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March 28, 2011

Christina Snow
Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS 2000
Sacramento, CA 98514-5512

Dear Ms. Snow,

In your email of March 17, 2011, you asked several questions regarding the future of the AES Huntington Beach Generating Station (AESHB) in light of the recent Petition to Amend the Walnut Creek Energy Park's certification. Responses to each of your questions are provided below.

1. *Does AES plan to submit an AFC to re-power all HB units by June 30, 2012 or will these units have adequate credits to be re-powered?*

Yes, AESHB intends to submit an Application for Certification no later than June 30, 2012 to construct four new generating units at the facility. Emission offsets to replace HB1&2 will come from the shutdown of those units and the use of the SCAQMD's Rule 1304 exemption. Emission offsets for building the third and fourth new units will likely come from a shutdown of one or more units at our Redondo Beach or Alamitos generating stations. Our current plan would always maintain at least 450 MWs in service at Huntington Beach and ultimately we would like to have 900 to 1,000 repowered MWs at HB.

2. *If AES does not plan to re-power all of the HB units, will they submit a closure plan for Units 3 & 4 and plan to keep Units 1 & 2 under the City's jurisdiction?*

If the HB3&4 assets are sold to Edison Mission Energy (EME) as expected, then EME will be the entity required to submit the closure plan as well as comply with the other CEC conditions of certification for the units. AESHB expects to be tasked with developing,

submitting and executing the closure plan for EME and to comply with all the existing conditions of certification of HB 3&4. We intend to place the entire site under the CEC's jurisdiction. The land associated with HB3&4 will remain with AESHB and not be sold to EME.

3. As indicated in the HB Petition to Amend, the area is within a critical Los Angeles basin local capacity reliability area and there are questions with regard to the ability to meet energy needs if HB is not re-powered. If Units 3 & 4 are not re-powered, has CAISO and SCE been informed and involved due to the RFO's that AES was involved in?

We have communicated to the CAISO our intentions to sell HB3&4, and the obligation we will have to shut down these units under the terms of our lease back. The CAISO has provided written confirmation that the shutdown, in combination with the start-up of the Walnut Creek Energy Center and the continuing operation of the remaining units at Huntington Beach and Alamitos, will not cause a transmission system overload or other reliability problems. Further, we do intend to ultimately construct new units to more than offset the loss in generation from the shutdown of HB3&4 provided we can secure permits and financeable power purchase agreements.

In an effort to understand and analyze what is being proposed for Walnut Creek Energy Park, we would appreciate information on what AES plans are with regard to Huntington Beach and the South Coast Air Quality Management District's ability to issue appropriate permits for the projects.

I believe this question was adequately answered above. AESHB is selling HB3&4 to EME so that EME has the ability to apply the Rule 1304 exemption to the Walnut Creek Energy Park in conjunction with the shutdown of HB3&4.

Thank you for the opportunity to clarify our intentions with respect to AESHB. If you have any further questions please do not hesitate to call or email me. I would be happy to respond.

Sincerely,



Eric Pendergraft
President
AES Southland