



Yakout Mansour
President & Chief Executive Officer

January 28, 2008

Honorable Cheryl Cox
Mayor
City of Chula Vista
276 Fourth Avenue, MS A-101
Chula Vista, CA 91910

Dear Mayor Cox:

Thank you for your letter of January 7, 2008, regarding the future of the South Bay Power Plant ("SBPP"). The letter asks the California Independent System Operator (ISO) to respond to the following questions:

- 1) What is the function of the SBPP as it relates to reliability and transmission?
- 2) What needs to occur in order to reduce the reliability designation on the SBPP enough to allow the lattice towers and transmission lines to be removed by December 2008?
- 3) What needs to occur in order to eliminate the Reliability Must Run (RMR) designation on SBPP so that it can be decommissioned and removed by February 2011?

I understand that the City of Chula Vista is in negotiations with various parties regarding the future use of the bay front that would require removal of the SBPP. Thus, the timing of the possible retirement of the SBPP is an important factor in these negotiations. As you know, the generating units at the SBPP are currently designated by the CAISO as Reliability Must-Run (RMR) units. This designation cannot be removed until local reliability requirements can be met without the SBPP.

The CAISO is a non profit public benefit corporation chartered under the laws of the State of California for the purpose of operating and maintaining the reliability of the statewide electric transmission grid. The reliability of the transmission grid is dependent on a number of specific power plants located in specific areas. SBPP is, in fact, critical to maintaining the reliability of the San Diego area. In order to remove the RMR designation from SBPP, the California ISO must find that reliability requirements can be met without SBPP units.

In May 2007, San Diego Gas & Electric ("SDG&E") entered into an agreement with the operator of the SBPP to fill SDG&E's Local Capacity Area Resource requirement needs as mandated by the California Public Utility Commission (CPUC). This agreement runs through December 31, 2009 and

will secure all of the 704-megawatt capacity from the SBPP to the region. Although this agreement will provide SDG&E more flexibility over the operation of the facility and will ensure that the output from the plant is available to the CAISO to support the local area needs, the CAISO concluded that continued RMR designation was required in order to ensure availability of the resource to meet local reliability needs.

The CAISO is aware of the widespread interest that exists to see SBPP decommissioned and has been in discussions with SDG&E about the requirements necessary to remove the SBPP'S RMR designation. In order to remove the RMR designation, there are a number of modifications to the transmission and/or generation infrastructure that must happen first to ensure that local area reliability is maintained.

Three projects are underway to meet this local area reliability requirement. First, with respect to the need for new resources, construction of the Otay Mesa Energy Center is currently underway. Second, SDG&E has filed an application with the CPUC to construct the Sunrise Powerlink Transmission Project that will enable SDG&E to substantially improve system reliability and provide access to renewable resources. Third, SDG&E has recently executed contracts with two developers for new peaking generation resources in its service territory.

From the CAISO's perspective, at least two out of three of these major modifications must occur before the RMR designation at the SBPP can be removed. In addition to these modifications, the new Silvergate 230 kV substation and its related upgrades (scheduled for December 2008) as well as the new Baja Norte natural gas interconnection (scheduled for January 2008) must both be in service.

Given that the Otay Mesa Energy Center is under construction, the future addition of Sunrise Powerlink would satisfy the requirements for removal of RMR designation at SBPP. If Sunrise is delayed or not constructed, additional new peaking generation will be required within SDG&E's service territory. The amount of new capacity would be based on the CAISO's existing grid reliability standards, which are analyzed each year. Based on the current status of the previously noted projects, the RMR designation at the SBPP could be removed as early as 2010. However, delays in construction of the Sunrise Powerlink, lack of sufficient new peaking capacity, or delays in the in-service dates in implementing the new Baja Norte natural gas interconnection, would clearly delay this date. Once the RMR designation is removed, there should be no CAISO-related impediment to retiring and decommissioning SBPP.

Mayor Cox
January 28, 2008
Page Three

I trust that this sheds some light on the California ISO's role in determining the generation and transmission infrastructure necessary to ensure grid reliability and its analysis of local reliability needs related to the SBPP. If you have additional questions, please call Ali Chowdhury, Director of Regional Transmission South, at (916) 608-1113.

Sincerely,



Yakout Mansour
President & CEO

cc: Ali Chowdhury (CAISO)
Mike Niggli (SDG&E)
Steve Castaneda (City of Chula Vista) ✓
David Garcia (City of Chula Vista)
Scott Tulloch (City of Chula Vista)
Michael Meacham (Conservation & Environmental Services)

July 24, 2008

JUL 28 2008

Jane E. Luckhardt
Downey Brand Attorneys LLP
555 Capitol Mall, 10th Floor
Sacramento, CA 95814

Subject: MMC Chula Vista and Reliability Must-Run Status of the South Bay Power Plant

Dear Ms. Luckhardt:

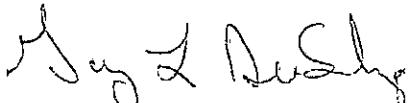
This letter responds to your June 25, 2008 letter concerning the relationship between your client's Chula Vista Energy Upgrade Project (Project) and the Reliability Must-Run (RMR) status of the South Bay Power Plant (SBPP). Specifically, you request clarification concerning a statement allegedly attributed to a representative of the California Independent System Operator Corporation (CAISO) at a meeting with the City of Chula Vista, that the additional capacity created by the Project "could not be counted to support the removal of the RMR designation" of the SBPP.

