



<b>DOCKET</b>	
<b>00-AFC-13C</b>	
DATE	<u>MAY 19 2010</u>
RECD.	<u>MAY 21 2010</u>

AES Southland  
690 North Studebaker Road  
Long Beach, CA 90803  
tel 562 493 7891  
fax 562 493 7320

May 19, 2010

Mary Dyas  
Compliance Project Manager  
California Energy Commission  
1516 Ninth Street  
Sacramento, CA 95814

RE: *Huntington Beach Units 3&4 - Petition to Amend*

Dear Mary:

As we have discussed, it is very important to AES Huntington Beach (AES) that the operating permit for Units 3&4 is extended before the end of SCE's 2010 procurement process (RFO), which is expected to kick-off in July. SCE has not accepted contingent bids in the past, thus we are assuming we cannot participate in the 2010 RFO, for deliveries in 2012, unless we have certainty that our permit will be extended. The 2010 RFO process is expected to be completed in mid-October. If we are unable to participate in this year's RFO, we will be faced with some very difficult circumstances going forward.

If AES misses the 2010 RFO, we would expect SCE to issue another RFO in July 2011 that would conclude with awards in mid-October 2011. Even if we have the permit extension in hand in July 2011, we will not know the results of the RFO until after our existing power contract expires on September 30, 2011, which coincides with the end of the current permit. Approximately half of the Huntington Beach workforce will be in limbo until the results of the RFO are announced. This will cause a great deal of anxiety and put a significant strain on a number of good people. Rather than face the possibility of AES not succeeding in the RFO and the risk of being suddenly unemployed, our best people will likely seek other employment.

Additionally, in the 2010 and/or 2011 RFO processes we would be bidding to deliver in 2012 and beyond. SCE's procurement cycle in any given year is typically for deliveries the

following year, and years after, on a rolling basis. Thus, the closer the RFO is to a delivery year, the smaller SCE's need is for that year. Bidding in 2011 for delivery in 2012 greatly reduces our chance of success versus bidding in 2010 for delivery in 2012.

Of course, participating in the 2010 RFO and being awarded a contract is the most desirable outcome for the most stakeholders. However, participating in the 2010 RFO process and not being selected has value for a number of stakeholders as well. Not being selected in the 2010 RFO, for deliveries in 2012, gives AES a clear indication that it is unlikely to be selected in the 2011 RFO unless it revises its bid downward, and even then there is no guarantee it will be selected. With that information in hand, AES would have options such as accelerating the redevelopment of Units 3&4, making contingency plans for the workforce, reducing its bid for the 2011 RFO and putting the CAISO and others on advance notice that if unsuccessful in the 2011 RFO the units would become unavailable for 2012.

I know the CEC also has concerns with how the recent policy on once-through-cooling (OTC) may influence the permit extension decision. I want to that emphasize that we chose the 12/31/2020 extension date so that it would synch up exactly with the required compliance date in the OTC policy. All of the AES units are required to achieve compliance with the OTC policy by 12/31/2020. With respect to interim milestones in the Policy, the requirements are summarized below:

Submit Implementation Plan	6 Months*
Install Large Organism Exclusion Devices	1 Year
Cease Intake Flows When Not Engaged in Power Generating Activities	1 Year
Fund Measures To Mitigate for Interim Impacts	5 Years

\* all timelines are from the effective date of the policy

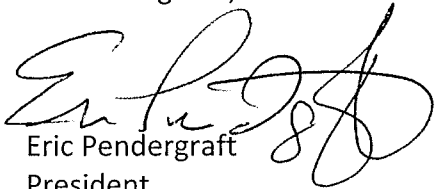
AES fully intends to comply with each interim milestone and has already achieved compliance with the requirement to mitigate for interim impingement and entrainment impacts. As part of the current permit, we were required to fund a \$5.5 million wetland restoration project that was sized to mitigate for the impacts of running Units 3&4 for as long as they operate. The required mitigation was not scaled for 10 years of operation, but determined based on continuing to operate the facility beyond the term of the existing permit. It should be noted that the bulk of \$5.5 million payment was for the actual wetlands restoration, but it also included 10 years worth of expected maintenance. This is the only element of the mitigation project that was sized based on the term of the existing permit. AES fully understands and agrees to provide additional funding to cover the expected maintenance on the wetlands for any extension to the permit that is granted.

AES has also met with Jonathon Bishop, Deputy Director of the Water Board, Charlie Hoppin, Chairman of the Water Board, and Water Board members Fran Spivey-Weber, Tam Doduc and Walter Pettit on several occasions to review our plan for compliance. I assure you that the Water Board supports our plan which is entirely consistent with their primary objective. We intend to replace our units with new, state-of-the-art technology that does not utilize OTC. Our request to extend the HB 3&4 permit will allow us to continue operating the units while we develop, permit and construct the replacement infrastructure. As part of the extension request, we are committing to submit a new AFC to modernize the entire Huntington Beach facility to demonstrate that our ultimate objective is to shutdown and replace the existing units.

In order to be able to participate in the 2010 RFO process, which is critical to AES, we would need to have the permit extension in hand no later than October 1, 2010. We understand and appreciate the resource constraints on the CEC staff as a result of the renewable permits and we are more than willing to do anything we can to help expedite the process. We believe the decision to extend the permit on Units 3&4 is relatively straightforward and are hopeful that with our continued communication you will agree. Perhaps it would be worthwhile to meet with you and other members of the CEC to discuss further.

We thank you for your time and consideration.

Kindest regards,



Eric Pendergraft  
President  
AES Southland

cc: Weikko Wirta  
Don Vawter  
John Carrier, CH2M Hill