

Dynegy South Bay, LLC  
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October 16<sup>th</sup>, 2009

John H. Robertus  
Executive Officer  
CA Regional Water Quality Control Board  
9174 Sky Park Court, Suite 100  
San Diego CA 92123-4340

Re: South Bay Power Plant – Update to Application for Renewal of  
NPDES Permit No. CA0001368

Dear Mr. Robertus:

On April 10<sup>th</sup>, 2009, Dynegy submitted its application for renewal of NPDES Permit No. CA0001368 for the South Bay Power Plant (Order No. R9-2004-0154). Our application was subsequently determined to be complete, as confirmed by your letter dated July 20, 2009.

On October 9, 2009, Dynegy was advised by the California Independent System Operator (CAISO) that the Reliability-Must-Run (“RMR”) contract for South Bay Units 3 and 4 has been terminated, such that operation of these units will not be required after December 31, 2009. However, the CAISO extended the RMR contract for Units 1 and 2 for the 2010 contract year. Accordingly, Dynegy needs the ability to operate Units 1 and 2 until December 31, 2010. Commensurate with our contractual obligation to use best efforts to secure or maintain all permits necessary for the operation of RMR-designated units, we are hereby updating our application for renewal of the NPDES permit for the South Bay Power Plant to seek authorization to discharge only through December 31, 2010, at a maximum flow rate of 225 MGD, reflecting the total maximum combined flow from Units 1 and 2. This represents a 63% reduction in the combined flow requested in our renewal application.

Under the terms of our lease with the Port, Units 3 and 4 must be permanently retired as of December 31, 2009. As you are aware, Dynegy is working with the Port and other agencies in anticipation of the demolition of the plant, in accordance with the terms of the lease. Under the circumstances, we believe the most reasonable and expeditious course of action is to allow the existing permit to remain on administrative extension, with the understanding that (i) it will apply only to Units 1 and 2 at the reduced flow rate specified above, and (ii) the authorization to discharge will terminate on December 31, 2010 absent further action by the Board.

***I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified***

***personnel properly gathered and evaluated the information submitted. Based on my inquiry of the person or persons who managed the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.***

Please call me if you have any questions.

Very truly yours,



Dan Thompson  
Vice President

c: Jim Detmers, CAISO  
Karen Edson, CAISO  
Nancy Saracino, CAISO  
Andrew Ulmer, CAISO  
Chetty Mamandur, CAISO  
Gil Grotta, CAISO  
Lynn Lednicky, Dynegy  
Joe Paul, Dynegy  
Jim Hinrichs, Dynegy  
Brian Theaker, Dynegy