

DOCKETED

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ENVIRONMENTAL AGREEMENT

This ENVIRONMENTAL AGREEMENT ("Agreement") is made and entered into as of December 4, 2000 by and among Southern California Edison Company, a California corporation ("Edison") and AES King Harbor, LLC, a Delaware limited liability company ("AES King Harbor").

RECITALS

WHEREAS, Edison and AES Redondo executed that certain Grant Deed, dated as of May 15, 1998, recorded on May 16, 1998, as document no. 98-829453 in the Official Records of Los Angeles County, California (the "Grant Deed") conveying to Grantee certain real property located in the City of Redondo Beach (the "Property");

WHEREAS, Edison and AES King Harbor have executed that certain Purchase, Sale and Easement Modification Agreement dated September 14, 2000 (as amended, the "Purchase Agreement"), pursuant to which, among other things (i) Edison has agreed to transfer to AES King Harbor title to certain improvements owned by Edison and commonly referred to as the tank farm (the "Tank Farm"), and (ii) AES King Harbor has agreed to be responsible for certain remediation activities on and arising from the portion of the Property commonly referred to as the retention basin (the "Retention Basin"), which is depicted by cross-hatching on Exhibit A attached hereto (the "Retention Basin Parcel");

WHEREAS, in connection with the Purchase Agreement, Edison and AES Redondo Beach, LLC, a Delaware limited liability company ("AES Redondo"), have agreed to execute a Modification of Grant Deed (the "Modification") providing for the termination of certain easements over the Tank Farm Parcel (as defined in the Modification) reserved by Edison in the Grant Deed;

WHEREAS, in connection with the Purchase Agreement, Edison and AES Redondo have agreed to execute an Improvement Removal Agreement among Edison, AES Redondo and AES King Harbor (the "Improvement Removal Agreement", and together with the Purchase Agreement and Modification, collectively, the "Related Agreements") containing certain covenants regarding the termination of certain easements upon the dismantling or relocation of the SCE Improvements (as defined in the Grant Deed) commonly referred to as the 66 kv switchyard (the "66 kv Switchyard") and the 220 kv Switchyard (the "220 kv Switchyard"); and

WHEREAS, the parties desire to establish their rights and obligations with regard to environmental liabilities upon the recordation of the Modification and the future termination of the easements over the 66 kv Switchyard and the 220 kv Switchyard.

NOW, THEREFORE, the parties agree as follows:

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

“*66 kv Switchyard Parcel*” means the portion of the Property on which the 66 kv Switchyard is located.

“*220 kv Switchyard Parcel*” means the portion of the Property on which the 220 kv Switchyard is presently located.

“*Applicable Closing Date*” means the Tank Farm Closing Date or the 66 kv Closing Date, as applicable.

“*Consent Order*” means that certain Final Judgment Pursuant to Stipulation filed February 1, 1995 in the Superior Court of the State of California for the County of Los Angeles in the Case No. BC 121219 captioned *State of California v. Southern California Edison* together with all modifications thereto and all plans and submissions prepared, and all directives of a Governmental body issued, pursuant to such document.

“*Environmental Laws*” means, as the same have been amended to the date hereof, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j, the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; and any similar Laws as of the date hereof of the State of California or of any other Governmental Body having jurisdiction over, or otherwise applicable to, the Property, including without limitation the Tank Farm Parcel, 66 kv Switchyard Parcel, 220 kv Switchyard Parcel, or Retention Basin Parcel, or its owners or operators; and regulations implementing the foregoing.

“*Governmental Body*” means any federal, state, local, foreign or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; any court or governmental tribunal; but does not include Edison, AES Redondo or AES King Harbor or any of their affiliated entities, or any of

their respective successors or any owner of the Property or the Tank Farm Parcel, 66 kv Switchyard Parcel, 220 kv Switchyard Parcel, or Retention Basin Parcel(if otherwise a Governmental Body).