To set the record straight, consistent with CAISO CEO Yakout Mansour's January 28, 2008 letter to Chula Vista Mayor Cheryl Cox, any new resource, with Resource Adequacy (RA) deliverable capacity, located within the San Diego local area would contribute toward the peaking resources required (including your client's Project) to meet the capacity need for San Diego local area reliability. In other words, in the event either the Olay Mesa Energy Center or Sunrise Power Link Transmission Project is delayed, the capacity of the Project would contribute to meeting San Diego's local reliability requirements provided that sufficient additional new capacity in the San Diego local area were available in order to allow for the entire SBPP to be retired.

As noted in Mr. Mansour's January 28, 2008 letter, two infrastructure enhancements will also be needed: the Silvergate 230kV substation and the new Baja Norte natural gas interconnection projects must both be in service. In addition, local capacity is not the only local reliability need served by SBPP. SBPP also has black start and dual-fuel capabilities. Before the CAISO releases SBPP, the CAISO must be satisfied that suitable alternatives are available that would replace these services or obviate the need for these services.

We hope this letter provides the clarification that you requested. Should you have any questions regarding this letter, please contact Catalin Micșa at (916) 608-5704 (cmicsa@caiso.com), Irina Green at (916) 608-1296 (igreen@caiso.com), Ali Chowdhury at (916) 608-1113 (ACHowdhury@caiso.com) or myself at (916) 608-5880 (GDeShazo@caiso.com).

Sincerely,



Gary DeShazo
Director, Regional Transmission North
California ISO



California Independent
System Operator Corporation

April 1, 2009

Hon. Denise Moreno Ducheny
State Capitol
Room 5035
Sacramento, CA 95814

Via email and fax transmital

Subject: South Bay Power Plant

Dear Senator Ducheny:

This letter responds to your office's request for additional factual information concerning the statements in the January 28, 2008 letter from ISO Chief Executive Officer, Yakout Mansour to Chula Vista Mayor, Cheryl Cox regarding the Reliability Must Run ("RMR") status of South Bay Power Plant. The purpose of Mr. Mansour's letter was to identify the minimum conditions that must be met before the ISO would be able to remove the RMR designation of the 708 MW South Bay Power Plant

In summary, at least two of the following three conditions must be met in order to remove the RMR designation from the South Bay Power Plant: (1) the Otay Mesa Energy Center must be in service; (2) the Sunrise Powerlink Transmission Project must be in service; and (3) additional new peaking generation resources within the SDG&E service area must be available. The letter also indicated that the Silvergate 230kV substation and its related upgrades as well as the new Baja Norte natural gas interconnection must both be in service. At the time of the January 28, 2008 letter, the ISO noted that the earliest possible date that the RMR designation could be removed would be 2010 provided that the above condition was satisfied. Finally, the letter noted that the annual reliability assessments depend on an analysis of all relevant facts and, given delays or other circumstances unanticipated at that time of the letter, RMR designation may continue to be necessary beyond 2010.

To bring you up to date, the Otay Mesa project, which will provide 561 MW of new capacity, is scheduled for completion in 2009. The California Public Utilities Commission has approved the Sunrise Powerlink project, which has a 1,000 MW transfer capability, and it is currently scheduled to be completed in June of 2012. If the Sunrise Powerlink project is delayed or deferred, preliminary load growth estimates indicated that we would need an additional 400 - 500 MW of capacity (i.e. in addition to Otay Mesa) in the San Diego local area in service in 2012 to remove the RMR designation from the South Bay Power Plant beginning as of the 2012 RMR contract year. These are preliminary estimates and would need to be updated as part of the ISO's annual local reliability assessment. At this time both the Silvergate and Baja Norte projects are complete. If the Sunrise Powerlink project is complete and in service on schedule, the ISO would be in a position terminate the RMR contract at the end of the 2012 RMR contract year.

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Hon. Denise Moreno Ducheny
April 1, 2009
Page 2 of 2

Finally, the ISO is contractually required to make its decision to extend the term of the RMR contract by October 1 of each year for the following year. If there is any doubt as to whether the Sunrise Powerlink project would not be in service by the end of 2012, the ISO will have to extend the term of the contract for the 2013 RMR contract year.

We hope this information is helpful. Please feel free to contact me if you have any questions, I can be reached at (916) 802-3576.

Sincerely,



Mary McDonald
Director, State Affairs

Cc: John Ferrera
Kimberly Craig
Yakout Mansour
Karen Edson
Laura Manz
Jim Detmers
Nancy Saracino

Sidney Davies
All Chowdury
David Le

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California Independent
System Operator Corporation

November 2, 2009

Ms. Cindy Gompper-Graves
Chief Executive Officer
South County Economic Development Council
1111 Bay Blvd., Suite E
Chula Vista, CA 91911

RE: South Bay Power Plant

Dear Ms. Gompper-Graves:

Thank you for extending an invitation to our Board of Governors Chairman Mason Willrich to speak at your November 5 meeting. Unfortunately, Mr. Willrich's schedule and the pressing time commitments of other ISO representatives prevent us from attending. So, we regretfully must decline your invitation. We understand from your October 14 letter that your meeting topic is a worthy one: the future of South Bay Power Plant.

