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End of an Era: The Closure of the Morro Pay Power Plant

This is the fifth and final article in the History of the Morro Bay Power Plant Series.

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PG&E operated the Morro Bay Power Plant for more than 40 years. In 1997, it had to sell the plant to Duke Energy, a Houston-based energy company, because the State of California mandated the breakup of monopoly power generation. At the time the plant was running at full capacity, generating 1,002 megawatts of electricity, with an annual payroll of \$7.5 million, employing 84 people, and paying \$2.1 million in property taxes.

Unfortunately, the plant was not economically competitive with more modern technology. One of the oldest power plants still operating in California, it had exceeded its planned useful life by 20 years. Yet, it was still producing much-needed electricity, although not efficiently and not in compliance with environmental regulations.

In 2000, Duke proposed spending \$800 million on an extensive plant upgrade. The plan included replacing the four fossil-fuel-fired steam generators with two natural gas-fired generators, replacing the three existing 450-foot exhaust stacks with two 145-foot stacks, and removing the fossil fuel oil tanks. In 2004, Duke signed a lease agreement for the upgraded plant that would have guaranteed \$2,250,00 in annual revenue to the City of Morro Bay (through taxes and fees).

However, local opposition to the planned upgrade grew, and Duke sold the plant to Dynegy in 2007. Eventually the bulk of these plans were abandoned, in part because of the plant's impact on local sea life. Seawater from the estuary was used to cool the plant, which was then discharged back into the ocean (pass-through cooling). State and federal regulations covering this process were changing and the costs of compliance increased.

Finally In February of 2014, Dynegy officially ceased operations at the Morro Bay Power Plant, closing a facility that helped to bring electricity to Central California's for more than half a century. By then it operated at 6% of capacity and generated electricity only sporadically during periods of high demand. Dynegy closed the plant because it was outdated, inefficient, and the cost of upgrading it to meet new environmental regulations was high.

The irony of closing the Morro Bay Power Plant the same year residents were celebrating the City's 50th Anniversary cannot be missed. There was no public ceremony marking the plant closure; there was a private commemoration for its employees, some of whom had worked there for decades.

In 2018, Vistra Energy Corp, another Texas-based energy company, merged with Dynegy and developed plans to build a large battery energy storage system (BESS) where the oil tanks once stood. It also promised to tear down the old power plant and stacks. Those plans went up in smoke, literally, when Vistra's Moss Landing BESS caught fire in early 2025. Vistra withdrew its permit application and continues to own the property. The future of the plant and the land it sits on is impossible to predict.