“Hazardous Materials” means any chemicals, materials, substances, or items in any form, whether solid, liquid, gaseous, semisolid, or any combination thereof, whether waste materials, raw materials, chemicals, finished products, by products, or any other materials or articles, which are listed, regulated, restricted or controlled as hazardous, toxic or dangerous under Environmental Law, including without limitation petroleum products, asbestos, urea formaldehyde foam insulation, and lead-containing paints or coatings.

“Laws” means all statutes, rules, regulations, ordinances, orders, permits, codes or controlling common law of federal, state, local and foreign governmental and regulatory authorities, including, without limitation, the Consent Order.

“Post-Closing Off-site Release” means a Retention Basin Post-Closing Off-site Release (as defined in Paragraph 1 hereof), a Tank Farm Post-Closing Off-site Release (as defined in Paragraph 2 hereof) or a Switchyard Post-Closing Off-site Release (as defined in Paragraph 3 hereof).

“Release” means any release, spill, leak, discharge, abandonment, disposal, pumping, pouring, emitting, emptying, escaping, injecting, leaching, dumping, depositing, dispersing, or migrating into or through the environment (including ambient air, surface water, ground water, land surface and subsurface strata or within any building, structure, facility or fixture) of any Hazardous Materials, including the abandonment or discarding of Hazardous Materials in barrels, drums, or other containers.

“Remediation Measures” means any (i) investigation, monitoring, clean-up, containment, remediation, mitigation, removal, disposal or treatment of Hazardous Materials in, on or under the soil or groundwater of the Property or Off-site Property, or any improvements thereon, including, without limitation, the preparation and implementation of any work plans and the obtaining of authorizations, approvals and permits from Governmental Bodies with respect thereto, (ii) any response to, or preparation for, any inquiry, order, hearing or other proceeding by or before any Governmental Body with respect to any Hazardous Materials in, on or under the Property or Off-site Property, or any improvements thereon, including without limitation, the Retention Basin, the Tank Farm, the 66 kv Switchyard or the 220 kv Switchyard, and (iii) any loss, liability, cost or expense arising out of any personal injury or property damage suffered as a result of exposure to Hazardous Materials from the Property, but, except with respect to the 220 kv Switchyard, shall not include (i) any loss, liability, cost or expense arising out of any injury or property damage suffered by a third party as a result of exposure to Hazardous Materials from the Property prior to the date hereof or as a result of the off-site Release to or presence of Hazardous Materials at any Off-site Property prior to the date hereof, or, in the case of the 66 kv Switchyard, prior to the 66 kv Closing Date, (ii) any fine, penalty, or other sanction, to the extent not involving remedial measures, imposed by a Governmental Body as a result of violations of any Laws prior to the date hereof or, in the case of the 66 kv Switchyard, prior to the 66 kv

Closing Date, or (iii) any other liability, loss, cost or expense with respect to Hazardous Materials already present at an Off-site Property prior to the date hereof or, in the case of the 66 kv Switchyard, prior to the 66 kv Closing Date.

AGREEMENT

1. Release as to Retention Basin. Except for Edison's obligations under any Related Agreement and this Agreement, AES King Harbor on behalf of itself and each of its parent, subsidiary and sister entities (excluding, however, AES Redondo), and on behalf of each of its and their successors and assigns, hereby waives its right to recover from Edison, and its predecessors, successors, assigns, directors, shareholders, officers, agents, representatives and employees (collectively, "Edison Released Parties"), and forever releases and discharges the Edison Released Parties, from any and all damages, claims, losses, liabilities, penalties, fines, liens, judgments, costs, or expenses whatsoever (including, without limitation, attorneys' fees and costs) for Remediation Measures incurred or imposed under any Environmental Laws, including as a result of any Claims, brought by a third party, whether direct or indirect, known or unknown, foreseen or unforeseen ("Claims"), that may arise on or after the date hereof (the "Tank Farm Closing Date") on account of or in any way connected with the storage or presence of Hazardous Materials on, or the transport or Release of Hazardous Materials from, the Retention Basin Parcel, other than the Release onto any real property beyond the boundaries of the Property ("Off-site Property") on or after the Tank Farm Closing Date of Hazardous Materials from the Retention Basin Parcel that existed on the Property prior to the Tank Farm Closing Date (a "Retention Basin Post-Closing Off-Site Release") provided the Retention Basin Post-Closing Off-site Release would not have been prevented with the exercise of appropriate diligence consistent with commercially reasonable environmental management practices in identifying and/or responding to subsurface conditions (taking into consideration all environmental data that is presently, or which may in the future become, available) ("Appropriate Diligence").

