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April 23, 2015

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 February 24, 2014 correspondence requesting additional information for the AES Redondo Beach Generating Station (AES-RB) Implementation Plan (IP). As stated in your letter, you wish to obtain further information and data input to conduct grid reliability analyses to determine the impact on local and system reliability.

As we have previously communicated, there are a number of significant assumptions that AES Southland (AES-SL) must consider in developing and executing our IP for AES-RB as well as our two other once-through-cooled (OTC) generating stations located in the Los Angeles basin local reliability area – AES Huntington Beach (AES-HB) and AES Alamitos (AES-AL). Given the uncertainty of these assumptions and the challenges associated with trying to predict the future, the AES-SL IPs and any updates to the IPs represent our best intentions at this time, but they are subject to change and cannot be construed as definitive plans. Future market developments and decisions by other state agencies will influence the ultimate actions of AES-SL and their timing.

Before addressing the State Water Resources Control Board's specific questions, AES-SL provides the following general comments which may help to simplify understanding the IPs. AES-SL currently intends to comply with the Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (OTC Policy) by utilizing Track 1 and shutting down and permanently retiring all generating units at AES-RB, AES-HB and AES-AL that utilize OTC. AES-SL does not currently plan to retrofit any of the existing units with alternate cooling technologies to comply with Track 1, or utilize any operational or technical measures to comply with Track 2. However, specifically with respect to AES-RB, depending on future developments, AES-SL may look at alternatives that would allow us to meet the OTC Policy while keeping the existing units in service.

In addition, in the event new generating resources are needed beyond those already planned in order to maintain a reliable supply of electricity, AES-SL intends to provide these new resources through competitive solicitations issued by the utility(s) and these resources would be constructed on one or more of the existing sites, but they will utilize air cooling and would not be subject to the OTC Policy.

With respect to timing, all four generating units at AES-RB are fully contracted through May 31, 2018 and will remain in operation at least through that date. Beyond May 31, 2018, there are three factors that will determine the ultimate retirement schedule. Specifically, each unit will be shutdown when one of the following occurs; (1) it is no longer economically practical to operate the units (without new contracts for capacity beyond May 31, 2018 it is unlikely AES would maintain the units to be available for spot market dispatch); (2) the unit needs to shutdown to enable a new replacement unit to begin its commissioning activities¹; or (3) it reaches its OTC Policy compliance date². Since AES-AL and AES-HB were recently awarded Power Purchase Agreements (PPA) for nominal 640 MW and 644 MW CCGTs with commercial operation dates of June 1, 2020 and May 1, 2002, respectively, criteria (2) will require the shutdown of some existing units prior to the OTC Policy compliance date. The affected unit at AES-RB and the required timing are discussed in the responses to SWRCB’s specific questions provided below. It should be noted that some of the content of the SWRCB letter has been paraphrased or reworded in this document so that the most relevant response can be provided.

2. *Given that the circumstances around the RBGS have changed in the last year, please provide an updated implementation plan for the RBGS and detail how it plans to comply with the Policy.*

As outlined in the general comments, AES-RB currently plans to comply with the OTC Policy by shutting down and retiring all existing OTC units at the site. Table 1 summarizes the intended schedule for each of the four units assuming the PPA for the new CCGT at AES-AL is ultimately approved by the California Public Utilities Commission (CPUC).

**Table 1
AES Redondo Beach Implementation Plan**

Unit	Capacity (MWs)	Compliance Approach	Target Retirement Date	Comments
RB 5	178	Retirement	8/31/2019 ¹	Accommodate new AES-AL CCGT
RB 6	175	Retirement	12/31/2020 ²	OTC Policy compliance date
RB 7	505	Retirement	12/31/2020 ²	OTC Policy compliance date
RB 8	495	Retirement	12/31/2020 ²	OTC Policy compliance date

¹Unit must be shutdown prior to first fire of new AES-AL CCGT

²Assumes unit remains economic and no extension of the OTC Policy compliance date is granted

If the PPA for the AES-AL CCGT is not approved by the CPUC, then Unit 5 at AES-RB can continue to operate until its OTC Policy compliance date provided it remains economic.

