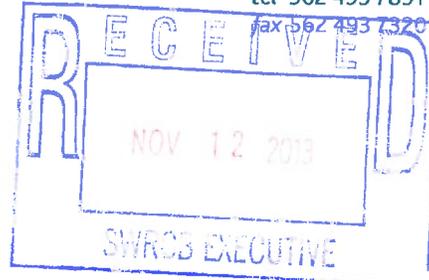




AES Huntington Beach
21730 Newland Street
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November 8, 2013

Thomas Howard
Executive Director
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

RE: Information Requirements for the Huntington Beach Generating Station

Dear Mr. Howard,

This letter is in response to your September 9, 2013 correspondence requesting additional information for the AES Huntington Beach Generating Station (HBGS) Implementation Plan (IP). As stated in your letter, you wish to obtain further information and data to conduct grid reliability analyses to determine the impact on local and system reliability.

As you are undoubtedly aware, there are a number of significant constraints and assumptions that AES Southland (AES-SL) must consider in developing and executing our IP for the HBGS as well as our two other once-through-cooled (OTC) generating stations located in the Los Angeles basin local reliability area. As AES-SL has indicated in our past communications with your agency, the complexity and interdependency of these constraints and assumptions means the AES-SL IPs for complying with the Statewide Water Quality Control Policy on the Use of Coastal Estuarine Waters for Power Plant Cooling (OTC Policy) represent only our best planning assumptions at this time and cannot be construed as definitive development plans. Decisions and approvals by other state agencies and the counterparty and timing of any long term procurement agreements will dictate the design of the ultimate plan and its schedule for implementation. AES-SL believes that the State Water Resources Control Board (SWRCB) would benefit if AES-SL met with the Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) so that we could discuss the many different scenarios that could come to fruition prior to the currently mandated deadline for compliance for our facilities. This would enable the SWRCB and SACCWIS to gain greater insight into the specific issues facing AES-SL and we respectfully request consideration of this proposal.

Notwithstanding the considerable uncertainty that exists with AES-SL's plans for complying with the OTC Policy, the following information has been compiled assuming we are able to continue with our original Track 1 path of compliance at the HBGS. AES-SL has provided the most current information for the HBGS as requested in your letter.

1. What mechanism is expected to bring each unit into compliance?

Repowering of the HBGS will occur in phases using dry-cooled natural gas fired combined cycle gas turbine (CCGT) power blocks which will eliminate the use of ocean water at the

site. Construction of new power blocks and demolition of existing OTC generating units and synchronous condensers will occur in phases to maintain generating capacity and provide critical voltage support at all times

The California Public Utilities Commission's (PUC) decision in the 2012 Long Term Procurement Planning (LTPP) process authorized only a limited amount of natural gas fired generation in Track 1 of the 2012 procurement cycle which will likely delay the repowering of some of the AES-SL fleet. In addition, AES-SL now believes there is a good possibility that the synchronous condensers at the HBGS site will need to stay in service through at least the third quarter of 2018. Previously, AES-SL assumed that half of the synchronous condensers would be in service until 2017 and the other half would be retired in 2016. If the original schedule were maintained, the synchronous condensers would not be in service for the summer of 2018 and the HBGS would only have Units 1 & 2 in operation. Our current assumption is that voltage support from the synchronous condensers will still be needed in 2018, prior to the first new CCGT power block going into service. The new proposed schedule also assumes that the first block can be interconnected to the system without using the current switchyard positions of Units 3 & 4. This was not the original plan and the economic and technical feasibility of this assumption must be confirmed. As previously communicated to the SWRCB, the second block at HBGS will be constructed in the footprint of Units 3 & 4 after they have been demolished. Therefore, the delay in the assumed shutdown of the synchronous condensers will delay the start of demolition and AES-SL has now further revised our IP schedule and requests an extension of the OTC deadline for HBGS Units 1 & 2. The redevelopment of the HBGS site and the commercial operation of the second new CCGT power block cannot be achieved until early 2023. Assuming there can be a small gap in service during the first several months of 2023, this revised schedule would result in the permanent shutdown of HBGS Units 1 & 2 by December 31, 2022. However, with the permanent closure of generating units 3 & 4 in 2012 and conversion into synchronous condensers in 2013, significant progress towards reducing and eliminating ocean intake flows at the HBGS has already been made. In addition, with the assumed retirement of the synchronous condensers in late 2018, the limited ocean water flows used for bearing cooling purposes will be eliminated years before their compliance date.

2. What actions have been taken to obtain permits, obtain contracts or meet other regulatory obligations to implement the compliance mechanism identified above?

AES-SL has been formally pursuing approvals, licenses and permits required to execute our OTC Policy IP at HBGS for over 16 months. AES-SL submitted an Application for Certification (AFC, Docket No. 12-AFC-02) to the California Energy Commission (CEC) on June 28, 2012 and an application for a revised Title V permit and Permit to Construct to the South Coast Air Quality Management District (SCAQMD) on June 22, 2012. As of the date of this letter, the SCAQMD has not issued a Preliminary Determination of Compliance (PDOC) nor has the CEC issued a complete Preliminary Staff Assessment (PSA). The PDOC and PSA are considered the draft permits and licenses for power generation project development and represent a significant milestone in the permitting process. The CEC's original schedule for completing the licensing process anticipated a PDOC to be issued in January 2013 and PSA issued in March of 2013. The licensing and permitting process for AES-SL's replacement generation project at the HBGS is taking considerably longer than originally anticipated. It is unknown at this time when final approvals might be expected

from either agency. Delays in achieving CEC approval for the development of replacement generation at the HBGS have the potential to delay the execution of the HBGS IP.