2. Release as to Tank Farm. Except for Edison's obligations under any Related Agreement and this Agreement, AES King Harbor on behalf of itself and each of its parent, subsidiary and sister entities (excluding, however, AES Redondo), and on behalf of each of its and their successors and assigns, hereby waives its right to recover from the Edison Released Parties, and forever releases and discharges the Edison Released Parties, from any and all Claims that may arise on or after the Tank Farm Closing Date on account of or in any way connected with the storage or presence of Hazardous Materials on, or the transport or Release of Hazardous Materials from, the Tank Farm Parcel, other than the Release onto Off-site Property on or after the Tank Farm Closing Date of Hazardous Materials from the Tank Farm Parcel that existed on the Property prior to the Tank Farm Closing Date (a "Tank Farm Post-Closing Off-Site Release") provided the Tank Farm Post-Closing Off-site Release would not have been prevented with the exercise of Appropriate Diligence.

3. Release as to 66 kv Switchyard. Except for Edison's obligations under any Related Agreement and this Agreement, and effective at such time as AES King Harbor

dismantles the 66 kv Switchyard and Edison terminates the easements reserved over the 66 kv Switchyard Parcel in accordance with the Improvement Removal Agreement (the “66 kv Closing Date”), AES King Harbor on behalf of itself and each of its parent, subsidiary and sister entities (excluding, however, AES Redondo), and on behalf of each of its and their successors and assigns, hereby waives its right to recover from the Edison Released Parties, and forever releases and discharges the Edison Released Parties, from any and all Claims that may arise on or after the 66 kv Closing Date on account of or in any way connected with the storage or presence of Hazardous Materials on, or the transport or Release of Hazardous Materials from, the 66 kv Switchyard Parcel, other than the Release onto Off-site Property after the 66 kv Closing Date of Hazardous Materials from the 66 kv Switchyard Parcel that existed on the Property prior to the 66 kv Closing Date (a “Switchyard Post-Closing Off-site Release”) provided the Switchyard Post-Closing Off-site Release would not have been prevented with the exercise of Appropriate Diligence.

4. Remediation Obligations. AES King Harbor shall perform all Remediation Measures (i) from and after the Tank Farm Closing Date with respect to the Retention Basin Parcel and the Tank Farm Parcel and any Release of Hazardous Materials thereon or therefrom, and (ii) from and after the 66 kv Closing Date with respect to the 66 kv Switchyard Parcel and any Release of Hazardous Materials thereon or therefrom in the case of each of clauses (i) and (ii) above only to the extent Environmental Laws require such Remediation Measures to be performed (A) on Off-site Property as a result of a Post-Closing Off-site Release of Hazardous Materials to the extent the Hazardous Materials (i) did not exist on the Property prior to the Tank Farm Closing Date, or in the case of the 66 kv Switchyard, prior to the 66 kv Closing Date or (ii) existed on the Property prior to the Tank Farm Closing Date, or in the case of the 66 kv Switchyard, prior to the 66 kv Closing Date, but the Post-Closing Off-site Release with respect thereto would have been prevented with the exercise of Appropriate Diligence, or (B) on the Property. Edison shall perform all Remediation Measures (i) from and after the Tank Farm Closing Date with respect to the Release of Hazardous Materials from the Retention Basin Parcel and the Tank Farm Parcel and (ii) from and after the 66 kv Closing Date with respect to the Release of Hazardous Materials from the 66 kv Switchyard Parcel, in the case of each of clauses (i) and (ii) of this sentence only to the extent Environmental Laws require Remediation Measures to be performed on Off-site Property and the Hazardous Materials existed on the Property prior to the Applicable Closing Date and, with respect to any Post-Closing Off-site Release, the Release would not have been prevented with the exercise of Appropriate Diligence.

