

Dynegy Inc.  
West Region Operations  
4140 Dublin Blvd, Suite 100  
Dublin California, CA. 94568  
Phone 925-829-1804



October 19, 2009

John Robertus  
Executive Officer  
California Regional Water Quality Control Board  
San Diego Region  
9174 Sky Park Court, Suite 100  
San Diego, CA 92123

**RE: Dynegy South Bay, LLC – South Bay Power Plant  
NPDES Permit # CA0001368**

Dear Mr. Robertus:

In response to our discussions regarding the ultimate shutdown and closure of the South Bay Power Plant (SB) and the need for any studies that would evaluate the potential environmental effects of the shutdown, Dynegy is providing this letter to inform you of the permitting and environmental review processes that are already ongoing in this regard.

Dynegy initiated an internal South Bay Demo Team in August 2008 and has been working with the Unified Port of San Diego (Port) for over a year to determine and prepare for the permitting and related environmental review processes applicable to the shutdown, demolition and remediation of SB. The Port is the lead agency for purposes of the project under the California Environmental Quality Act (CEQA), and many other regulatory agencies are involved in aspects of the project as “responsible” or “commenting” agencies under CEQA, including National Marine Fisheries, California Department of Fish and Game, the U.S. Fish and Wildlife Service, and, of course, the RWQCB.

We are currently in the process of preparing the Tenant Project Application and Environmental Document required by the Port as the beginning of the CEQA process. A meeting between Dynegy, the Port, National Marine Fisheries, California Department of Fish and Game, the Fish and Wildlife Service, and the RWQCB was held to discuss the project and the potential environmental impacts that might result from plant shutdown, and that would therefore need to be addressed during the CEQA process. General information about the project was shared with all parties to begin paving the way for a smooth CEQA process. Our projected submittal date of the Tenant Project Application and Environmental Document is December 1, 2009, and we anticipate working closely with the Port in preparing this and any other documentation that may be needed. We are in

regular communication with the Port concerning our efforts to develop demolition work plans and schedules and to reach agreement on numerous other contractual obligations we have with the Port under the terms of our lease.

In addition, Dynegy released a request for bid for a demolition contractor in August 2009 and has now narrowed the bid list to six contractors who will participate in the second round of bidding. This phase of bidding will occur during the 1<sup>st</sup> quarter of 2010.

Dynegy's planning and scheduling for the demolition of SB has been a challenge due to the uncertainty of CAISO's Reliability Must Run (RMR) need for the SB plant. CAISO has officially notified us that Units 3 & 4 are no longer required for RMR beyond December 31, 2009, hence we plan to retire those units per the conditions of our Port lease effective January 1, 2010. Units 1 & 2, as well as a small turbine peaking unit at the plant, have been designated RMR by the CAISO for all of 2010. Once all units at SB have been shutdown and all necessary permits have been issued, demolition will begin. A proposed schedule for these activities has been provided to the Port.

If you have any question, feel free to contact me at, 925/803-5121.

Sincerely,



Barbara Irwin  
Director Environmental  
Dynegy West Region Operations

cc: David Gibson – San Diego RWQCB  
Randy Hickok – Dynegy, Dublin  
David Merk - Unified Port of San Diego  
Meg Rosegay – Pillsbury