While we are unable to personally convey our role in managing the majority of California's power grid and our current status in regards to the South Bay Power Plant, we would like to offer a few thoughts to share with your members.

The ISO is a nonprofit public benefit corporation established by state statute to manage just over 25,000 circuit miles of transmission lines and operate a fully transparent and open wholesale electric market for the power that Californians buy. Our mission is to ensure power is available when required by our state's residents and businesses. We call this "reliability" and it is our first priority.

To meet this responsibility, we are continuously evaluating the status of the transmission system and available generating resources to meet the needs of the world's seventh largest economy. This includes planning and managing system upgrades that keep pace with load growth, among other drivers. In some cases, maintaining grid reliability requires us to keep ready at a moment's call existing generating facilities that are critically needed in local areas to shoulder generation responsibilities should transmission facilities become unavailable. This is the most obvious need, but we also need these plants to support the greater grid with such things as voltage support. Pulling a facility off the grid produces a number of side effects on the entire network beyond just losing megawatts. Some facilities must be able to run when the grid needs them and we call these reliability must run resources.

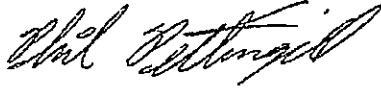
The South Bay facility, we have determined, is one of a small number plants in our control area that is critically needed. Once we can ensure that the people of San Diego have enough generation and transmission capacity to meet reliability requirements, this will remove the need for the South Bay power plant to have reliability must run designation and potentially lead towards its removal or repowering. In our efforts to consider lifting the South Bay's reliability must-run designation this next year, we found that an operational Otay Mesa Energy Center could help reduce the need for keeping the entire South Bay facility available for service. Recently, the Otay Mesa power plant began operational testing and is expected to be fully available in 2010. Upon confirming that good news, the ISO on October 9th was able to release South

Bay generating units #3 and #4 from the reliability must-run agreement. This removes more than half of the South Bay power plant from the reliability must-run designation, i.e. 397MWs out of 708MWs.

We are vigilant in continually assessing the grid conditions in San Diego. In the coming months and years, more improvements to the electric system in and around San Diego are expected. As a result, we are anticipating that new infrastructure will be placed into service that specifically allows us to modify the reliability must run status of the remaining generating units located at the South Bay site, as warranted.

We hope this information is helpful to your members and contributes to their understanding of the complexity required to operate the integrated system that handles California's electricity needs. Please call me if I can be of further service. My office number is (916) 608-7241.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Pettingill". The signature is fluid and cursive, written over a white background.

Phil Pettingill
Director, State Regulatory Affairs

Power plant could close next spring

Action may come earlier than previously revealed

By Tanya Sierra

Friday, November 6, 2009 at midnight

OVERVIEW

Background: Chula Vista officials and environmentalists have been trying for years to decommission the South Bay Power Plant that dominates the city's coastline.

What's changing: An e-mail between an SDG&E official and the organization that manages the state's power grid indicates the plant's generators may be decommissioned as early as next spring.

An e-mail between officials at SDG&E and the organization that manages the state's power supply indicates the South Bay Power Plant that dominates the Chula Vista skyline could be out of commission sooner than previously revealed.

Officials announced last month that half the power plant's two generators would be decommissioned at the end of the year. But an e-mail between Jim Avery, SDG&E's vice president of power supply, and the state's Independent System Operator show they had been discussing the imminent fate of the remaining generators as well.

The e-mail said reliance on the remaining generators could come to an end in March or April, as more power sources come online. Avery asked ISO officials to write a letter to the city of Chula Vista explaining that the remaining two generators would not be needed much longer.

Just days before, ISO told Dynegy, which leases and operates the 49-year-old facility, that its "must run" status on two of its four generators would not be renewed.

"Would it be possible for you to send a letter to the City of Chula Vista outlining our discussions this morning?" Avery wrote in an Oct. 12 e-mail to Jim Detmers, the vice president of operations for ISO.

"I am trying to settle this very contentious issue down before it erupts into law suits (sic) and a full blown media circus," Avery wrote. "I plan to share this information with the water quality board later today, but I believe a letter from you would go along (sic) way to make the peace in the city."

Mayor Cheryl Cox said she never received a letter and did not know about the exchange.

Stephanie McCorkle, a spokeswoman for ISO, denied that an agreement was made and said

Detmers did not respond to Avery's e-mail because an energy analysis is under way. .

Last month, Councilman Steve Castaneda said officials from both agencies told him the South Bay Power Plant is no longer needed.

City officials are eager to see the power plant dismantled and the prime bay-front real estate on which it sits developed for other uses. They and environmentalists accused ISO of flip-flopping in what it would take to decommission the generators during a panel discussion yesterday in Chula Vista hosted by the South County Economic Development Council.

"The problem with the ISO is you always get a different answer from them," said Laura Hunter of the Environmental Health Coalition.

In January 2008, the ISO said two of three requirements must be met before the power plant could be decommissioned. They include an Otay Mesa plant, which came online last month, more peaker plants being built and the Sunrise Powerlink being completed.

Those requirements have been met, but the plant has still not been decommissioned, Hunter said.

"This is an ever-changing story," she said.

McCorkle said the ISO frequently re-evaluates its energy needs.

"If people mistakenly take that as different answers, they need to look at the time frame when the analysis was performed," she said. "We are constantly updating our technical analysis."