5. Consent Order. Notwithstanding that this Agreement, by imposing obligations on AES King Harbor to comply with certain Environmental Laws, imposes obligations on AES King Harbor to perform certain obligations under the Consent Order, AES King Harbor shall not be required to become a party to the Consent Order or the case pursuant to which it was issued. Subject to AES King Harbor’s obligations under Paragraphs 1 and 4 above, Edison shall make all filings required under, and otherwise ensure compliance with, the Consent Order and shall cooperate and consult with AES King Harbor concerning the contents of any such filings, which shall in form and substance be reasonably satisfactory to AES King Harbor as they relate to the Retention Basin.

6. Retained Responsibilities. Except as provided in this Agreement, the responsibility of the parties for any Claim that may hereafter arise on account of or in any way connected with the use, storage, transport or Release of Hazardous Materials (i) on or from the Retention Basin Parcel or the Tank Farm Parcel occurring prior to the date hereof and (ii) on or from the 66 kv Switchyard Parcel occurring prior to the 66 kv Closing Date shall be determined under the Asset Sale Agreement, dated November 22, 1997, between Edison and The AES Corporation (the "Asset Sale Agreement").

7. Additional Obligations. AES King Harbor acknowledges that prior to the Tank Farm Closing Date Edison has been performing certain groundwater pumping activities on portions of the Property without which certain Hazardous Materials from the Retention Basin might migrate to other portions of the Property or to Off-site Property. AES King Harbor shall continue such pumping activities, or, in lieu thereof, employ some other method of preventing the migration of such Hazardous Materials, until such time as any Remediation Measures required under any Environmental Laws with respect to such Hazardous Materials have been completed or AES King Harbor reasonably concludes that such pumping activities are no longer necessary.

8. Edison Indemnification Obligation. Except for any Claims released under Paragraphs 1, 2 and 3 hereof, from and after the Applicable Closing Date Edison, on behalf of itself and on behalf of each of its successors and assigns, hereby agrees to indemnify, hold harmless and defend AES King Harbor and its predecessors, successors, assigns, directors, shareholders, officers, members, agents, representatives and employees (the "AES King Harbor Indemnified Parties") from and against any Claims to the extent arising from the use, storage, transport or Release of Hazardous Materials (i) on or from the Retention Basin Parcel, the Tank Farm Parcel and the 66 kv Switchyard Parcel, and (ii) on or from any Off-site Property if such Hazardous Material was present on the Property prior to the Tank Farm Closing Date or in the case of the 66 kv Switchyard, prior to the 66 kv Closing Date, but in the case of each of clauses (i) and (ii) of this sentence only to the extent the Claims arise on Off-site Property and the Hazardous Materials existed on the Property prior to the Applicable Closing Date and, with respect to any Post-Closing Off-site Release, the Release would not have been prevented with the exercise of Appropriate Diligence.

9. AES King Harbor Indemnification Obligation. From and after the Applicable Closing Date, AES King Harbor on behalf of itself and on behalf of each of its successors and assigns, hereby agrees to indemnify the Edison Released Parties from and against any Claims (including any Claims by AES Redondo) to the extent arising after the Applicable Closing Date connected with the storage or presence of Hazardous Materials on, or the transport or Release of Hazardous Materials from, (i) the Retention Basin Parcel, the Tank Farm Parcel and the 66 kv Switchyard Parcel, but only to the extent of Claims arising (A) on Off-site Property as a result of a Post-Closing Off-site Release of Hazardous Materials to the extent the Hazardous Materials (i) did not exist on the Property prior to the Applicable Closing Date or (ii) existed on the Property prior to the Applicable Closing Date but the Post-Closing Off-site Release with respect thereto would have been prevented with the exercise of Appropriate Diligence, or (B) on the Property.

