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January 17, 2018

Eileen Sobeck
Executive Director
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

RE: Grid Reliability Information Requests for the Redondo Beach Generating Station

Dear Ms. Sobeck,

This letter is in response to your November 20, 2017 correspondence requesting the latest information for the AES Redondo Beach Generating Station (AES-RB) Implementation Plan (IP).

As we have previously communicated, there are a number of significant assumptions that AES Southland (AES-SL) must consider in developing and executing our IP for AES-RB as well as our two other once-through-cooled (OTC) generating stations located in the Los Angeles basin local reliability area – AES Huntington Beach (AES-HB) and AES Alamitos (AES-AL). Many of these assumptions are dependent upon conditions and decisions outside of the control of AES-SL. As an independent generator providing contracted capacity to the local utility, AES-SL is not responsible for evaluating and maintaining grid reliability. However, AES-SL is ready and prepared to respond to grid reliability needs as determined by the utility, local area balancing authority (CAISO) and the California Public Utilities Commission (CPUC). Without *first* obtaining specific direction or receiving a request to enter into contracts for AES-SL generating capacity, AES-SL will not be requesting any extension to the current OTC compliance dates. Should AES-SL resources be required to maintain grid reliability in the future, it is highly possible that a request for an extension of an OTC compliance date will be made with less than one year notice before the current AES-SL OTC compliance dates are reached. This would require the State Water Board to act much quicker than has been assumed in your letter, if electrical reliability is to be maintained. As opposed to waiting for a last minute request for an extension of an OTC compliance date, AES-SL strongly suggests the State Water Board develop criteria for approval of OTC compliance date extensions and amendments to the OTC policy immediately, such that decisions on individual generating unit OTC compliance dates can be made judiciously and quickly without jeopardizing electrical reliability.

Given the uncertainty of the assumptions and the challenges associated with trying to predict the future, the AES-SL IPs and any updates to the IPs represent our best intentions at this time, but they are subject to change and cannot be construed as definitive, final plans. Future market developments, the physical state of the electricity transmission and distribution grid and decisions by other state agencies will influence the ultimate actions of AES-SL and their timing.

Before addressing the State Water Resources Control Board's specific questions, AES-SL provides the following general comments which may help to simplify understanding the IPs. AES-SL currently intends to comply with the Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (OTC Policy) by utilizing Track 1 and shutting down and permanently retiring all generating units at AES-RB, AES-HB and AES-AL that utilize OTC, per the compliance dates included in the OTC Policy. AES-SL does not currently plan to retrofit any of the existing units with alternate cooling technologies to comply with Track 1, or utilize any operational or technical measures to comply with Track 2. In the event additional new generating resources are needed in order to maintain a reliable supply of electricity, AES-SL intends to provide these new resources through competitive solicitations issued by the utility(s) and these resources would be constructed on one or more of the existing sites, but they will utilize air cooling and would not be subject to the OTC Policy.

With respect to OTC generator retirement timing, a Resource Adequacy contract is in place to continue the operation of AES-RB generating units 5, 6, 7 and 8 through December 31, 2018. AES-SL currently expects to participate in future contracting opportunities for the AES-RB generating units beyond December 2018. If successful, AES-RB units 5, 6 and 8 would continue to operate through December 31, 2020 and AES-RB unit 7 would operate through September 30, 2019. AES-HB was awarded a Power Purchase Agreements (PPA) for a nominal 644 MW capacity combined-cycle gas turbine (CCGT) with a commercial operation date of March 1, 2020, which will require the shutdown of AES-RB unit 7 prior to the current OTC Policy compliance date to satisfy South Coast Air Quality Management District rules for new emission sources.

Answers to your specific questions in your letter are provided below.

1. Has any of the information¹ above changed? If yes, please provide corrected information.

AES-SL still intends to comply with Track 1 of the OTC Policy for Redondo Beach, however, AES-RB will be retired by September 30, 2019. AES-RB units 5, 6, and 8 are still anticipated to be retired by December 31, 2020. The remaining information is correct.

2. What is the status of the AFC suspension? Please explain.

AFC Docket No. 12-AFC-03 remains suspended at the California Energy Commission (CEC). No further updates have been provided to the CEC by either AES-SL or the City of Redondo Beach. The AFC will remain suspended until either the Applicant (AES-SL), the CEC siting committee assigned to the project, or other party with standing makes a motion to reopen or end the proceeding entirely. AES-SL intends to leave the AFC in suspension for the foreseeable future.

3. Are there any contingencies that would cause a delay in OTC Policy compliance?

The retirement of AES-RB units and subsequent compliance with the OTC Policy deadlines for the station are also contingent upon compliance with the California Public Utility Commission's (CPUC) General Order 167, Appendix E which requires AES-RB to notify the CPUC in writing at least 90 days prior to a change in the long-term status of a generating unit (Operating Standard 23), and to maintain said generating unit in readiness for service until after the CPUC and the Control Area Operator affirmatively declare that the generating unit is unneeded (Operating Standard 24). The shutdown of

¹ State Water Resources Control Board, November 20, 2017 letter to Jennifer Didlo

AES-RB generating units and subsequent start-up of new generating units planned for AES-HB is dependent on compliance with General Order 167 and the requirements of the SCAQMD Rule 1304a(2).

4. Does AES-SL plan to retire Redondo Beach Unit 7 earlier than October 31, 2019, Redondo Beach Units 5, 6, or 8 earlier than December 31, 2020.

It is AES-RB's current assumption that Unit 7 will be shut down and permanently retired by September 30, 2019 and Units 5, 6 or 8 will be permanently retired by December 31, 2020. As none of the AES-RB units are currently contracted beyond December 31, 2018, AES-SL will pursue the most economically favorable position for AES-RB beyond this date, whether that is securing additional contract(s) to support continued operation of the generating units or development of the site for other uses.

5. Is there any information from the negotiations with the City of Redondo Beach or any other information that the State Water Board should be made aware of?

Discussions with the City of Redondo Beach are continuing and AES-SL is still considering the potential repurposing of the property for non-industrial use, but there is nothing more specific to communicate at this point.

AES-SL continues to take every possible action to move the development process for new generating units at AES-AL and AES-HB forward and maintain our commitments to provide reliable power and generating capacity while progressing as quickly as possible to comply with the OTC Policy. AES-SL has participated in the CPUC's Long Term Procurement Planning process, filed applicable permits, reduced OTC flows significantly, has responded to the contracting opportunities presented by the local utility and invested hundreds of millions of dollars in new construction at our sites. However, the electricity planning, contracting and development process in California is extremely lengthy and considerable uncertainty still exists in California's plans for maintaining electrical reliability in southern California beyond the current OTC compliance dates. Unless the current State and Regional Water Board regulatory and permitting issues are addressed and a suitable contracting mechanism developed for the continued operation of AES-RB generating units within a reasonable time frame, then none of the existing AES-RB units will be available as a potential electrical resource beyond December 31, 2020. As we have offered multiple times to the State Water Board, AES-SL wishes to extend an invitation to your organization to meet with the SACCWIS and explain in detail the constraints California is facing to maintain electrical reliability under the current regulatory structure, from an actual owner and operator of the generating resources. We hope to hear from you and your organization soon so you can understand the constraints and schedules we've described above in more detail.

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