



Russell City Energy Company

3875 Hopyard Rd. suite 345, Pleasanton, CA 94588

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01-AFC-7C	
DATE	NOV 29 2006
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November 29, 2006

Ryan Olah
US Fish and Wildlife Service
2800 Cottage Way
Room W-2605
Sacramento, CA 95825

**Re: Russell City Energy Center Power Plant License Amendment
California Energy Commission Application for Certification 01-AFC-07**

Dear Mr. Olah:

Calpine Corporation and GE Capital have formed a partnership to construct the Russell City Energy Center (RCEC) and would be interested in conducting an informal consultation with the United States Fish and Wildlife Service (Service) under Section 7 of the Endangered Species Act (ESA) regarding the potential effects of this project, as reconfigured, on listed species. Calpine has submitted an amendment to its existing California Energy Commission (CEC) license to construct the RCEC. Changes incorporated into the project under this Amendment will result in the avoidance of impacts to listed species that had the potential to take place with the project as originally configured. The attached Amendment application, recently filed with the CEC, describes these changes and the amended project's potential impact on listed species. Calpine and GE Capital seek the Service's concurrence that the amended projects will not adversely impact listed species or their critical habitat.

On September 11, 2002, the CEC approved a license for Calpine Corporation to construct the RCEC, a 600 MW natural gas-fired power plant to be located in Hayward, Alameda County, California. The project owner was at that time in formal consultation with the Service to incorporate mitigation measures into the project plans that would take into account the project's potential effects on wetlands and listed species including the endangered salt marsh harvest mouse and clapper rail. The mitigation measures included the construction of new wetlands adjacent to the project site in the Hayward Shoreline area and the restoration of salt marsh habitat by the reintroduction of tidal influence and the creation of a wetland and habitat preserve to be administered as part of the Hayward Shoreline Regional Park by the East Bay Regional Parks District.

Consultation with the Service was conducted under Section 7 of the Endangered Species Act and through the offices of the Environmental Protection Agency (EPA) and the EPA's permit granting authority for the RCEC's Prevention of Serious Deterioration (PSD) permit. In the spring of 2003, Calpine withdrew plans to construct the RCEC and as a result of this, Section 7 consultation was not completed, the Service did not finalize a Biological Opinion for the RCEC, and the EPA did not issue the PSD permit.

The new project design described in the attached amendment application includes the relocation of the RCEC facilities approximately 1,200 feet to the north and west of their

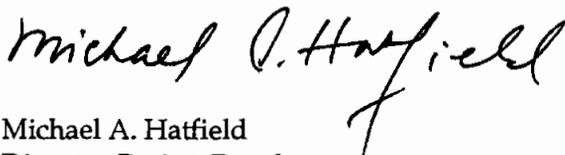
previous location, which was the site of the KFOX radio station broadcasting towers. The KFOX site, as it is known, is located adjacent to former tidal marshes along the San Francisco Bay shoreline that provide habitat for endangered species that include the endangered salt marsh harvest mouse and clapper rail. The KFOX site itself, in contrast with parcels adjacent to it, had not been subject to filling during the historic era and contained seasonal wetlands.

In its amended location, the RCEC would entirely avoid these impacts to seasonal wetlands and the endangered salt marsh harvest mouse and clapper rail. The RCEC site will be located north of the City of Hayward Water Pollution Control Facility (WPCF), partly on land that is currently used by the City for the final treatment of wastewater sludge and partly on land that is currently used for pallet storage, a metal fabricating business, a lumber and equipment storage yard, and automobile salvage. The property adjacent to the RCEC as reconfigured consists of the City of Hayward WPCF water treatment equipment (east and south), automobile salvage yards (east and north), and WPCF sludge drying yards (west). The nearest tidal marshes to the project site are approximately 1,400 feet to the south, and separated from the project by distribution warehouses. To the west, the nearest tidal marshes are about 2,500 feet distant, separated from the project site by the City's sludge drying ponds and by former water treatment ponds.

Project biologists have therefore determined that the RCEC, as reconfigured, would avoid impacts to wetlands or endangered species or their critical habitat. Formal consultation under Section 7 of the Endangered Species Act is therefore no longer required for the RCEC. Please review the attached Amendment application that contains a detailed description of the amended RCEC project, including a biological resources analysis. Please also indicate your concurrence with these conclusions in writing, to satisfy the EPA's Section 7 consultation process.

Thank you very much for your assistance with this matter. If you have any questions, please contact Barbara McBride at (925) 479-6729.

Sincerely,



Michael A. Hatfield
Director, Project Development

Attachment: Application for California Energy Commission License Amendment

cc: J. McLucas (Calpine)
B. McBride (Calpine)
D. Davy (CH2M HILL)