



AES Redondo Beach  
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November 8, 2013

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

RE: Information Requirements for the Redondo Beach Generating Station

Dear Mr. Howard,

This letter is in response to your September 9, 2013 correspondence requesting additional information for the AES Redondo Beach Generating Station (RBGS) Implementation Plan (IP). As stated in your letter, you wish to obtain further information and data to conduct grid reliability analyses to determine the impact on local and system reliability.

As you are undoubtedly aware, there are a number of significant constraints and assumptions that AES Southland (AES-SL) must consider in developing and executing our IP for the RBGS as well as our two other once-through-cooled (OTC) generating stations located in the Los Angeles basin local reliability area. As AES-SL has indicated in our past communications with your agency, the complexity and interdependency of these constraints and assumptions means the AES-SL IPs for complying with the Statewide Water Quality Control Policy on the Use of Coastal Estuarine Waters for Power Plant Cooling (OTC Policy) represent only our best planning assumptions at this time and cannot be construed as definitive development plans. Decisions and approvals by other state agencies and the counterparty and timing of any long term procurement agreements will dictate the design of the ultimate plan and its schedule for implementation. AES-SL believes that the State Water Resources Control Board (SWRCB) would benefit if AES-SL met with the Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) so that we could discuss the many different scenarios that could come to fruition prior to the currently mandated deadline for compliance for our facilities. This would enable the SWRCB and SACCWIS to gain greater insight into the specific issues facing AES-SL and we respectfully request consideration of this proposal.

Notwithstanding the considerable uncertainty that exists with AES-SL's plans for complying with the OTC Policy, the following information has been compiled assuming we are able to continue with our original Track 1 path of compliance at the RBGS. AES-SL has provided the most current information for the RBGS as requested in your letter.

*1. What mechanism is expected to bring each unit into compliance?*

The tentative plan for complying with the OTC Policy at the RBGS is to replace the existing operational Units 5 through 8 with a single air-cooled, natural gas fired, combined cycle gas turbine (CCGT) power block. Cessation of OTC at the RBGS is expected to be achieved by the compliance date of December 31, 2020. Assuming the redevelopment of the first new CCGT

block at the Huntington Beach Generating Station (HBGS) proceeds on schedule, two of the four existing generating units would be retired by December 31, 2018 and the other two units are expected to be available for local capacity requirements through December 31, 2020.

The development of replacement generation at the RBGS is dependent upon obtaining nonrecourse financing backed by a long term power purchase agreement with the local utility. The California Public Utilities Commission's (PUC) decision in the 2012 Long Term Procurement Planning (LTPP) process authorized only a limited amount of natural gas fired generation in Track 1 of the 2012 procurement cycle which may delay the repowering of some of the AES-SL fleet, including the RBGS. It is not expected that further procurement authorization and contracting opportunities for new generation at the RBGS will occur until the completion of the PUC's 2014 or 2016 LTPP process.

AES-SL's planning assumption for the RBGS is for Units 6 and 8 to be retired by December 31, 2018 to enable operation of new generation at the HBGS and Units 5 and 7 would continue to operate through the end of 2020. The new CCGT power block at the RBGS is not expected to be commercially operational and available until the first quarter of 2021, but could be in service earlier if the California Energy Commission (CEC) permitting process concludes in a timely manner and we were able to secure a power purchase agreement.

2. *What actions have been taken to obtain permits, obtain contracts or meet other regulatory obligations to implement the compliance mechanism identified above?*

AES-SL has been formally pursuing approvals, licenses and permits required to execute our OTC Policy IP at RBGS since November 2012. AES-SL submitted an Application for Certification (AFC, Docket No. 12-AFC-03) to the California Energy Commission (CEC) and an application for a revised Title V permit and Permit to Construct to the South Coast Air Quality Management District (SCAQMD) on November 21, 2012. The AFC was accepted as data adequate on August 27, 2013. The considerable time between the AFC submission and acceptance by the CEC has delayed AES-SL's original development schedule for the RBGS. It is unknown at this time when final approvals might be expected from either CEC or the SCAQMD. Delays in achieving CEC approval for the development of replacement generation at the RBGS have the potential to delay the execution of the RBGS IP.

To date, no contracting opportunities have concluded that will enable nonrecourse financing for project development at the RBGS. Southern California Edison (SCE) has filed a procurement plan with the PUC and issued a Request for Offers for new generation in the western Los Angeles reliability area. Bids are due to SCE by December 16, 2013 and AES-SL intends to participate in this RFO. Further contracting opportunities for replacement generation at the RBGS are expected to emerge out of the PUC's 2014 and 2016 LTPP processes.

Rule 1304.1 was approved and adopted by the SCAQMD Governing Board on September 6, 2013. While this rule will impact the cost of developing replacement generating capacity, AES-SL does not believe this rule will be an impediment to the repowering of the RBGS and our redevelopment schedules are not affected by this rule. AES-SL still intends to rely on the provisions of Rule 1304(a)(2) to demonstrate compliance with SCAQMD Rule 1303 by retiring RBGS Units 6 and 8 at the end of 2018 (assuming the HBGS project proceeds on schedule) and RBGS Units 5 & 7 in 2020 to enable operation of the new CCGT power block at RBGS.

3. *The detailed schedule, technology and MW capacity by unit:*

AES-SL plans to construct a new 496 MW (net) CCGT power block to be ready for commercial operation by the first quarter of 2021 and to retire RBGS Units 5 and 7 (684.9 MW CAISO maximum capacity) by the end of 2020. RBGS Units 6 & 8 (671.9 MW) are expected to be retired at the end of 2018, prior to the OTC Policy compliance date for the RBGS, to enable the development of replacement generation at the HBGS. AES-SL's tentative IP for the RBGS will result in a reduction of total available capacity at the RBGS from 1356.8 MW to 496 MW.

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

There are no other operating or operable generating units at the RBGS other than Units 5 through 8. Units 1 through 4 were permanently retired in the 1980s. Compliance with the OTC Policy will not affect any other units at the RBGS.

The limited procurement authorization by the PUC in the 2012 LTPP and the length of time the CEC and SCAQMD permitting process may take have the potential to impact the redevelopment schedule for the RBGS. AES-SL has taken every possible action to move both the contracting and permitting process forward and maintain our commitments to provide reliable power and generating capacity while moving as quickly as possible to comply with the OTC Policy. AES-SL has participated in the PUC Long Term Procurement Planning process, invested significant resources in developing the Redondo Beach Energy Project, filed applicable permits and is responding to the contracting opportunities presented by SCE. However, the electricity planning, contracting and development process in California is extremely lengthy and considerable uncertainty still exists in our schedule and plan for compliance with the OTC Policy. AES-SL wishes to extend an invitation to your organization to meet with the SACCWIS and explain in detail the constraints we are facing in our efforts to meet our compliance obligations.

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