To date, no contracting opportunities have concluded that will enable nonrecourse financing for project development at the HBGS. Southern California Edison (SCE) has filed a procurement plan with the PUC and issued a Request for Offers for new generation in the western Los Angeles reliability area. Indicative bids are due to SCE by December 16, 2013 and AES-SL intends to participate in this RFO.

Rule 1304.1 was approved and adopted by the SCAQMD Governing Board on September 6, 2013. While this rule will impact the cost of developing replacement generating capacity, AES-SL does not believe this rule will be an impediment to the repowering of the HBGS and our redevelopment schedules are not affected by this rule. AES-SL still intends to rely on the provisions of Rule 1304(a)(2) to demonstrate compliance with SCAQMD Rule 1303 by retiring AES Redondo Beach Generating Station (RBGS) Units 6 and 8 by the end of 2018 and HBGS Units 1 & 2 at the end of 2022.

3. The detailed schedule, technology and MW capacity by unit:

AES-SL plans to construct a new 530 MW CCGT power block by the second quarter of 2019 and retire RBGS Units 6 and 8 by December 31, 2018. HBGS Units 3 & 4 were retired as electric utility steam generators on October 31, 2012 and converted into synchronous condensers in 2013. Our current assumption is that the synchronous condensers will need to continue to provide critical voltage support through at least September 30, 2018, which will prevent AES-SL from proceeding with the demolition of these units to make room for a second 490 MW CCGT power block. It will require approximately 24 months to demolish Units 3 & 4 and prepare the site for construction and about 30 months to construct the new CCGT power block. This schedule will require HBGS Units 1 & 2 to remain in service through December 31, 2022, assuming the new CCGT power block becomes commercially available in early 2023.

The construction and demolition schedule provided to the CEC in the AFC proceeding for AFC, Docket No. 12-AFC-02 and presented in Table 2 of your letter cannot be used as an indicative schedule for compliance with the OTC Policy. The schedule presented to the CEC is for CEQA equivalent environmental analyses only and was prepared to meet a specific requirement to analyze the maximum potential impacts that could occur under the most aggressive construction and demolition schedule when the maximum amount of activity could occur at the HBGS site. Considering the likelihood the synchronous condensers are needed through the 2018 peak summer season and potential delays in any further procurement authorization, the construction and demolition schedule presented in your Table 2 is now no longer feasible and AES-SL expects a delayed and longer period of project development.

4. If there are non-OTC units at a generation facility, indicate if compliance with the OTC policy will, in any manner, affect the operation of the non-OTC units; if so how?

There are no other operating or operable generating units at the HBGS other than Units 1 & 2 and the synchronous condensers (retired Units 3 & 4). Unit 5 was a gas-turbine

peaking unit that was retired in 2001. Compliance with the OTC Policy will not affect any other units at the HBGS.

Additional questions:

If the synchronous condensers are run until the end of 2017, then it seems that the demolition of Units 3 & 4 will not start until Q1 2018. What does the delay in the demolition of Units 3 & 4 have on the schedule for construction of power block 2 and retirement of Units 1 & 2? Can we assume from Table 2 that it will take 5 years to construct power block 2 once the synchronous condensers cease operation and demolition begins? How does a potential delay in construction of power block 2 impact the retirement of Units 1 & 2 by December 31, 2020?

As indicated in our response to the questions above, our revised assumption that the synchronous condensers must stay in service through the 2018 peak summer season will impact the demolition and construction schedule of power block 2 and the retirement of Units 1 & 2. It will take approximately 50 to 54 months to demolish Units 3 & 4 and construct power block 2. If demolition cannot begin until late 2018, power block 2 would not be ready for commercial operation until early 2023. If the HBGS is to maintain maximum generating capacity and/or voltage support for reliability needs throughout the development project, then Units 1 & 2 could not retire until December 31, 2022, assuming there can be a short interruption in service between the shutdown of Units 1 & 2 and the commercial operation of power block 2 in early 2019.

It should be noted that AES-SL has taken every possible action to move both the contracting and permitting process forward and maintain our commitments to provide reliable power and generating capacity while moving as quickly as possible to comply with the OTC Policy. AES-SL has participated in the PUC Long Term Procurement Planning process, filed applicable permits, reduced OTC flows significantly and is responding to the contracting opportunities presented by SCE. However, the electricity planning, contracting and development process in California is extremely lengthy and considerable uncertainty still exists in our schedule and plan for compliance with the OTC Policy. If there are continued delays in the CEC permitting process for HBGS or future procurement authorizations are limited or postponed, then our current proposed schedule will need to be further adjusted. AES-SL wishes to extend an invitation to your organization to meet with the SACCWIS and explain in detail the constraints we are facing in our efforts to meet our compliance obligations.

If you have questions regarding this submittal, please contact Stephen O'Kane, AES-Southland, LLC at (562) 493-7840.

Sincerely



Jennifer Didlo
President
AES-Southland