Next week, the San Diego Regional Water Quality Control will consider whether to renew the power plant's water permit, which is needed to run its cooling system. The plant takes in water from San Diego Bay, which can kill and damage large quantities of larvae and fish.

The Chula Vista City Council and other elected state, local and federal representatives are urging the water agency to deny the permit. If the permit is denied, the plant won't operate, Dynegy executive Dan Thompson said during the panel discussion.

Even if the plant were decommissioned by next spring, it would take two years to secure the permitting to tear it down, Thompson said.



South Bay Power Plant closer to being decommissioned



By Tanya Sierra

Wednesday, October 14, 2009 at 8:17 p.m.

OVERVIEW

Background: Chula Vista officials have been yearning for the removal of the South Bay Power Plant, which dominates the city's coastal skyline.

What's changing: The state's Independent System Operator said this week that two of the four generators at the South Bay Power Plant will be decommissioned by the end of the year.

The future: Local officials are hopeful the plant is on the brink of becoming unnecessary. They are looking at a possible decommission date of May 1.

CHULA VISTA – The South Bay Power Plant, which Chula Vista officials have sought to remove from the city's waterfront for years, will soon be halfway to decommissioned status, according to the state's Independent System Operator.

In an Oct. 9 letter to Dynegy, which leases and operates the 49-year-old facility from the San Diego Unified Port District, an ISO official said the agency will not extend the plant's "must-run" status on two of its four generators.

Permission to operate two of the generators "will terminate at midnight as of Dec. 31, 2009," the letter states.

The two remaining generators provide emergency power during peak use. That power is supposed to be for San Diego County residents, but Chula Vista Councilman Steve Castaneda, a leader in the movement to shut down the plant, said it is not.

"The power that the South Bay Power Plant generates is going to Los Angeles and not San Diego," Castaneda said.

ISO officials said it is hard to determine where the energy goes.

"Chances are it's being consumed locally most of the time," said Gregg Fishman, a spokesman for the

ISO, a nonprofit corporation that manages the statewide power supply.

Calls to Dynegy were not returned.

Forces that have been working to remove the plant from the South Bay skyline say its demise is imminent.

The San Diego Regional Water Quality Control Board last month decided to take a closer look at the plant's cooling system, which can kill or injure more than 1.6 million fish and larvae each year because it sucks in water from San Diego Bay. Also, the California Energy Commission last month downgraded the county's forecast for peak-demand power through 2020.

Castaneda said ISO and San Diego Gas & Electric Co. officials told him the ISO could acknowledge next week that the South Bay Power Plant will soon no longer be needed. A new Otay Mesa power plant that is up and running and another plant near Pala that comes online next year will more than make up for the loss of electricity, he said.

"We need (the) ISO to release the whole plant," said Laura Hunter of the Environmental Health Coalition. "It's time. This community has been patient. It's time for the ISO to pay attention to the impacts their decisions have."

A call to Jim Avery, vice president of power supply for SDG&E, was not returned Wednesday, but Castaneda said he has had discussions with him about the agency not needing energy from the South Bay Power Plant.

Chula Vista has been trying to develop its bayfront for years and has entertained interest from the San Diego Chargers and Gaylord Entertainment.

The Chargers considered building a new stadium at the site of the South Bay Power Plant, while Gaylord wanted to build a hotel and convention center. Both projects fell through.

Castaneda said talks with the Chargers have not been revived.

"I think that without being overly optimistic, (shutting down the plant) is the most important thing we can do to improve the attractiveness and the viability of our city's bayfront," he said.

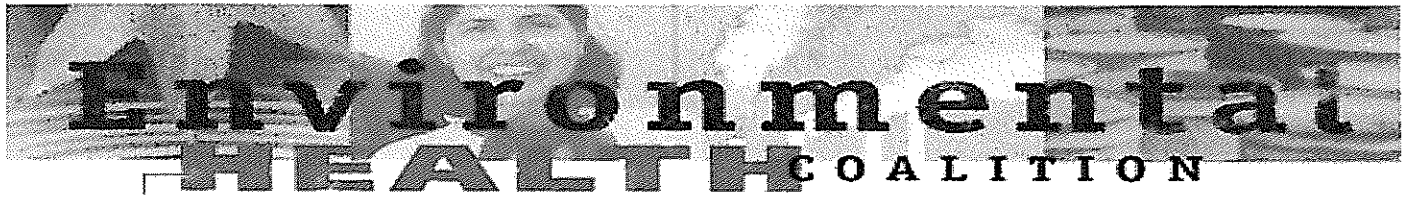
Find this article at:

<http://www.signonsandiego.com/news/2009/oct/14/bn14plant-south-bay>

Check the box to include the list of links referenced in the article.