10. 220 kv Switchyard Obligations. Notwithstanding anything to the contrary contained in this Agreement, Edison shall be responsible for, and shall conduct, all Remediation Measures that are required under any Environmental Laws with respect to the presence, use, storage, transport, or Release of Hazardous Materials on or from the 220 kv Switchyard Parcel and on behalf of itself and its successors and assigns shall indemnify, hold harmless, and defend the AES King Harbor Indemnified Parties and AES Redondo from and against any Claims arising from or in connection with such Hazardous Materials. Except with respect to Hazardous Materials for which Edison has retained liability or responsibility under the Purchase Agreement, AES King Harbor shall be responsible for, and shall conduct, all Remediation Measures that are required under any Environmental Laws with respect to the presence, use storage, transport or Release of Hazardous Materials at any parcel chosen by AES Redondo as the new location for the 220 kv Switchyard pursuant to the Improvement Removal Agreement, and on behalf of itself and its successors and assigns, hereby agrees to indemnify the Edison Released Parties from and against any Claims arising from or in connection with such Hazardous Materials.

11. Determination of when Claims Arise. For purposes of clarification, a Claim for personal injury shall "arise" within the meaning of Paragraphs 1, 2, 3 and 9 hereof when the relevant exposure to the Hazardous Materials occurs; provided, however, that where exposures for which a Claim for personal injury is made occur both before and after the Applicable Closing Date, responsibility between Edison and AES King Harbor hereunder shall be apportioned according to common law principles for apportioning joint tort-feasor liability. To the extent a Claim is for the assessment of a fine or penalty by a Governmental Body arising out of the storage or presence of Hazardous Materials on, or the transport or Release of Hazardous Materials from, the Property or Off-site Property, such Claim shall be deemed to arise when the violation occurs, and if the amount of fine or penalty is determined by reference to the period of time over which Hazardous Materials are Released on the Property or any Off-site Property, including periods of time before and after the Applicable Closing Date, responsibility for such Claim shall be apportioned between Edison and AES King Harbor based on the amount of time before and after the Applicable Closing Date such materials were present; provided, however, that to the extent such fine or penalty would not have been assessed but for the failure of AES King Harbor to perform Remediation Measures in accordance with this Agreement and the Environmental Laws, such Claim shall be deemed to arise upon the occurrence of AES King Harbor's failure to perform; provided, further, that with respect to Off-site Property, such apportionment shall be determined based on AES King Harbor's obligations to exercise Appropriate Diligence under this Agreement.

12. Waiver of Rights. AES King Harbor, on behalf of itself and each of its parent, subsidiary and sister entities (except for AES Redondo), and each of its and their successors and assigns, expressly waives any and all rights and benefits that it now has or in the future may have by virtue of Section 1542 of the California Civil Code, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO
CLAIMS WHICH THE CREDITOR DOES NOT KNOW
OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME

OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.”

or any similar statute or common law principle.



AES King Harbor's Initials

13. Representations and Warranties. The parties hereto each represents, warrants and agrees as follows: (a) it has made such investigation of the facts and matters pertaining to this Agreement which it deems necessary; (b) it has had an opportunity to consult with an attorney regarding the contents of this Agreement; (c) it has read this Agreement and understands its content; (d) each person that is signing this Agreement on its behalf has the full authority to sign this Agreement on its behalf and also has the ability to bind it to the obligations and commitments set forth in this Agreement. AES King Harbor represent and warrant that there has been, and will be, no assignment or other transfer of any interest in any Claim that it may have against the Edison Released Parties.

14. Entire Agreement. This Agreement is intended to be a final and binding resolution of the subject matter set forth in this Agreement and supersedes and replaces any and all prior negotiations, confirmatory letters and proposed agreements or agreements written or oral.

