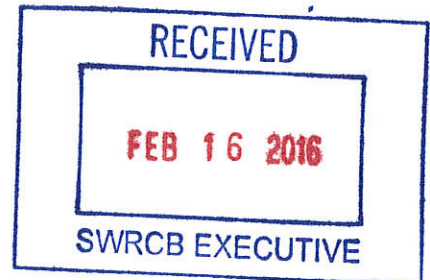


690 North Studebaker Road
Long Beach, CA 90803
tel/ 562 493 7891
fax 562 493 7320



February 12, 2016

Thomas Howard
Executive Director
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

RE: Information Requirements for the Huntington Beach Generating Station

Dear Mr. Howard,

This letter is in response to your December 16, 2015 correspondence requesting additional information for the AES Huntington Beach Generating Station (AES-HB) Implementation Plan (IP). As stated in your letter, you wish to obtain further information and data input to conduct grid reliability analyses to determine the impact on local and system reliability.

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 the AES-HB as well as our two other once-through-cooled (OTC) generating stations located in the Los Angeles basin local reliability area – AES Alamitos (AES-AL) and AES Redondo Beach (AES-RB). Given the uncertainty of these 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 plans. Future market developments 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-AL, AES-HB and AES-RB 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 timing, generating Units 1 and 2 at AES-HB are fully contracted through May 31, 2018 and will remain in operation at least through that date. Beyond May 31, 2018, there are three factors that will determine the ultimate retirement schedule. Specifically, each unit will be shutdown when one of the following occurs; (1) it is no longer economically practical to operate the units (without new contracts for capacity beyond May 31, 2018 it is unlikely AES would maintain the units to be available for spot market dispatch); (2) the unit needs to shutdown to enable a new replacement unit to begin its commissioning activities¹; or (3) it reaches its OTC Policy compliance date². Since AES-HB was recently awarded a Power Purchase Agreement (PPA) for a nominal 644 MW CCGT with a commercial operations date of March 1, 2020, condition (2) will result in the shutdown of some existing AES-SL units prior to the OTC Policy compliance date.

The SWRCB's specific questions are addressed below.

1. When does AES-SL anticipate the first fire and testing of the new HBEP?

AES-SL anticipates first fire of the 644MW CCGT on 10/1/19

2. When is commercial operation expected of the new facility expected?

Commercial Operation for the 640MW CCGT is on 3/1/20, and the PPA begins on 5/1/20.

3. Please provide an updated schedule of the retirements and the specific units that will be used to qualify for the offset exemption under Rule 1304(a)(2).

HB1 and RB7 will be retired to provide offsets for the 644MW CCGT. HB 2 will be retired on 12/31/2020 consistent with OTC regulation and to provide offsets for the 200MW of peakers.

4. If there is a delay in repowering, will the early retirement of Huntington Beach Unit 1 and Redondo Beach Unit 7 also be delayed. Please explain

The cause and type of delay would result in different outcomes. AES-SL is working diligently to ensure the schedule is achieved. If first fire of the 644MW CCGT is delayed, then it is reasonable to assume the retirement of Huntington Beach Unit 1 and Redondo Beach Unit 7 would also be delayed.

5. Please identify any period with a disruption in service between the shut downs of existing and the commercial operation date of the new units.

Huntington Beach Unit 1 will shut down on 12/31/19 and Redondo Beach Unit 7 will be shut down on 10/1/19. The new 644MW CCGT will reach commercial operation on 3/1/20. Consequently, there will be a disruption in total available capacity at Huntington Beach between 12/31/19 and 3/1/20.

¹ It is necessary to shutdown existing generation in order to provide interconnect capacity and access to emission offsets for the new generating unit.

² Absent any extensions from the SWRCB, the AES-SL generating units must comply with the OTC Policy by December 31, 2020.

6. Is it correct that Huntington Beach Unit1 needs to shut down early in order to provide interconnect capacity? Please explain.

HB1 will need to shut down prior to interconnecting the new CCGT to provide interconnection capacity. The HB facility's interconnection has insufficient capacity to allow for simultaneous operation of existing units HB1, HB2, and the new CCGT.

7. Please provide any update to the compliance plans for HB2.

HB2 will be retired on 12/31/20.

8. Can AES-SL confirm its understanding of SCAQMD's application of Rule 1304(a)(2) and whether other units may need to shut down early to provide offsets for the entire facility or whether offsets for the second phase can be provided at a later time? Please explain.

AES-SL's understanding of Rule 1304(a)(2) requires that generating capacity from the same facility must be permanently retired within 90 days of the new unit's first fire, whereas capacity from a different facility must be permanently retired prior to the new unit's first fire. Offsets for the second phase (200MW CT's) will be needed for the first fire of those units, which is subject to obtaining a power purchase agreement in the future.

9. Please provide an update to the summer peak capacity table

Facility	Capacity	Retirement Date	Commercial Operation Date	Summer Peak MW		
				2019	2020	2021
Huntington Beach 1	225	10/1/2019		225	0	0
Huntington Beach 2	225	12/31/2020		225	225	0
Redondo Beach 5	178	12/31/2020		178	178	0
Redondo Beach 6	175	12/31/2020		175	175	0
Redondo Beach 7	505	10/1/2019		505	0	0
Redondo Beach 8	495	12/31/2020		495	495	0
Alamitos 1	175	10/31/2019		175	0	0
Alamitos 2	175	10/31/2019		175	0	0
Alamitos 3	332	12/31/2020		332	332	0
Alamitos 4	335	12/31/2020		335	335	0
Alamitos 5	498	10/31/2019		498	0	0
Alamitos 6	495	12/31/2020		495	495	0
New HBEP CCGT	644		3/1/2020		644	644
New HBEP SCGT	200					
New AEC CCGT	640		4/1/2020		640	640
New AEC SCGT	400					
Total				3813	3519	1284

AES-SL continues to take every possible action to move both the contracting and permitting process 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 and has responded to the contracting opportunities presented by the local utility. 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. If there are delays in the CEC amendment process for HBEP, contracts are not approved by the CPUC, future procurement authorizations are limited or postponed, or other planned transmission and generating capacity upgrades by the local utility are not completed or delayed, then our current proposed schedule will need to be further adjusted and other options considered, including the potential extension of OTC compliance deadlines for existing units. 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.

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