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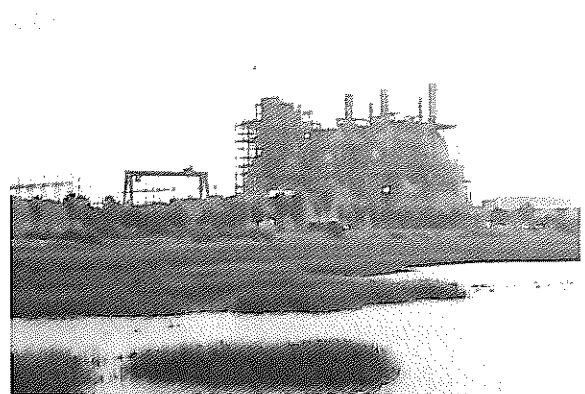
A Tale of Two Power Plants

An Environmental Justice perspective on recreational access to water and fishing for South Bay Communities

San Diego County has two communities with large, aging, baseload power plants located on their waterfronts: Carlsbad, with Encina power plant at the coast, and Chula Vista, with the South Bay Power Plant on its bayfront at the end of San Diego Bay. Both plants create limitations on access to the waterfront close to the plant, but this is a much more serious issue for Chula Vista. This less affluent community has twice as many residents as Carlsbad and very limited access to recreational resources.



Carlsbad beach



View from Bayside Park, Chula Vista

While Carlsbad has 4.5 miles of beautiful swimmable and fishable beaches, Chula Vista must make do with only about one mile of recreational bayfront. Much of this has steep, rock-lined slopes down to the water, and is not accessible for swimming. In fact, only about **one-fourth mile** of Bayfront Park is sandy and beach-like. Chula Vista's potential fishing spots are posted with fish consumption warnings, and water quality suffers more frequently from sewage-related contamination, as evidenced by its much greater count of Beach Mile Days.

Community	Population	Poverty percent	Miles of Waterfront Beach or Park	Waterfront miles accessible for swimming	Beach Mile Days (advisories) 2006*	Acceptable for Swimming	Acceptable for fishing
Carlsbad	104,650	16%	4.5 miles	4.5	0.34	Yes	Yes
Chula Vista	233,108	30%	1.1 mil	0.28	4.09	Marginal	Marginal Posted with Warnings

*Most recent year on record.

Sources: Population data: SANDAG Profiles, current estimates. Poverty estimates: SANDAG Data Warehouse, 2000 Census, population up to 2 times federal poverty level

Carlsbad beach miles: City of Carlsbad website. <http://www.carlsbadca.gov/about/Pages/AbouttheCityofCarlsbad.aspx>

Chula Vista bayfront park miles: GPS & map measurements

Fishing Compromised

The promise of fishable waterways is also seriously compromised for residents in South Bay area impacted by the power plant. During 2004, EHC conducted a community survey of people fishing from the southernmost piers in the Bay. The survey sought to determine who fishes, how often people fish, who eats the fish, whether they eat fish skin or other organs, and how they cook the fish.



Fishing in the shadow of the fish consumption warning sign, Pepper Park, National City

Survey respondents were largely from low-income communities and many appear to be engaged in subsistence fishing. Among this subpopulation are individuals who fish daily, who catch up to 20 fish at a time, who stew fish, who eat fish parts other than fillets, and who feed fish to their children.

This survey provides the first San Diego-specific data on subsistence fishing. It confirms that estimates made of the quantities of fish eaten by subsistence fishers in other places also apply here. The frequency of fishing and fish eating in our pier fishing population is very different than that of statistically average Americans and may reach or exceed the 161 grams per day level recommended by OEHHA taken from the Santa Monica survey value.¹ A selection of key results indicates any Health Risk Assessment (HRA) based on the assumption that only fillets are consumed or that less than 161 grams per day is consumed understates the human health risk for this group.²

EHC did a confirmation survey in 2007 which reaffirmed the trends found in the 2004 survey; there is a subpopulation of residents who fish from San Diego Bay and eat the fish. Many of these fishers follow a subsistence-type fishing pattern -- they fish on a daily or weekly basis, eat the fish and feed the fish to their children. The majority use cooking methods that do not minimize intake of contaminants that may be in the fish. As in the previous survey, the majority of people surveyed were Latino or Filipino.

To the extent that a healthy ecosystem does not thrive in South San Diego Bay, due to significant impacts of discharges like those of the South Bay Power Plant, there is an impact to environmental justice communities. Termination of the discharge would alleviate some of these impacts.

¹ http://www.oehha.ca.gov/fish/special_reports/consumexec.html

² EHC Survey of Fish Consumption on Piers in San Diego Bay, September, 2004

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October 30, 2009

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

FILED
SECRETARY OF THE
COMMISSION
2009 OCT 30 P 3:30
FEDERAL ENERGY
REGULATORY COMMISSION

**Re: Dynegy South Bay, LLC Annual RMR Section 205 Filing and RMR
Schedule F Informational Filing, Docket No. ER10-166 -000**


Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ and Part 35.13 of the Federal Energy Regulatory Commission's ("Commission") regulations,² Dynegy South Bay, LLC ("South Bay" or "Owner") submits for filing, in Appendix A hereto, revisions to certain Reliability Must-Run ("RMR") Rate Schedules ("RMR Schedules") of its Must-Run Service Agreement ("RMR Agreement") with the California Independent System Operator Corporation ("CAISO") and amendments to the RMR Agreement (the "Annual 205 Filing"). South Bay also submits in Appendix B hereto, an informational filing detailing and supporting the proposed changes to its Annual Fixed Revenue Requirement ("AFRR"), pursuant to Schedule F of South Bay's RMR Agreement ("Schedule F Filing").

South Bay submits its Annual 205 Filing and its Schedule F Filing together for administrative efficiency, given that several of the revisions in the Annual 205 Filing incorporate the AFRR derived in the Schedule F Filing. South Bay requests that all of the rate revisions herein become effective as of January 1, 2010.

