DEC 1 1 2012

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

Dear Mr. Pendergraft:

RE: SUBMITTED IMPLEMENTATION PLAN FOR HUNTINGTON BEACH GENERATING STATION

A letter was sent out by the State Water Resources Control Board (State Water Board) on November 30, 2010 directing the submittal of an Implementation Plan (IP) by April 1, 2011. The letter outlined the required information to include in the IP, which consisted of information on seven requirements for compliance with the Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (Policy). In addition, if final compliance is not expected to be achieved by October 1, 2015, one of three interim mitigation measures must be chosen and discussed.

The intent of this letter is to inform you about the completeness of the information submitted in the IP for the Huntington Beach Generating Station (HBGS). State Water Board staff reviewed your IP and determined whether sufficient information was provided that satisfy each requested IP requirement.

AES Southland, LLC (AES-SL) selected Track 1 for compliance with HBGS, but it is noted that this part of an overall AES-SL plan that includes all three generating stations owned by AES-SL along the southern California coast. It is evident from public filings made by AES-SL to various government agencies, such as the California Energy Commission (CEC), that much has changed since the April 2011 IP. As two examples, the IP will be impacted by the sale of HBGS units 3 and 4 to Edison Mission Energy and the submission of an application for certification to the CEC for the repowering of the entire HBGS site.

The State Water Board acknowledges receiving the summarized information on the HBGS interim measures, as included in the IP. Per section 2.C.(3)(b) of the policy, the owner or operator will comply by demonstrating to the State Water Board's satisfaction that the interim impacts are compensated for by providing funding to the California Coastal Conservancy to be used in a mitigation project. The State Water Board convened its Expert Review Panel to consider appropriate interim mitigation and fees for intakes under the Policy. The Expert Review Panel has

recommended using an interim mitigation fee-based approach. This approach uses the Area of Production Foregone (APF) method per the amount of water used in million gallons. The APF method is preferred because the restoration and creation of coastal habitat will compensate for all organisms that are directly and indirectly impacted by entrainment and impingement. A recommendation was made to use the half-life method to have the ability to discount the cost of the fee and estimate the accrued resource value of the mitigation project. Half-life is the midpoint in the expected life of the mitigation project, and is the point where the resource value conveyed is expected to be 50 percent built. AES-SL proposes to provide funding to the California Coastal Conservancy as interim mitigation from October 1, 2015 and continuing up to and until HBGS is in final compliance with the Policy. The State Water Board staff is supportive of this approach; however, we have not yet determined the half-life value for the interim mitigation fee at this time, and presently cannot conclude whether an interim mitigation fee of $3.00 per million gallons is adequate.

The following directs you to provide further information and data input that would be needed for future 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 the following information to be submitted:

1. AES-SL seeks an extension of compliance schedule to 2022 for units 3 and 4. AES-SL has submitted an application for certification to the CEC to repower the units in two phases. These dates are inconsistent with the dates in the April 1, 2011 filing. Clarification of AES-SL's intent must be provided. Further information shall be submitted to State Water Board staff that supports reasoning for such a proposal, including detailing what progress has been made to date.

2. As a consequence of its sale of HBGS units 3 and 4, AES-SL was supposed to submit a closure plan to South Coast Air Quality Management District on July 30, 2012. AES-SL also appears to be required to submit a copy of the closure plan to the California Energy Commission in light of the permit conditions from the CEC for HBGS units 3 and 4 as amended most recently. Please submit copies of relevant excerpts from these documents in a revised IP for HBGS units 3 and 4.

3. Included with the updated IP, please explain in detail how AES-SL plans to acquire the requisite air permits to operate the repowered HBGS 939 megawatts combined cycle units, given the prior sale of its air permits to Edison Mission Energy / Walnut Creek.

4. At its September 12-13, 2012 meeting, the California Independent System Operator Board approved negotiations between its staff and AES-SL for installation of synchronous condensers at the retired HBGS units 3 and 4. Please explain in detail how AES-SL plans for converting HBGS units 3 and 4 to synchronous condensers impacts the IP.

5. An updated implementation plan is required due to the sale of HBGS units 3 and 4 to Edison Mission Energy.

6. Information on the effectiveness of implementing water intake flow reduction, a comparison on present and historical water intake flow, and the megawatts production. Per section 2.C.(2) of the Policy, no later than October 1, 2011, the owners or operators of existing power plant units were required to cease intake flows when not directly engaged in power-generating activities or critical system maintenance.

By January 31, 2013, the information requested in items 1 and 2 are required to be submitted, and, a response is required indicating when the State Water Board staff may expect to receive the required information in items 3 and 4. An extension for additional time to submit items 1 and 2 can be requested, but must include supportive justification why the information cannot be submitted by the above deadline.

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,

Thomas Howard
Executive Director