

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

SAN DIEGO REGIONAL  
WATER QUALITY  
CONTROL BOARD



DYNEGY

2010 JAN 14 P 2:51

January 11, 2010

David Barker  
Supervising Engineer  
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  
Compliance Status Update  
NPDES Permit & Minor Modification Order No. R9-2004-0154**

Dear Mr. Barker:

This letter is being provided as a compliance status update following the Regional Water Quality Control Board's (RWQCB) approval of the minor modification to South Bay's NPDES Permit No R9-2004-0154. As requested by Dynegy and approved by the RWQCB at the December 16, 2009 Board Meeting, Dynegy was to cease operation of electrical generating Units 3 & 4 and only operate Units 1 & 2 and the combustion turbine with a maximum discharge flow rate to 225 MGD. As of December 31, 2009 both of these conditions have now been met.

Units 3 & 4 were permanently removed from service on December 31, 2009, although Unit 3 last operated December 10, 2009 and Unit 4 last operated November 3, 2009. As of January 1, 2010 lube oil and control oil have been drained from both of these units, the generator has been disconnected from the switchyard and all 4KV motors for these units have been placed in lock out tag out status. Blanks have been installed in both Unit 3 & 4 boiler gas supply lines which prevents natural gas from flowing to these units. The plant's control supplied air has been secured to both units and the CEMS and CEMS shelter that provides emissions monitoring for both units, has been powered down.

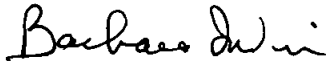
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In addition, Dynegy has notified the Air Pollution Control District and requested the termination of the Permits to Operate for Units 3 & 4 and modification of the Title V operating permit. As well, the Clean Air Markets Division under the US EPA Acid Rain Program has been notified to retire both of these units.

As of January 1, 2010 South Bay Power Plant has only operated Units 1 & 2 with the maximum flow rate of 225 MGD. Pumps from Units 3 & 4 are no longer in operation, so the flow from these two units is zero.

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

Sincerely,



Barbara Irwin  
Director Environmental  
Dynegy West Region Operations

cc: Meg Rosegay – Pillsbury  
Randy Hickok – Dynegy, Dublin