¹ 16 U.S.C. § 824d (2006).

² 18 CFR § 35.13 (2009).



By way of background, San Diego Gas & Electric Company ("SDG&E") owned and operated the Facility until April 22, 1999, at which time the Facility was conveyed to the Unified Port District of San Diego ("Port"), which leased the Facility to Duke Energy South Bay, LLC. In May 2006, LS Power Generation, LLC ("LSP Generation") acquired all of the indirect ownership interests in the Facility held by Duke Energy Corporation. In 2007, Dynegy Inc. ("Dynegy") acquired the Facility from LSP Generation. For the period April 1, 1998 through December 2002, the CAISO designated all of the units at the Facility as RMR units. For Contract Year 2003, Unit 4 was not subject to such designation. For Contract Years beginning January 1, 2004 through Contract Year ending December 31, 2009, all units at the Facility have been designated as RMR units by the CAISO. The CAISO released South Bay Units 3 and 4 from RMR service and designated South Bay Units 1 and 2 plus the combustion turbine as RMR ("RMR Units") for Contract Year 2010. Notwithstanding the selection of the RMR Units for Contract Year 2010, the CAISO has informed South Bay that it may wish to terminate the RMR Agreement prior to the conclusion of the 2010 Contract Year due to other generation scheduled to become commercial during the term of the 2010 Contract Year. Accordingly, it is expected that the Facility will be retired no later than December 31, 2010, with Units 3 and 4 being retired no later than December 31, 2009.

In connection with the retirement of the Facility, South Bay has determined that the revenues collected under the RMR Agreement are insufficient to pay for the costs of the closure, including, but not limited to, demolition and remediation costs, labor retention and severance payments, and lease costs after the 2009 Cost Year. New Section 8.7 and Schedule Q are designed to recover the balance of ESL Costs.

For purposes of Schedule Q, South Bay has separated the ESL Costs into four categories. The first category consists of severance and labor retention pay. Severance will be paid to employees who are released due to the Facility closure and the retention plan is designed to retain employees in order to operate the Facility in a safe and reliable manner. The retention payments in Phase I of the plan are payable to employees who remain through January 31, 2010. All Facility employees were eligible for Phase I of the retention plan and payments are scheduled to be made in February 2010. These retention payments are based on a percentage of base salary. A portion of these costs have been collected in rates through Contract Year 2009. In Phase II of the retention plan, payments provide an incentive to employees to remain in order to continue to operate and shut down the plant in a safe and reliable manner until the closure of the remaining units at South Bay. Payment is based on the employee's salary and scheduled to be made following the closing of the last unit.

Severance pay is also subject to a phased approach. In Phase I, released employees will receive severance pay based on their respective years of service when Units 3 and 4 are shut down. In Phase II, released employees will receive severance pay based on their respective years of service when the remaining RMR Units are shut down.

**SCHEDULE Q
END OF SERVICE LIFE COSTS**

Owner shall recover costs in connection with the closure of the Facility, including, but not limited to, the following costs:

ESTIMATED COSTS

Labor Retention and Severance Costs

Phase I Retention Costs and Severance due to the closing of Units 3 and 4 on December 31, 2009

Labor retention costs not previously collected in AFRR	\$ 1,810,746
Severance costs	1,137,028

Phase II Retention Costs and Severance due to the closing of the remaining units at the Facility

Labor retention costs	907,520
Severance costs	<u>2,805,546</u>
Total	\$6,660,840

Maintenance and other costs not previously collected in AFRR

Refund of demolition costs included in AFRR for 2010	(\$160,125)
Capitalized maintenance not previously collected in AFRR	854,427
Maintenance charged to Work in Progress and not previously collected in AFRR	201,260
Increase in allocated Western Region costs	<u>171,725</u>
Total	\$1,067,287

Port Rent

Rent to the San Diego Unified Port District during 2010	\$6,250,484
Rent to the San Diego Unified Port District during demolition period	<u>13,605,291</u>
Total	\$19,855,775

Demolition and Remediation Costs

Demolition and remediation costs in excess of amounts previously collected through AFRR	\$8,555,984
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TOTAL **\$36,139,886**

Monthly Payment for 2010	\$3,011,657
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DYNEGY SOUTH BAY
APPENDIX B
 Enclosure 1

REVENUE FOR EACH RMR UNIT
CONTRACT YEAR 2010

	Allocation Percentages	Schedule F AFRR	Capital Components	Reduction Due to Closing Units 3 and 4	Total AFRR
Unit No. 1	47.2%	\$ 10,517,455		\$ (2,833,876)	\$ 7,683,579
Unit No. 2	48.5%	10,807,592		(2,912,052)	7,895,540
CT	4.2%	942,944		(254,072)	688,873
Total	100.0%	\$ 22,267,992	\$ -	\$ (6,000,000)	\$ 16,267,992

