanctuary, Regional Board, Monterey County Resource Conservation District, USDA Natural Resources Conservation Service, UC Cooperative Extension, Moss Landing Marine Labs, California State University at Monterey Bay, UC Santa Cruz, UC Davis, the Coalition of County Farm Bureaus, Monterey County Water Resources Agency, the Agricultural Land-Based Training Association, the Elkhorn Slough Foundation and the Community Foundation of Monterey County.

Over the past year, the Technical Advisory Committee has been a valuable resource for developing grant materials. The TAC have also

provided considerable feedback on the practicalities of project implementation. A summary of these discussions can be found in Attachment 3.

## 2) First Funding Cycle

The first cycle of proposals was due to Regional Board staff on October 18, 2004. Starting in 2005, there will be two funding cycles per year until approximately 2007, or until the funds have been allocated. Funds were invested in bonds such that a portion is released every six months. A portion of both the \$2.8 million projects funds and the \$950,000 monitoring funds was set aside for the first funding cycle. During this first cycle, there is up to \$700,000 available in project funds, and \$300,000 available in monitoring funds. There were four proposals for the project fund, requesting a total of \$753,592. We received seven proposals for the monitoring fund, requesting a total of \$864,276.

Attachment four provides a brief summary of all applicants and their proposed work. Staff will have the complete list of recommended projects over \$50,000, along with the proposed budgets, as part of a supplemental sheet.

## RECOMMENDATION

Board approval of staff's recommendations for funding.

## ATTACHMENTS

1. Non point source project fund criteria
2. Non point source monitoring fund criteria
3. PG&E TAC discussions
4. Summary of all applicants and their projects

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Funds\Contracts\ALBContracts\PGE Fund  
implementation\Board meetings\Dec 04, Draft SEP Staff  
Report.doc