Once Through Cooling Interim Mitigation Funds
Annual Report - August 20, 2020

State Coastal Conservancy Interim Mitigation Funds

The State Water Resources Control Board (State Water Board) established the Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (Once-Through Cooling or OTC Policy) in 2010. The policy required existing power plants to significantly reduce the use of once-through cooling technology, with specific deadlines. Power plants that continued using once-through cooling after October 2015 were required to implement measures to mitigate for the interim impacts of impingement and entrainment between October 2015 and the time the power plant comes into final compliance with the OTC Policy. One option in the policy for meeting this interim mitigation requirement was "providing funding to the California Coastal Conservancy which will work with the California Ocean Protection Council to fund an appropriate mitigation project". Several plants selected this interim mitigation option.

In 2016, the State Water Board, the Ocean Protection Council (OPC), and the State Coastal Conservancy (Conservancy) entered into a Memorandum of Understanding (MOU) regarding the acceptance and use of the once-through cooling mitigation funds. The MOU between the OPC, the State Water Board, and the Conservancy provides that $5.4 million dollars of the interim mitigation funds will be used by the OPC annually for projects to enhance the State Marine Protected Areas. If there are remaining funds (Remainder Funds) beyond the $5.4 million, those funds will be used by the Coastal Conservancy for wetland restoration projects. Additionally, in accordance with a 2014 Settlement Agreement between the State Water Board and NRG, Inc., interim mitigation funds from Ormond Beach and Mandalay Generating Stations are paid directly to the Conservancy. Here is a summary of both funds:

Ormond Beach and Mandalay Funds:

Under the settlement agreement with the operator of the Ormond Beach and Mandalay power plants, interim mitigation payments from those two plants will be applied to "an Oxnard wetland restoration project". These funds are paid directly to the Conservancy and to date the Conservancy has received $726,503. The Conservancy plans to allocate these funds to the Environmental Impact Report (EIR) for the restoration of the Ormond Beach wetlands.

Remainder Funds

For the operating years 15/16 and 16/17, the remainder funds total $2,803,580; the OPC transferred these funds to the Conservancy in July 2020. At its September 2020 meeting, the Conservancy authorized a grant of $396,871 for the acquisition of the Newland. At its November 2020 meeting, the Conservancy will consider a grant of $250,000 for Los Cerritos Wetlands Southern Area Restoration Plan. The Conservancy will continue to work with the Wetland Managers Group of the Wetland Recovery Project to identify additional projects for the remainder funds.

Ormond Beach and Mandalay Funds

The Conservancy proposes to use the interim mitigation funds collected from Ormond Beach and Mandalay power plants to fund the EIR analyzing the proposed restoration of wetlands at Ormond Beach. The Conservancy has received $726,503 in interim mitigation funds for the Mandalay and Ormond Beach Generating Stations. The estimated cost of the EIR is $800,000. The Conservancy will provide all additional funds needed to complete the EIR.

Ormond Beach Wetlands: Project Description

Ormond Beach is in southern Ventura County, predominantly in the City of Oxnard. The Coastal Conservancy, The Nature Conservancy (TNC) and the City of Oxnard (Oxnard) own 630 acres immediately adjacent to the Ormond Beach Generating Station.

The site has been identified by wetland experts as one of the most important coastal wetland restoration opportunities in Southern California. It has long been targeted for protection, enhancement and improved public access owing to its proximity to the large population centers in the greater Los Angeles metropolitan area and the relatively rare opportunity to protect and restore a large area of contiguous beach, dune, wetland, and upland habitat on the Southern California coast.

Unlike most Southern California coastal wetlands, there is no freeway, trains tracks, housing or other infrastructure preventing the habitats at Ormond Beach from migrating inland as sea level rises.