¹ It is necessary to shutdown existing generation in order to provide interconnect capacity and access to emission offsets for any new generating unit.

² Absent any extensions from the SWRCB, the AES-SL generating units must comply with the OTC Policy by December 31, 2020.

- 3. Provide an update on the actions that have been taken to obtain permits, obtain contracts, or meet other regulatory obligations to meet the compliance mechanism identified above.*

AES-SL has been formally pursuing approvals, licenses and permits required to execute our OTC Policy IP at AES-RB 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 for the development of the Redondo Beach Energy Project (RBEP). The AFC was accepted as data adequate on August 27, 2013. CEC staff published the Preliminary Staff Assessment (PSA) on July 28, 2014. On August 20, 2014, AES-SL filed a "Notice of Suspension of Application for Certification" with the CEC indicating it wanted to pause the permitting process while it pursued a voter initiative called the Harbor Village Plan that would have rezoned the property to allow for a residential and mixed-use development instead of continued industrial use. On September 2, 2014, the CEC ordered the suspension of all proceedings in the AFC process until April 1, 2014, after the public vote on the alternative zoning.

The voter initiative ultimately failed to get enough votes to pass and AES-SL submitted a letter to the CEC on March 20, 2015 requesting that the permitting process at AES-RB be resumed. Then, on April 10, 2015, the CEC held a status meeting to officially restart the AFC process and address questions from participants in the proceeding. The new schedule indicates that CEC approval of the AFC is expected to occur during the 1st quarter of 2016.

With respect to contracting activities, AES-RB participated in SCE's recently concluded Request for Offers (RFO) but was not awarded a contract for a new generating unit in that solicitation. AES-RB plans to compete in future solicitations for both gas-fired generation and preferred resources to replace existing units as they are retired.

- 4. Does AES have a plan for achieving compliance in the event that nonrecourse financing is not obtained?*

As outlined above, AES-RB's current plans are to shut down and retire the existing OTC units by the OTC Policy deadline. Given future uncertainty, AES-RB reserves the right to modify its plans and pursue alternatives that would allow continued operation of the existing units beyond the OTC Policy compliance date.

- 5. If the Harbor Village Initiative passes and AES chooses to retire the RBGS, what is the detailed schedule for retirement of the facility? How will the plans for compliance change in the event that the initiative does not pass or in the event of a lack of a long-term power purchase agreement?*

Since the Harbor Village Initiative did not pass, it's assumed that the first question is no longer relevant. With respect to the second question, under any scenario that is currently envisioned, AES-RB intends to comply with the OTC Policy by shutting down and retiring all four units at the facility. The anticipated schedule and associated qualifiers are summarized in Table 1 above. AES is also pursuing an approval for a CCGT that could potentially replace the generating capacity at Redondo Beach which is scheduled to retire in 2020.

AES-SL continues to take every possible action to move both the contracting and permitting process forward and maintain our commitments to provide reliable power and generating capacity while

progressing as quickly as possible to comply with the OTC Policy. AES-SL has participated in the CPUC's Long Term Procurement Planning process, filed applicable permits, reduced OTC flows significantly and has responded to the contracting opportunities presented by the local utility. However, the electricity planning, contracting and development process in California is extremely lengthy and considerable uncertainty still exists in California's plans for maintaining electrical reliability in southern California. If there are delays in the CEC permitting process for RBEP, contracts for local area capacity are not approved by the CPUC, future procurement authorizations are limited or postponed, or other planned transmission and generating capacity upgrades by the local utility are not completed or delayed, then our current proposed schedule will need to be further adjusted and other options considered, including the potential extension of OTC compliance deadlines for existing units. AES-SL wishes to extend an invitation to your organization to meet with the SACCWIS and explain in detail the constraints California is facing to maintain electrical reliability under the current regulatory structure.

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