

May 14, 2012

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DIVISION OF WATER QUALITY

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SWRCB EXECUTIVE

Mr. Jonathan Bishop  
State Water Resources Control Board  
Division of Water Quality  
1001 I Street, 15<sup>th</sup> Floor  
Sacramento, CA 95814

Re: GenOn West, LP Ormond Beach Generating Station & Mandalay Generating Station Implementation Plans for the Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (Policy)

Dear Mr. Bishop,

GenOn West, LP (GenOn) submits this letter to provide the State Water Resources Control Board (Board) an update regarding the Implementation Plans for its Ormond Beach Generating Station (OBGS) and Mandalay Generating Station (MGS).

In the OBGS and MGS Implementation Plans submitted on April 1, 2011, GenOn demonstrated that it would be infeasible to retrofit the existing units to use closed-cycle cooling and thereby comply under Track 1 of the Board's Policy. Accordingly, GenOn proposed to comply with the Policy by achieving the impact reductions required under Track 2 of the Policy by implementing a combination of technological and operational controls. However, the ultimate viability of Track 2 implementation at both OBGS and MGS is subject to numerous technical, environmental, political and economic uncertainties. Also, there is a significant risk that the contemplated Track 2 compliance measures could either not be implemented or would fail to achieve the requisite reductions, in which case the units would be forced to shut down. Furthermore, since Track 2 requires a three-year baseline monitoring study, GenOn would not be able to better gauge the viability of Track 2 implementation measures and handicap that risk for at least three more years.

Additionally, the California Independent System Operator (CAISO) recently determined that, of the existing OTC megawatts in the Big Creek/Ventura Local Reliability Area, in which MGS and OBGS are located, 430 megawatts are required to meet local reliability needs beyond 2020. To ensure that need can be met, and in light of the Track 2 uncertainties highlighted above, GenOn intends to amend its Implementation Plans for OBGS and MGS to propose to replace the once-through cooled units at OBGS and MGS with new units that are not dependent on once-through cooling. The replacements of the once-through cooled units at OBGS and MGS are subject to their own uncertainties, e.g., a need determination by the California Public Utilities Commission and the awarding of a power purchase agreement from the utility, and obtaining licenses from the California Energy Commission and air permits from the Ventura County Air Pollution Control District, but the replacement compliance path more completely furthers the Board's objective to minimize the impacts of once-through cooling and will result in generating units more capable of meeting the CAISO's need for flexible capacity to integrate renewable resources coming on-line in

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the next decade. Due to the lengthy procurement, permitting and construction cycle facing new generation development in California, Genon is revising its Implementation Plans now to ensure that we can complete the replacement path by 2020.

GenOn will follow up on this letter with a formal revision of the Implementation Plans describing the proposed replacement units in more detail. In the interim, we would appreciate the Board's acknowledgement of this letter and its endorsement for GenOn to proceed in the direction outlined herein.

Sincerely,



John Chillemi  
President

cc: Michael Lauffer, SWRCB