
State Water Resources Control Board

September 18, 2013

Mr. Eric Pendergraft
AES Southland, LLC
690 North Studebaker Road
Long Beach, CA 90803

Dear Mr. Pendergraft:

INFORMATION REQUIREMENTS FOR REDONDO BEACH GENERATING STATION

On November 30, 2010 a letter was sent out by the State Water Resources Control Board's (State Water Board) Executive Director 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 by October 1, 2015, is not feasible, 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 a near term compliance deadline, further information and data input is necessary to conduct 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 AES Southland to provide the most current information for Redondo Beach Generating Station in the previously-submitted Plan if the following content is not up-to-date or is inaccurate:

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

The Plan presented in March 2012 is subject to change. AES Southland no longer seeks an extension of the compliance date for Redondo Beach Generating Station. The tentative Plan is to follow Track 1 and completely replace the existing operational Units 5 through 8 with a single air-cooled, natural gas fired, combined cycle 3-on-1 power block.

Otherwise, Units 5 and 7 will continue to operate through 2020 and then permanently retire. Future use of the Redondo Beach site may not include power generation, as AES Southland is working with the City of Redondo Beach to determine possible alternative uses for the site.

In any case, Units 6 and 8 will be retired by end of 2018 to enable operation of new generation at the Huntington Beach Energy Park.

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

An Application for Certification (AFC)¹ was submitted to California Energy Commission (CEC) in November 2012. Initial review of the AFC led to a determination dated December 20, 2012 that the AFC was not "Data Adequate." AES Southland is submitting additional data to the CEC and the application review continues. As part of the certification process, AES Southland must also obtain a permit from the Southern California Air Quality Management District (SCAQMD) and submit responses to its specific data requests.

A long term California Public Utilities Commission (CPUC) approved contract will be needed to obtain non-recourse financing for the project. The CPUC's Decision Authorizing Long-Term Procurement for Local Capacity Requirements (D.13-02-015) authorized the procurement of up to 1,200 Mega Watt (MW) of conventional natural gas-fired generation in the Los Angeles Basin to meet reliability needs after the retirement of all once-through cooling generation in the local area.

Construction of a new power block at the Redondo site is dependent upon several assumptions. One key assumption is that compliance with emission offset requirements can be achieved by reliance upon SCAQMD rule 1304(a)(2). Another key assumption is that additional capacity will be authorized in the 2014 and 2016 Long-Term Procurement Plan (LTPP) proceedings. If Rule 1304.1 is adopted, the entire AES Southland fleet repower project may become prohibitively expensive prompting abandonment of all or part of the Track 1 compliance path.

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

AES Southland plans to retire Units 5 and 7 (684.9 MW) by the end of 2020 and repower them into a new fast-start 3-on-1, natural gas fired, combined cycle power block with a net generating capacity of 496 MW with an online deadline of the first quarter of the 2021 fiscal year.²

AES Southland plans to retire Units 6 and 8 (671.9 MW CAISO maximum capacity) by the end of 2018 to enable the repower at Huntington Beach Energy Park. This will be accomplished through reliance on SCAQMD rule 1304 (a)(2).

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?

Units 1 through 4 are already retired and will be demolished as part of the project.

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

¹ http://www.energy.ca.gov/sitingcases/redondo_beach/documents/

² http://www.energy.ca.gov/sitingcases/redondo_beach/documents/applicant/AFC/Vol_1/RBEP_2.0_Project%20Description.pdf

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,

A handwritten signature in black ink that reads "Thomas Howard". The signature is written in a cursive, slightly slanted style.

Thomas Howard
Executive Director

ECM# 1085032