



Jim Detmers  
Vice President, Operations

December 8, 2009

California Regional Water Quality Control Board  
San Diego Region  
9174 Sky Park Court, Suite 100  
San Diego, California 92123-4340

**RE: Extension of NPDES Permit for the South Bay Power Plant  
December 16, 2009 Hearing  
(Tentative Order No. R9-2009-0178)**

Dear Board Members,

The California Independent System Operator Corporation (ISO) urges your approval of Dynegy South Bay's request for an administrative extension of its National Pollutant Discharge Elimination System Permit for the South Bay Power Plant for a minimum of one year. The South Bay Power Plant remains critical to serve the electric energy needs of San Diego and Chula Vista's residents and businesses in a reliable manner, as is the current need today, December 8, 2009, given stressed local outage conditions and system resource constraints that have South Bay 1, 2 and 3 in operation.

The ISO is a nonprofit public benefit corporation chartered under the laws of the State of California for the purpose of operating and maintaining the reliability of the statewide electric transmission grid for the benefit of the citizens of California. The reliability of the electric transmission grid is dependent on a number of specific power plants located in specific areas. These critical facilities are subject to Resource Adequacy contracts and can be designated as Reliability Must-Run (RMR) units if necessary to meet federal and regional mandated grid reliability standards. The ISO assesses its local reliability requirements, including the continued need for RMR units on an annual basis, based on among other factors the addition or loss of generation and transmission facilities, upgrades to existing infrastructure and California Energy Commission load forecasts.


As a result of its assessment for calendar year 2009, the ISO determined that the San Diego area required South Bay units 1 through 4 and the combustion turbine unit to receive reliable electric service. Accordingly, in October 2008, the ISO extended the term of the RMR contract for the 2009 contract year. The ISO recently completed its local reliability assessment for 2010, which included consideration of the recent completion and successful operation of the Otay Mesa Energy Center that now provides additional generation capacity in the San Diego area. In light of this development and other factors, the ISO determined that San Diego no longer needs South Bay units 3 and 4 after December 31, 2009. However, the ISO has identified the ongoing need for South Bay units 1 and 2 and the combustion turbine unit in 2010. Although the ISO will reevaluate the need for these units through its local capacity requirement study process, continued operation of these units may be necessary to provide reliable service to the residents

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and businesses of San Diego and Chula Vista until the Sunrise Powerlink transmission line reaches commercial operation or new resources that are electrically equivalent to the South Bay units become available. The ISO continues to work with San Diego Gas & Electric to identify the potential resource options that would bridge the gap and allow the South Bay units to retire before the Sunrise Powerlink transmission line becomes operational. We anticipate a more definitive assessment on the continued need for South Bay beyond 2010 by the end of our local capacity requirement study process in the fall of 2010.

The ISO is aware of the widespread interest that exists to see the remaining South Bay units decommissioned. This interest must be balanced with the need for local generation capacity to help manage grid reliability and significant events such as major transmission outages or fires. Thank you for your consideration of this letter. Should you have additional questions, please do not hesitate to contact me at (916) 351-2123.

Respectfully,



Jim Detmers  
Vice President, Operations

Cc: D. Reed, SDG&E