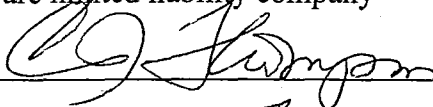
15. Attorneys' Fees. If any action or proceeding is commenced to interpret or enforce this Agreement, the prevailing party shall be entitled to receive reasonable attorneys' fees and costs from the losing party.

16. Counterparts. This Agreement may be signed in counterparts by the parties and those counterparts, taken together, shall have the same force and effect as if a single, original document had been signed by the parties.

17. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of each of the parties and their respective successors and assigns.

above. IN WITNESS WHEREOF, this Agreement is executed as of the date first written

AES KING HARBOR, LLC,
a Delaware limited liability company

By: 

NAME: C.J. Thompson

TITLE: General Manager

SOUTHERN CALIFORNIA EDISON COMPANY,
a California corporation

By: _____

NAME: _____

TITLE: _____

above. IN WITNESS WHEREOF, this Agreement is executed as of the date first written

AES KING HARBOR, LLC,
a Delaware limited liability company

By: _____

NAME: _____

TITLE: _____

SOUTHERN CALIFORNIA EDISON COMPANY,
a California corporation

By: James R. Berg

NAME: James R. Berg

TITLE: Gen. Manager

EXHIBIT A

Retention Basin

REDONDO BEACH GENERATING STATION

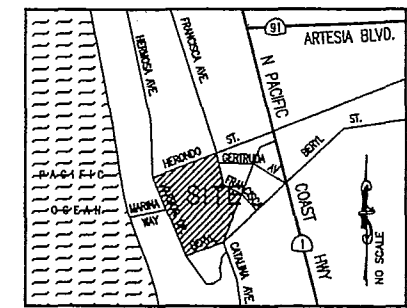
PREPARED FOR

SOUTHERN CALIFORNIA EDISON COMPANY

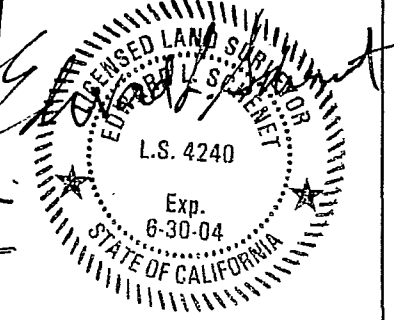
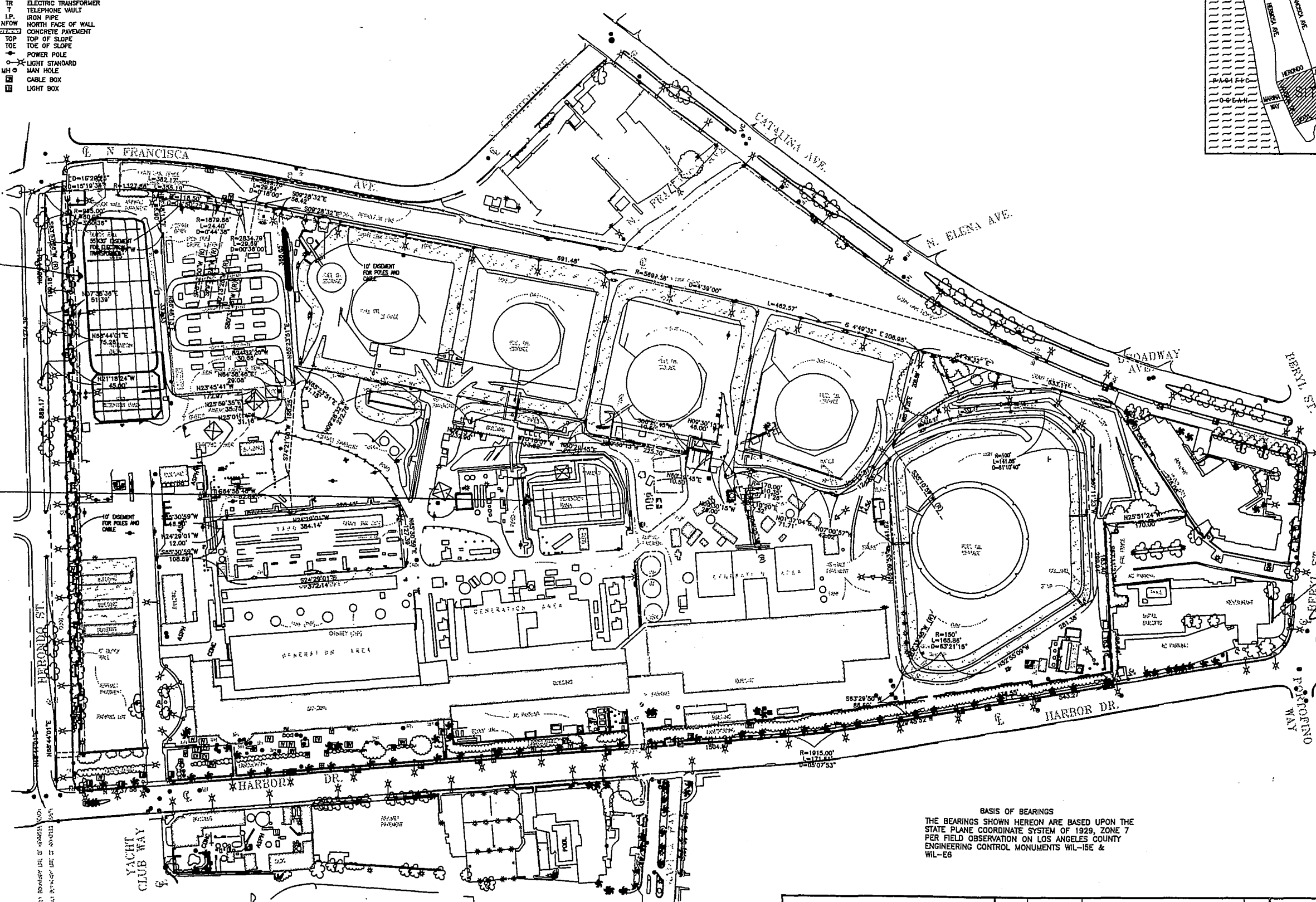
LEGEND