The Coastal Conservancy, TNC and Oxnard have been working together to conserve and plan for restoration of wetlands at Ormond Beach for many years. A planning process funded by the Coastal Conservancy was recently completed to identify a preferred alternative for restoration at Ormond Beach. That report is posted here: https://www.oxnard.org/wp-content/uploads/2019/06/ORMOND-BEACH-RESTORATION-AND-PUBLIC-ACCESS-PROJECT-Preliminary-Restoration-Plan-Final.pdf. The preferred alternative will restore salt marsh, brackish marsh, coastal dunes, and transitional habitats. It also includes improved public trails and access to the site.

The preferred alternative is being refined and a 30% engineering and landscape architecture design of the alternative will be completed by spring 2020. The 30% preliminary design will detail the wetland, dune, transition, and upland habitats and public access features adequately for analysis under California Environmental Quality Act (CEQA) and permitting review. The Conservancy will hire a contractor to complete an EIR analyzing the impacts of the proposed project under CEQA. This includes scoping, public engagement and impact analysis. It will include preparing and circulating a draft EIR, responding to comments and finalizing the EIR.

Budget:
The current estimate for the EIR is $800,000. The Conservancy intends to use the OTC funds for this work and to provide all additional funds needed to complete the environmental review.

Schedule:
The Conservancy extended the public comment period on the draft preferred alternative and in response to significant comments have been incorporating design changes, especially related to public access. The 30% design is being reviewed by the project management team. Work is beginning, funded by a grant from the Ocean Protection Council to collect data related to the restoration project. The Conservancy now expects to request Coastal Conservancy authorization for funding the EIR at a public meeting, early 2021. It is anticipated that the EIR will require approximately 2.5 years to complete.

Remainder Funds

The remainder funds will be used on wetland restoration projects from the Southern California Wetland Recovery Project (WRP) work plan. The Southern California Wetland Recovery Project is an existing regional collaboration well-structured to select wetland projects for Once Through Cooling (OTC) interim mitigation funds. The WRP consists of all the state and federal government agencies currently funding and regulating wetland projects between Point Conception and the Mexican border.

The WRP is chaired by the California Resources Agency and supported by the California State Coastal Conservancy. Directors from each of 18 partner agencies form the WRP Directors Group, the governing body of the WRP, and agency staff form the WRP Wetland Managers Group. The Wetland Managers

Group meets on a quarterly basis to make decisions that guide the WRP's programmatic goals and to select projects to be on the WRP Work Plan. The Work Plan contains acquisition, restoration, and enhancement projects vetted by the member agencies and adopted by the WRP Directors Group at its annual meeting. The remainder funds will be allocated to projects on the Work Plan with input from the WRP Wetland Managers Group.

The WRP Regional Strategy 2018 (posted here: https://scwrp.org/strategy/) articulates long-term goals and specific implementation strategies to guide the efforts of the WRP and was developed as a guide for wetland restoration over the next few decades using scientifically-based, quantitative objectives that will improve wetland resilience to climate change and other stressors. The Wetland Managers Group evaluated all Work Plan project proposals using the quantitative restoration objectives outlined in the Regional Strategy 2018.

In the fall of 2019, Conservancy staff provided the Wetland Managers Group with information about interim mitigation funds and background information on prioritizing the use of those funds, including: the Once-Through Cooling Policy, the Regional Strategy, and the OPC Science Advisory Team report "Ocean Restoration Methods: Scientific Guidance for Once-Through Cooling Mitigation Policy".

