
State Water Resources Control Board

FEB 24 2015

Ms. Jennifer Didlo
President
AES-Southland
21730 Newland Street
Huntington Beach, CA 92646

Dear Ms. Didlo:

INFORMATION REQUIREMENTS HUNTINGTON 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 Huntington Beach Generating Station (HBGS) 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 has stated its path to compliance for the HBGS is Track 1. Repowering has been proposed to occur in phases using dry-cooled, natural gas fired combined cycle power blocks. AES expects HBGS will be in compliance before December 31, 2020.

AES originally proposed to retire Redondo Beach Generating Station Units 6 and 8 to enable the repowering of the first power block (470 megawatts [MW]) at HBGS to be on -line during the fourth quarter of 2018 or first quarter of 2019.

Huntington Beach Units 3 and 4 were retired in 2012 and were converted to synchronous condensers in 2013. The synchronous condensers are expected to run through December 2017 at the latest, at which time they would be retired and demolished to enable construction of the second power block (469 MW).

FELICIA MARCUS, CHAIR | THOMAS HOWARD, EXECUTIVE DIRECTOR

Huntington Beach Units 1 and 2 are expected to retire in the fourth quarter of 2020, and the second power block is expected to be on-line either in the second or third quarter of 2020.

The Southern California Edison (SCE) application for its Local Capacity Requirements Request for Offers (LCR RFO) results (Application A.14-11-012 filed with the CPUC on November 21, 2014) indicates a 644 MW combined cycle facility at HBGS. This information is inconsistent with the previously proposed repowering plans. Does AES plan on further repowering at the HBGS beyond what has been contracted with SCE in its LCR RFO? How will AES achieve compliance in the event that Application A.14-11-012 is not approved?

2. The following is the State Water Board's current understanding of the actions that have been taken to obtain permits, obtain contracts, or meet other regulatory obligations to implement the compliance mechanism identified above:

AES submitted an Application for Certification ([AFC], Docket No. 12-AFC-02) with the California Energy Commission (CEC) on June 27, 2012 seeking permission to construct and operate a power generation facility, the Huntington Beach Energy Project (HBEP), to be located entirely within the footprint of the HBGS.

In the AFC, AES described the HBEP as a natural-gas fired, combined-cycle, air-cooled, 939- MW electrical generating facility that will replace the HBGS. HBEP was proposed to be two independently operating three-on-one combined-cycle gas turbine power blocks. Each power block would consist of three-gas-fired combustion turbine generators, three supplemental fired heat recovery steam generators, one steam turbine generator, an air-cooled condenser, and related ancillary equipment. Other equipment and facilities to be constructed and shared by both power blocks include natural gas compressors, water treatment facilities, emergency services, and administration and maintenance buildings. On October 29, 2014, the CEC approved Application for Certification for the HBEP.

In accordance with CPUC Decision ("D.") 13-02-015, SCE, on September 12, 2013 launched the LCR RFO for incremental capacity in the West Los Angeles Basin and Moorpark Sub-Areas. Products solicited include: Demand Response, Energy Efficiency, Energy Storage, Renewables, Distributed Generation, Combined Heat and Power, Resource Adequacy and Gas Fired Generation. On November 5, 2014, SCE announced contract winners for its LCR RFO. This is still subject to CPUC approval in Application A.14-11-012 filed November 21, 2014.

The pending contract with AES includes two combined cycle facilities, one at Alamitos and the other at Huntington Beach. The combined cycle facility at HBGS is proposed to be a two-on-one facility, with a total net capacity of 644 MW. Is AES still planning to pursue the construction of the second block of combined cycle facility at HBGS? The change in configuration of the combined cycle facility at HBGS from a three-on-one to a two-on-one facility would require AES to amend its AFC for the HBEP with the CEC.

Regarding the retired HBGS Units 3 and 4, if the synchronous condenser at the SCE-owned Santiago Substation is placed in-service by June 1, 2018, as well as other dynamic reactive support projects located in San Diego (i.e., Talega, San Luis Rey and San Onofre), and the Imperial Valley phase-shifting transformers are placed in service on or before June 1, 2018,

the HBGS synchronous condensers would not be required to run beyond their scheduled termination of reliability must-run contracts.

AES plans to rely on the Southern California Air Quality Management District Rule 1304(a)(2) to demonstrate compliance with rule 1303 by retiring Hunting Beach Units 1 and 2 and Redondo Beach Generating Station 6 and 8 to develop 939 MW of new natural gas fired combined cycle units at the Huntington Beach site.

Do the plans for Policy compliance assume that this contract will be approved? How will the plans for compliance change in the event that this contract is not approved by the CPUC?

Will AES request an amendment to its AFC filing at the CEC based on the latest SCE's selection of AES facilities for its LCR RFO? What is the timing for filing an amendment?

3. The following is the State Water Board's current understanding of the schedule, generation unit technology, and MW capacity for repowering, replacement, or retrofits for each unit:

In the AFC filing to the CEC, AES proposed to construct a new 470 MW combined cycle gas turbine (first block) and energy on-line either during the fourth quarter of 2018 or first quarter of 2019. AES plans to retire Redondo Beach Generating Station Units 6 and 8 by the end of 2018 to allow the development of the first power block. Huntington Beach Units 3 and 4 retired October 31, 2012 and the permits to operate as generators were surrendered. The units will continue to operate as a synchronous condenser from June 2013 until December 2017 at the latest. Huntington Beach Units 1 and 2 will be retired when the second block is on-line by the end of 2020.

With the recent announcement from SCE regarding the results for the selected long-term LCR RFO resources and the planned development of a 644 MW combined cycle facility at HBGS, it is not known how this latest plan would affect AES Southland's repowering project submittal at the CEC.

Please provide an updated repowering plan, including a detailed list of generation technologies, and capacity by unit. Indicate how this will be affected by the approval or denial of AES' pending application to contract 644 MW of HBEP with SCE.

4. If there are non-OTC units at a generation facility, indicate if compliance with the OTC policy will, in any manner, effect the operation of the non-OTC units. If so, how?

The following is the State Water Board's current understanding: According to AES, Unit 5 does not use OTC and will be demolished. In the AFC submittal, this is scheduled to occur between the first quarter of 2015 and the second quarter of 2016. Does this change with the approval or denial of the pending contract with SCE?

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

Ms. Jennifer Didlo

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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-obeso@waterboards.ca.gov).

Sincerely,



Thomas Howard
Executive Director