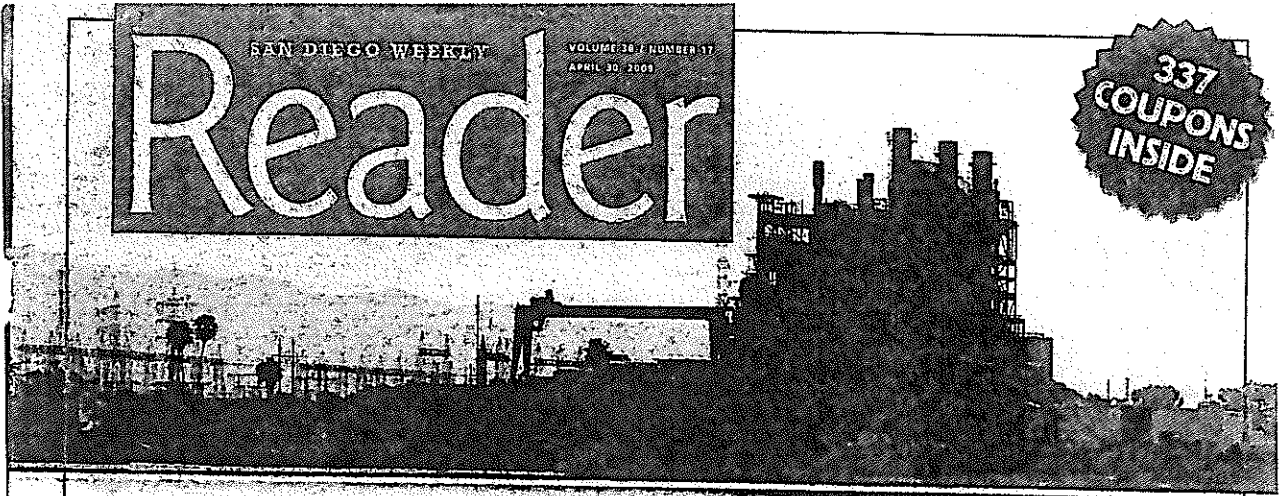
CONTRACT YEAR 2009
FOR COMPARISON PURPOSES

	\$ 20,905,027	\$ 11,619,770	\$ -	\$ 32,524,797
Change	\$ 1,362,965	\$ (11,619,770)	\$ (6,000,000)	\$ (16,256,805)

SAN DIEGO WEEKLY VOLUME 36 / NUMBER 17
APRIL 30, 2009

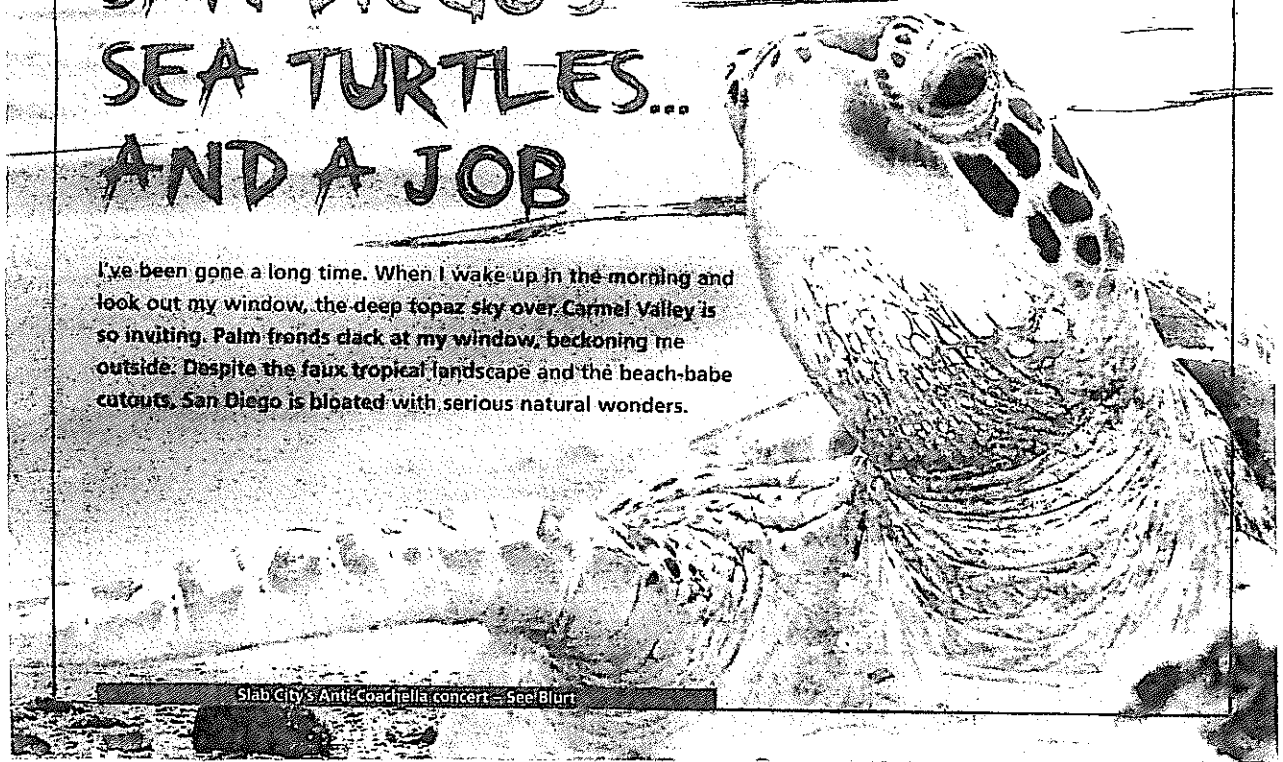
Reader

337
COUPONS
INSIDE



SEARCHING FOR SAN DIEGO'S SEA TURTLES... AND A JOB

I've been gone a long time. When I wake up in the morning and look out my window, the deep topaz sky over Carmel Valley is so inviting. Palm fronds clack at my window, beckoning me outside. Despite the faux tropical landscape and the beach-babe cutouts, San Diego is bloated with serious natural wonders.