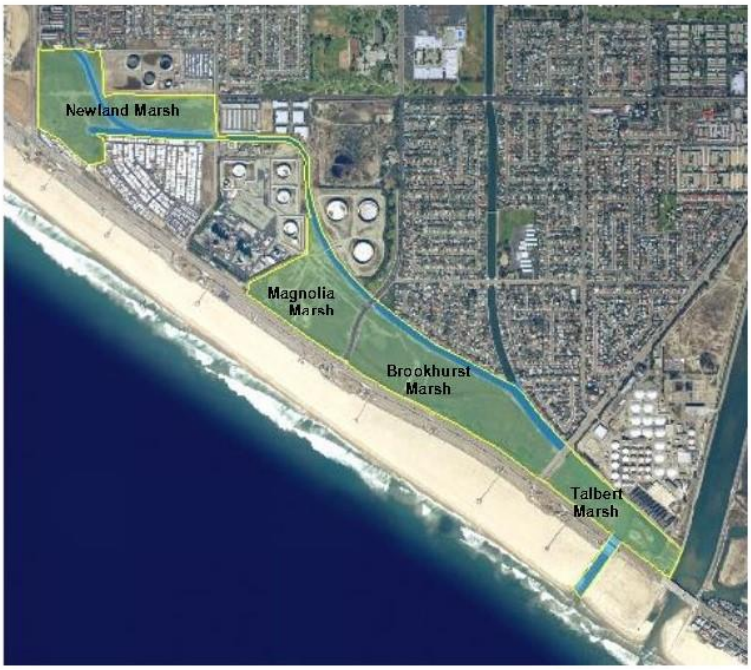
At its winter 2019 meeting, the WRP Wetland Managers Group selected three projects as priorities for the use of these funds. The three projects are the Newland Marsh Acquisition, the Los Cerritos Wetlands Southern Area Restoration Plan and the Bryant Acquisition at Los Cerritos. In May 2020, the State Water Board concurred on the use of these funds for these three projects. Unfortunately, the Bryant Acquisition is on hold indefinitely. A more detailed description of each of these projects is provided below.

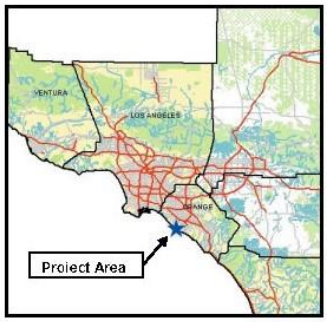
The Conservancy will work with the Wetland Managers Group over the next year to identify additional priority projects for use of the remainder funds.

Newland Marsh Acquisition: Project Description

Newland Marsh is a component of the 180-acre Huntington Beach Wetlands, historically part of a large coastal wetland system at the mouth of the Santa Ana River. Channelization of the river and construction of Pacific Coast Highway isolated the site from tidal influence in the early 1900's. The Newland Marsh property is a 44 acres of relict coastal salt marsh located north of Pacific Coast Highway.

Caltrans acquired the property in the 1950's for planned freeway construction that never occurred. The Huntington Beach Wetlands Conservancy will purchase the Newland Marsh property from Caltrans. Newland Marsh is a degraded salt marsh and is an important part of the Huntington Beach Wetlands Complex, located on the north side of the Santa Ana River. The complex is made up of four distinct wetland areas: Talbert Marsh, Brookhurst Marsh, Magnolia Marsh and Newland Marsh. Over the past 35 years, the Huntington Beach Wetlands Conservancy has acquired and restored nearly 150 acres, Newland Marsh is the final wetland area to be acquired and ultimately restored. The Huntington Beach Wetlands complex is shown in the image below.





