

State Water Resources Control Board

DEC 11 2012

Mr. George L. Piantka
NRG Energy
5790 Fleet Street
Carlsbad, CA 92008

Dear Mr. Piantka:

RE: SUBMITTED IMPLEMENTATION PLAN FOR EL SEGUNDO GENERATING STATION

A letter was sent out by the State Water Resources Control Board (State Water Board) on November 30, 2010 directing the submittal of an Implementation Plan (IP) by April 1, 2011. The letter outlined the required information to include in the IP, which consisted of information on seven requirements for compliance with the Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (Policy). In addition, if final compliance is not expected to be achieved by October 1, 2015, one of three interim mitigation measures must be chosen and discussed.

The intent of this letter is to inform you about the completeness of the information submitted in the IP for the El Segundo Generating Station (ESGS). State Water Board staff reviewed your IP and determined whether sufficient information was provided that satisfy each requested IP requirement.

The State Water Board acknowledges receiving the summarized information on the ESGS interim measures, as included in the IP. Per section 2.C.(3)(b) of the policy, the owner or operator will comply by demonstrating to the State Water Board's satisfaction that the interim impacts are compensated for by providing funding to the California Coastal Conservancy to be used in a mitigation project. The State Water Board convened its Expert Review Panel to consider appropriate interim mitigation and fees for intakes under the Policy. The Expert Review Panel has recommended using an interim mitigation fee-based approach. This approach uses the Area of Production Foregone (APF) method per the amount of water used in million gallons. The APF method is preferred because the restoration and creation of coastal habitat will compensate for all organisms that are directly and indirectly impacted by entrainment and impingement. A recommendation was made to use the half-life method to have the ability to discount the cost of the fee and estimate the accrued resource value of the mitigation project. Half-life is the midpoint in the expected life of the mitigation project, and is the point where the resource value conveyed is expected to be 50 percent built. NRG Energy proposes to provide funding to the California Coastal Conservancy as interim mitigation from October 1, 2015 and continuing up to and until ESGS is in final compliance with the Policy. The State Water Board staff is supportive of this approach;

CHARLES R. HOPPIN, CHAIRMAN | THOMAS HOWARD, EXECUTIVE DIRECTOR

however, we have not yet determined the half-life value for the interim mitigation fee at this time, and presently cannot conclude whether an interim mitigation fee of \$3.00 per million gallons is adequate.

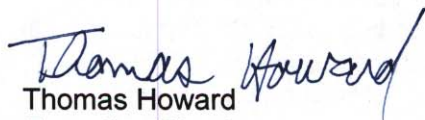
The following directs you to provide further information and data input that would be needed for future grid reliability analysis to determine the impact on local and system reliability. Pursuant to the Policy and California Water Code section 13383, the State Water Board requires the following information to be submitted:

1. An updated compliance track 1 schedule for unit 3 and its replacement units 5, 6, 7, and 8.
2. Provide the anticipated capacity of unit 4 repowering and any updated information on the unit 4 repowering timeline. Specify the technology that is expected for cooling the repowered facility and indicate the volume of ocean water usage, if any.
3. Provide the status of any necessary permitting activities or electrical interconnection studies and/or agreements with the local utility or the California Independent System Operator to repower or retrofit your generating facilities.
4. An extension is asked for unit 4 compliance with Track 1. Further information must be submitted to State Water Board staff that supports reasoning for such a proposal. In addition, an update on the progress made to date toward the IP must be submitted.
5. Submit the studies and assessments done by the Santa Monica Bay Restoration Commission that ESGS has provided funding towards as a means of meeting the interim impingement and entrainment impact mitigation requirement.
6. Information on the effectiveness of implementing water intake flow reduction, a comparison on present and historical water intake flow, and the megawatts production. Per section 2.C.(2) of the Policy, no later than October 1, 2011, the owners or operators of existing power plant units were required to cease intake flows when not directly engaged in power-generating activities or critical system maintenance.

By January 31, 2013, the information requested in items 1 and 2 is required to be submitted, and, a response is required indicating when the State Water Board staff may expect to receive the required information in items 3 and 4. An extension for additional time to submit items 1 and 2 can be requested, but must include supportive justification why the information cannot be submitted by the above deadline.

Should you have any questions on this matter please feel free to contact Mr. Jonathan Bishop, Chief Deputy Director, at 916-341-5820 (jsbishop@waterboards.ca.gov) or Dr. Maria de la Paz Carpio-Obeso, Chief of the Ocean Unit, at 916-341-5858 (mcarpio-obeso@waterboards.ca.gov).

Sincerely,


Thomas Howard
Executive Director