- CB CATCH BASIN
- CF CURB FACE
- C&G CURB AND GUTTER
- CL CENTERLINE
- FG FINISH GROUND
- FS FINISH SURFACE
- FL FLOW LINE
- TR TREE
- PT PALM TREE
- FT FINE TREE
- TR TREE
- EB ELECTRICAL BOX
- TBS TRAFFIC SIGNAL BOX
- GV GAS VAULT
- V VAULT
- IV IRRIGATION VAULT
- WM WATER METER
- WV WATER VALVE
- GM GAS METER
- WF WOOD FENCE
- CLF CHAIN LINK FENCE
- BWF BLOCK WALL FENCE
- PP POWER POLE
- WH WATER HOSE BIB
- TE TRASH ENCLOSURE
- EV ELECTRIC TRANSFORMER
- TV TELEPHONE VAULT
- IP IRON PIPE
- NFOW NORTH FACE OF WALL
- CP CONCRETE PAVEMENT
- TS TOP OF SLOPE
- TSF TOP OF SLOPE
- PP POWER POLE
- LS LIGHT STANDARD
- MH MAN HOLE
- CB CABLE BOX
- LB LIGHT BOX

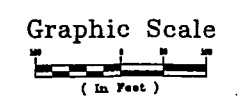
VICINITY MAP



Retention Basin Parcel



BASIS OF BEARINGS
THE BEARINGS SHOWN HEREON ARE BASED UPON THE STATE PLANE COORDINATE SYSTEM OF 1929, ZONE 7 PER FIELD OBSERVATION ON LOS ANGELES COUNTY ENGINEERING CONTROL MONUMENTS WIL-15E & WIL-6E



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FULLERTON, CA 92833
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108 BUSINESS CENTER DRIVE
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NO.	DATE	REVISIONS	BY	DATE	SHEET
	JULY 20, 2000				1 OF 1

JOB NO. 96504