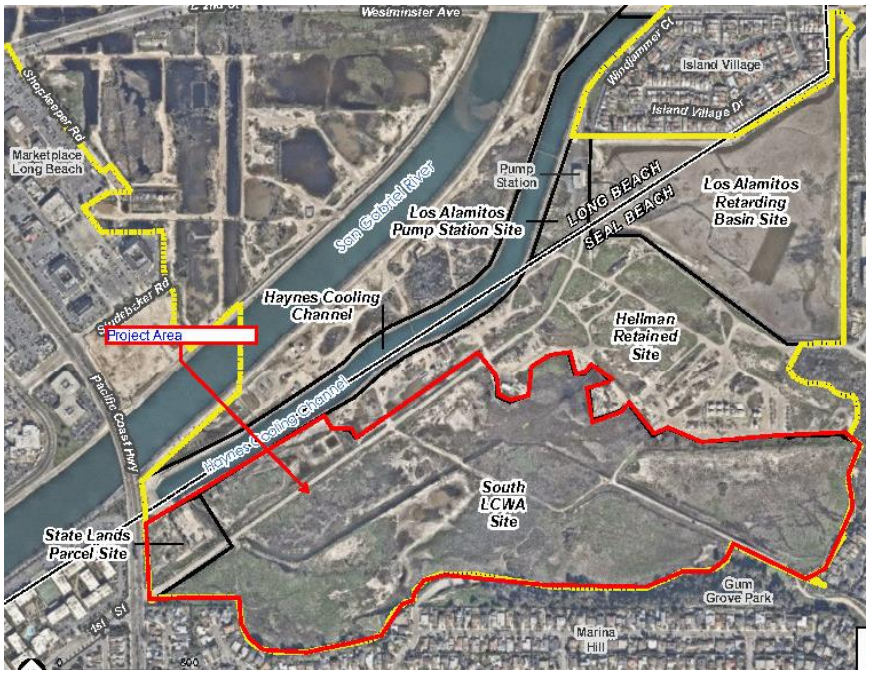
Newland Marsh: Budget and Schedule

The Conservancy authorized $396,871 of interim mitigation funding for this acquisition at its September 3, 2020 meeting. Conservancy staff have secured two major grants to fund the remainder of the purchase: $1,083,129 from the Wildlife Conservation Board and $980,000 from the U.S. Fish & Wildlife Service. The total acquisition cost is $2,460,000 and the purchase is expected to close by December 2020.

Los Cerritos Wetlands Southern Area Restoration Plan: Project Description

Historically, the Los Cerritos Wetlands Complex spanned approximately 2,400 acres and consisted of a network of meandering streams, vegetated wetlands at the mouth of the San Gabriel River. Most of the historic wetlands have been filled, lost, or degraded, primarily because of oil extraction, channelization of the San Gabriel River, and construction of a cooling channel for nearby power plants. The Los Cerritos Wetlands Authority (LCWA) is developing a Restoration Program to guide conservation, restoration, and environmental enhancement of the Los Cerritos Wetlands. This project would fund detailed restoration planning for publicly owned land south of the San Gabriel River, in the City of Seal Beach.

The project area is shown outlined in red in the image below, it is immediately adjacent to the Haynes Power Plant cooling channel.



Details of the restoration actions will be developed during planning, but the conceptual restoration plan has identified an overall restoration approach including the following actions:

- Remediating soils impacted by oil operations.
- Grading to lower the site to wetland elevations and excavating tidal channels that will connect to the San Gabriel River through the existing culvert.
- Improving the tidal connection by removing or replacing two of the existing culverts along the Haynes Channel. These improved tidal connections will restore full tidal exchange, as well as improving fish passage to valuable nursery habitat.

Los Cerritos Southern Area Restoration Plan: Budget and Schedule

The Conservancy will consider authorization of a grant of $250,000 interim mitigation funding for this plan at its November 2020 meeting. The LCWA has secured a grant of $405,828 from the California Department of Fish and Wildlife's Proposition 1 grant program and a grant from the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for an additional $250,000 to fund this plan.

Bryant Acquisition at Los Cerritos: Project Description

The final project recommended by the WMG is the acquisition of the 17-acre Bryant Property located in the City of Long Beach that is a part of the approximately 500-acre Los Cerritos Wetlands Complex. Acquisition of this property will allow for restoration of approximately 150 acres of the Los Cerritos Wetlands Complex.

The Conservancy had planned to allocate $275,000 of interim mitigation funding to this acquisition. However, an updated appraisal completed in May 2020 reduced the fair market value of that property and the landowner is no longer a willing seller. This project is on hold indefinitely.