Slab City's Anti-Coachella concert - See/Blurt

toward me and gurgles through his snorkel-face. "There's a sea turtle!" There it is, fins flapping away, slowly disappearing into the watery blue shadows, elusive yet adorable. It wouldn't have been more magical if we had just seen a unicorn. Even though I was born and raised in San Diego, I had never seen or heard of sea turtles here.

And so my summer ended in San Diego. I had no job and was completely broke. It was only two weeks since I had moved back into my parents' house after living in San Francisco.

I have a lot of pressure to realize the American dream. My father is Syrian, my mother is American. Ever since I was a kid I have been told how great it is to be an Atassi. I'm told that being an Atassi in Syria is something akin to being

a Kennedy in America. Sure, we've had our share of Syrian presidents in the past, but these days Atassis are getting ridiculously educated abroad. We have even published books about our great legacy. In fact, someone has put them in the

myriad hobbies, solving the turtle mystery to my family. I do some research and find that it is actually an Eastern Pacific green turtle with a distribution typically between 30 degrees north and 30 degrees south. San Diego is

"Imagine you're a sea turtle. Wouldn't you stay here, too?"

University of Michigan Dearborn Library.

Being an Atassi heiress is something I might mention casually to boyfriends to mix things up. It's a convenient parlor trick. I even got complimentary baklava once.

It's difficult to explain my obscure interests and

right outside this range. Was that turtle I saw smuggled home over the Mexican border in a suitcase packed with novelty-size sombrero hats and artisan ceramics? All it would take is one accidental spill down the storm drain for a clutch of eggs to spawn an exotic species.

THE SAN DIEGO UNION TRIBUNE

San Diego is home to a thriving and established colony of approximately 60 turtles. There are several stories explaining their origins.

One story describes the sea turtles as renegades busted free from turtle-meat farms where they awaited slaughter during the earlier half of the 20th Century. Another eerily posits the turtles being attracted to the warm-water canals of the power plant in south San Diego Bay.

Sandwiched between Interstate 5 and the South Bay, the electric power plant sits on the edge of the Sweetwater Marsh National Wildlife Refuge. This complicates things because it seems these endangered sea turtles are protected in an area where they exist artificially. To a species swimming around, foraging for eel grass and generally being turtles, it makes no difference.

I call ecologist Jeff Seminoff at the Marine Turtle Research Program for the Southwest Fisheries Science Center. According to his findings, the turtles are in the bay for the bounty of eel grass. That thing about tropical power-plant waters is a rumor, he says. He goes on to explain that sea turtles travel thousands of miles foraging for food. The Navy plants eel grass out in the Bay.

"Imagine you are a sea turtle," he says. "Wouldn't you stay here, too?"

He seems rushed, and we don't get to talk much before the phone conversation ends. His obvious explanation doesn't explain why there are so many stories about the turtles.

One day, back in San Francisco, I was having a chat with my fun-loving boss, Mustafa. He owned Cafe du Soleil, where I worked as a barista. Mustafa held a wad of receipts in one hand and used the

other to pour beer from the tap. The foam spilled onto the bills, when he said to me, "You're young, you don't need to be so serious. Just go have fun, get yourself a boyfriend or

two, get yourself a girl friend — I'm not the kind to judge — enjoy your self. I'm stuck here, I gotta go down to city hall, I gotta get some papers signed the kids are driving me

nuts, the customers..."

I sold everything I owned and flew to South America.

My parents reminded me I was running out of money, but I explained that

the exchange rate would actually make me better off. All I needed was a backpack.

When I came home my dad took me to Syria. It was a bummer. The idea

of getting married was brought up by relatives between suggestions about grad school. Why wasn't I pursuing a profession or an engagement, the family asked. There was a cousin

Avery, James

From: Avery, James
Sent: Monday, October 12, 2009 11:58 AM
To: Avery, James
Subject: FW: South Bay Units 1 & 2

From: Avery, James
Sent: Monday, October 12, 2009 10:24 AM
To: Jim Detmers (jdetmers@caiso.com)
Cc: Niggli, Michael R.; Mitchell, Eugene ; Brown, Linda P.
Subject: South Bay Units 1 & 2





Jim,

Would it be possible for you to send a letter to the City of Chula Vista outlining our discussions this morning pertaining to the need to RMR South Bay Units 1 & 2 on a short term basis. Specifically, I plan to convey that you informed me that the ISO is prepared release the South Bay Units 1 & 2 from RMR once SDG&E installs the cap banks we discussed and JPower successfully commissions the two peaker units that are under construction in Pala (currently anticipated in March or April of 2010). I am trying to settle this very contentious issue down before it erupts into law suits and a full blown media circus.

I know that the ISO's decision to release the South Bay Units 3 & 4 from RMR at the end of 2009 was received with a sigh of relief.

I plan to share this information with the Water Quality Board later today, but I believe a letter from you would go along way to make the peace in the City.

Jim

James P. Avery
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San Diego Gas & Electric
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 Mail Location: CP33A
 javery@semprautilities.com

