

State Water Resources Control Board

NOV 7 2016

Ms. Jennifer Didio
President
AES-Southland
21730 Newland Street
Huntington Beach, CA 92646

Dear Ms. Didio:

INFORMATION REQUIREMENTS FOR HUNTINGTON BEACH GENERATING STATION

On May 4, 2010 the State Water Resources Control Board (State Water Board) adopted the Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (Once-Through Cooling [OTC] Policy). To prevent disruption with the State's electrical power supply, section 1.I of the OTC Policy provides that the State Water Board will convene a Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) to advise the State Water Board on grid reliability and the impact of OTC Policy implementation on local area and system reliability. In order to perform an updated grid reliability analysis, the State Water Board requires updates to the previously submitted implementation plans submitted pursuant to section 3.A of the OTC Policy.

Pursuant to the OTC Policy and California Water Code section 13383, the State Water Board requires that AES-Southland (AES-SL) provide the most current information for Huntington Beach Generating Station (Huntington Beach) updated from the previously submitted Plan (See attachment).

Please note that a compliance date extension request requires an amendment to the OTC Policy. If and when circumstances that require an extension occur, AES-SL must submit a formal request for State Water Board consideration of an amendment to the compliance date set forth in the OTC Policy, along with supporting documentation. Please allow adequate time for the State Water Board to consider and process a request. The State Water Board requires a minimum of one year to process an OTC Policy compliance date deferral request.

Submission of the requested information is required no later than 60 days from the date of this letter.

Ms. Jennifer Didio

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Should you have any questions on this matter please feel free to contact

Mr. Jonathan Bishop, Chief Deputy Director, at (916) 341-5820
Jonathan.Bishop@waterboards.ca.gov or Maria de la Paz Carpio-Obeso, Chief of the Ocean
Standards Unit, at (916) 341-5858 MarielaPaz.Carpio-Obeso@waterboards.ca.gov.

Sincerely,



Thomas Howard
Executive Director

Attachment:

HUNTINGTON BEACH GENERATING STATION

1. The following is the State Water Board's current understanding of the proposed mechanism to bring each unit into compliance:

In the AES-SL letter to the State Water Board dated February 12, 2016, AES-SL stated its path to compliance for Huntington Beach is Track 1. AES-SL proposes to repower Huntington Beach with a new 644 megawatts (MW) Combined Cycle Gas Turbine (CCGT) and two 100 MW Simple Cycle Gas Turbine (SCGT) peakers. Huntington Beach was awarded a Power Purchase Agreement (PPA) with Southern California Edison (SCE) for a 644 MW CCGT with a commercial operation date of May 1, 2020. On October 1, 2019, AES-SL expects first fire and testing of the new CCGT. AES-SL proposes to:

- Retire Huntington Beach Unit 1 (HB 1) early on October 31, 2019.
- Provide emission offsets for the new Huntington Beach Energy Project (HBEP) and retire Huntington Beach Unit 2 (HB 2) on December 31, 2020.

AES-SL expects Huntington Beach will be in compliance with the OTC Policy before December 31, 2020.

2. The following is the State Water Board's current understanding of the actions taken to obtain permits, obtain contracts, or meet other regulatory obligations to implement Track 1 compliance:

On June 27, 2012 AES-SL submitted an Application for Certification (Docket No. 12-AFC-02) with the California Energy Commission (CEC) seeking permission to construct and operate the HBEP, a 939 MW combined-cycle power generation facility, to be located entirely within the footprint of Huntington Beach. On October 29, 2014, the CEC approved a license for the HBEP.

After the CEC issued the Final Decision for HBEP, SCE publicly announced that AES-SL had been selected in the 2013 Local Capacity Requirements Request for Offers to provide 644 MW of nominal capacity at the Huntington Beach site. On September 14, 2015 CEC received a Petition to Amend (PTA), to change the technology to a 844 MW power plant comprised of a Phase 1, 644 MW CCGT and Phase 2, two 100 MW SCGT peakers. On September 27, 2016, AES-SL filed a motion for the CEC to issue a revised scheduling order to publish the Final Staff Assessment by October 10, 2016 to maintain the projects schedule. AES-SL states this is needed to allow presentation to the full CEC for the Final Decision by the end of 2016.

In its February 12, 2016 letter to the State Water Board, AES-SL proposes to retire Huntington Beach Unit 1 and Redondo Beach Unit 7 on October 31, 2019 to provide emission offsets, and indicates that the unit must be shut down prior to first fire of the HBEP.

In AES-SL's PTA, AES-SL plans to utilize Rule 1304(a) (2) offset exemption by retiring HB 1 (215 MW) and Redondo Beach Unit 7 (480 MW). The PTA states existing HB 1 will be retired in the fourth quarter of 2019 to provide interconnection capacity for the new CCGT units. HB 2 will be retired either after commercial operation of the HBEP SCGT or at the

December 31, 2020, OTC Policy compliance date, after which demolition of HB 1 and HB 2 will commence.

On November 19, 2015, SCE's contract with AES-SL was approved by the California Public Utilities Commission (CPUC) in Decision (D.15-11-041). The PPA for the combined cycle facility at Huntington Beach is for a two-on-one facility, with a total net capacity of 644 MW. On June 1, 2016 the CPUC denied the application for rehearing of the Decision.

3. The following is the State Water Board's current understanding of the California Independent System Operator's (CAISO) analyses involving Huntington Beach:

In its 2016-2017 Transmission Planning studies, the CAISO modeled the proposed 644 MW HBEP repowering to replace Huntington Beach after 2020. The CAISO is evaluating whether the Huntington Beach synchronous condensers are needed beyond their contractual expiration dates as part of the CAISO 2016-2017 Transmission Planning Process and the 2017 Local Capacity Report assessment. The Reliability Must Run contract for synchronous condenser Huntington Beach Unit 3 (HB 3) expires at the end of 2016, whereas the contract for Huntington Beach Unit 4 (HB 4) expires at the end of 2017. Previous CAISO studies indicated that the Huntington Beach synchronous condensers at HB 3 and HB 4 cannot be retired until at least three critical transmission projects are in service: Talega synchronous condensers (in-service date August 7, 2015), San Luis Rey synchronous condensers (in-service date June 30, 2017), and the Imperial Valley phase shifting transformers (in-service date June 01, 2017). In addition, the new Carlsbad Energy Center Project (Carlsbad), a replacement project for the existing Encina Power Station (Encina), or an electrically equivalent resource with equal capacity, would need to be in service prior to the retirement of Huntington Beach synchronous condensers.

Please respond to the following questions and requests for information:

1. Has any of the information above changed? Please explain.
2. Are there any contingencies that would prevent AES-SL from meeting its commercial operation date or PPA date of the HBEP?
3. Are there any contingencies that would prevent AES-SL from meeting its OTC Policy compliance date? Please explain.
4. In the event of an OTC Policy compliance date extension are there electrical configurations, permit constraints, or any other reasons that would make some units preferred for extension over others?
5. Please identify any period with a disruption in service between the shutdown of the existing Huntington Beach units and the commercial operation date of the new units.
6. CAISO local capacity studies have suggested that HB 3 and HB 4 synchronous condensers cannot be retired if capacity at the existing Encina or proposed Carlsbad facilities is not available. Would use of existing synchronous condensers at HB 3 and HB 4 into 2018 and 2019 interfere with the HBEP development? If so, describe how.
7. Is there any other information that the State Water Board should be made aware?