

State Water Resources Control Board

FEB 24 2015

Ms. Jennifer Didlo
President
AES-Southland
1100 N. Harbor Drive
Redondo Beach, CA 90277

Dear Ms. Didlo:

INFORMATION REQUIREMENTS FOR REDONDO BEACH GENERATING STATION

On November 30, 2010, the State Water Resources Control Board (State Water Board) Executive Director issued a letter requiring the submittal of an Implementation Plan (Plan) by April 1, 2011. The letter outlined the required information to include in the Plan, including information on planned actions for compliance with the Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (Policy). If final compliance is not scheduled by October 1, 2015, interim mitigation measures must be identified in the Plan.

Due to the current uncertainty as to conditions identified in implementation plans previously submitted from the once-through cooling (OTC) power plants with near-term compliance deadlines, further information and data input is necessary to conduct grid reliability analyses to determine the impact on local and system reliability.

Pursuant to the Policy and California Water Code section 13383, the State Water Board requires AES-Southland (AES) to provide the most current information for Redondo Beach Generating Station (RBGS) if the following content is not up-to-date:

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

AES's tentative plan for complying with the Policy at the RBGS indicated a plan to replace the existing operational Units 5 through 8 with a single air-cooled, natural gas fired, combined cycle gas turbine power block.

AES indicated that cessation of OTC at the RBGS is expected to be achieved by the compliance date of December 31, 2020. Two (Units 6 and 8) of the four existing Units would be retired by December 31, 2018 to allow the repowering of the Huntington Beach Generating Station (HBGS). The other two units are expected to be available for local capacity requirements through December 31, 2020. This schedule assumes the redevelopment of the first new combined cycle gas turbine block at the HBGS proceeds on schedule. AES has entered into a contract with Southern California Edison for the HBGS, which could impact the plan for RBGS.

FELICIA MARCUS, CHAIR | THOMAS HOWARD, EXECUTIVE DIRECTOR

AES had indicated that future use of the Redondo Beach site may not include power generation. AES has proposed and funded the Harbor Village initiative plan that would enable AES to close the Redondo Beach plant and revitalize the site without building a new power plant. The City of Redondo Beach is scheduled to vote on the initiative on March 3, 2015.

Given that the circumstances surrounding the RBGS have changed in the last year, please provide an updated implementation plan for the RBGS and details how it plans to comply with the Policy.

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 the compliance mechanism identified above:

AES-SL submitted an Application for Certification ([AFC], Docket No. 12-AFC-03) to the California Energy Commission (CEC) and an application for a revised Title V Permit and Permit to Construct to the South Coast Air Quality Management District (SCAQMD) on November 21, 2012. The AFC was accepted as data adequate on August 27, 2013. CEC staff published the Preliminary Staff Assessment (PSA) on July 28, 2014. Shortly before the PSA was published, the CEC learned that AES had submitted the Harbor Village Plan Initiative petition to the City of Redondo Beach. The petition seeks the approval of the electorate in Redondo Beach for a land use plan for the RBEP site as a mixed-use development of 600 new residences, 250 hotel rooms, and 85,000 square feet of commercial space. On August 20, 2014, AES filed a "Notice of Suspension of Application for Certification" (TN202962) (Applicant's Notice). On September 2, 2014, the CEC ordered that all proceedings in AFC are suspended pursuant to the Applicant's Notice until April 1, 2015. AES has indicated that depending upon the results of the election, the Applicant will notify the CEC whether it will withdraw the Application or whether it wishes the CEC to continue processing the Application.

AES has indicated that the development of replacement generation at the RBGS is dependent upon obtaining nonrecourse financing backed by a long term power purchase agreement with the local utility. To date, no contracting opportunities have concluded that will enable nonrecourse financing for project development at the RBGS.

3. Does AES have a plan for achieving compliance in the event that nonrecourse financing is not obtained?
4. If the Harbor Village Initiative passes and AES chooses to retire the RBGS, what is the detailed schedule for retirement of the facility? How will the plans for compliance change in the event that the initiative does not pass or in the event of a lack of a long-term power purchase agreement?

Submission of the above information is required no later than 60 days after the date of this letter.

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 Dr. Maria de la Paz Carpio-Obeso, Chief of the Ocean Unit, at (916) 341-5858 (marielapaz.carpio-obseso@waterboards.ca.gov).

Sincerely,



Thomas Howard
Executive Director