
State Water Resources Control Board

November 6, 2013

Ms. Barbara Irwin
Dynegy
990 Bay Boulevard
Chula Vista, CA 91911

Dear Ms. Irwin:

INFORMATION REQUIREMENTS FOR MORRO BAY POWER PLANT

On November 30, 2010 a letter was sent out by the State Water Resources Control Board's (State Water Board) Executive Director requiring the submittal of an Implementation Plan (Plan) by April 1, 2011. The letter outlined the required information to include in the Plan, including information on planned actions for compliance with the Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (Policy). If final compliance by October 1, 2015, is not feasible, interim mitigation measures must be identified in the Plan.

Due to the current uncertainty as to conditions identified in implementation plans previously submitted from the Once-Through Cooling (OTC) power plants with a near term compliance deadline, further information and data input is necessary to conduct grid reliability analysis to determine the impact on local and system reliability.

Pursuant to the Policy and California Water Code section 13383, the State Water Board requires Dynegy to provide the most current information for Morro Bay Generating Station (Morro Bay) in the previously submitted Plan if the following content is not up-to-date or is inaccurate:

1. What mechanism is being used to bring this unit into compliance?

In its April 1, 2011 Plan, Dynegy proposed to evaluate impingement and entrainment control measures (i.e., technologies, operational measures, and combinations thereof) to determine whether any such measures will enable any of the Morro Bay Units to achieve compliance with Track 2 requirements. If Dynegy determines that any such control measures exist and are commercially viable, Dynegy anticipates implementing the selected control measures by no later than December 31, 2015, the currently applicable final compliance deadline. If Dynegy determines in its sole discretion that no commercially viable control measures capable of achieving compliance with Track 2 exist for any of the Morro Bay Units (or in the event implementation is not completed by the compliance deadline), Dynegy anticipates that it will cease water intake flows to the Unit(s) by December 31, 2015 until either (1) that time as commercially viable control measures capable of meeting Track 2, if any, are implemented, or (2) a decision is made to retire the Unit(s), unless the final compliance deadline is suspended or extended. In addition, if Dynegy determines that no commercially viable control measures exist for Morro Bay Units 3 and 4, Dynegy may consider repowering

Units 3 and 4. Based on preliminary analysis and contingent on numerous currently unknown future variables, repowering, if commercially viable and if pursued, would be limited by air permitting emission reduction credit requirements to approximately a 164 Mega Watt (MW) (nominal) simple-cycle combustion turbine.

2. What actions have been taken to obtain permits, obtain contracts, or meet other regulatory obligations to implement the compliance mechanism identified above?

Unknown. Dynegy is currently in settlement discussions with the State Water Board staff.

3. What is the capacity of the repowered/replaced/retrofitted facility?

If retrofits are completed, capacity would likely be less than the existing 650 MW. If retired and repowered, capacity at a nearby location would be approximately 160 MW.

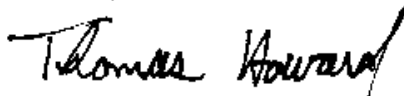
4. Are retirements covered by the California Public Utilities Commission authorized procurements?

No. Morro Bay is not located within a local capacity area and there are no local electric reliability issues if Dynegy retires Morro Bay.

Submission of the above information is required no later than 60 days after the date of this letter.

Should you have any questions on this matter please feel free to contact Mr. Jonathan Bishop, Chief Deputy Director, at (916) 341-5820 (jsbishop@waterboards.ca.gov) or Dr. Maria de la Paz Carpio-Obeso, Chief of the Ocean Unit, at (916) 341-5858 (mcarpio-obeso@waterboards.ca.gov).

Sincerely,



Thomas Howard
Executive Director

ECM# 1085028