

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Consumer Protection and Safety Division  
Electric Generation Performance Branch

San Francisco, California  
Date: January 12, 2012  
Resolution EGPB-12A

**RESOLUTION**

Resolution EGPB-12A modifies Resolution EGPB-12 by accelerating the permanent retirement date for Huntington Beach Generating Units 3 and 4 from October 31, 2012 to January 12, 2012.

**PROPOSED OUTCOME:** Grant permanent retirement of Huntington Beach Generating Units 3 and 4, effective January 12, 2012.

**ESTIMATED COST:** None.

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**SUMMARY**

This resolution modifies resolution EGPB-12 by accelerating the permanent retirement of Huntington Beach Generating Units 3 and 4 from October 31, 2012 to January 12, 2012.

**BACKGROUND**

On May 26, 2011, the Commission approved EGPB-12, which authorized AES Huntington Beach, LLC (AES-HB) and Edison Mission Huntington Beach, LLC (EME-HB) to permanently retire Huntington Beach Generating Units 3 and 4 (HB 3 and 4), effective midnight on October 31, 2012.

As described in EGPB-12, EME-HB plans to construct a new 500 MW gas turbine peaking unit, Walnut Creek Energy Park (“Walnut Creek”). EME-HB anticipates a six-month commission period for Walnut Creek, from November 1, 2012 through May 31, 2013. By June 1, 2013, Walnut Creek should be fully operational, and its capacity will more than make up for the 452 MW loss of HB 3 and 4. In addition, EME plans to obtain emission credits from the retiring HB Units 3 and 4, which will offset emissions from the new Walnut Creek unit. The California Independent System Operator (CAISO) examined the grid reliability implications of this transaction, and concluded that it would not create any reliability concerns.

On September 29, 2011, AES-HB and EME-HB jointly notified the Consumer Protection and Safety Division (CPSD) of their intent to accelerate the retirement date of HB 3 and 4 to December 31, 2011, unless CAISO provides a contract to compensate for providing readiness services through October 31, 2012.

The CAISO confirmed on December 13, 2011 that HB 3 and 4 are no longer needed for reliability purposes after December 31, 2011.<sup>1</sup> The CAISO does not plan to compensate AES-HB or EME-HB for readiness services of HB 3 and 4 in 2012. The CAISO recommended that a few Load Serving Entities (LSEs) procure additional local capacity from a short list of generating facilities; that list did not include HB 3 and 4.<sup>2</sup> Finally, by the end of December 31, 2011, HB 3 and 4 will no longer be obligated to supply capacity under its existing Participating Generator Agreement and Meter Service Agreement with the CAISO. Thus, there are no obstacles to the accelerated retirement date of HB 3 and 4 by the end of 2011.

### **NOTICE**

This resolution is presented on a motion from the Consumer Protection and Safety Division and not in response to an Advice Letter. Notice was made by publication in the Commission's Daily Calendar.

### **PROTESTS**

No protests were filed, as the Resolution does not result from an Advice Letter.

### **DISCUSSION**

In General Order 167 (GO 167) – Operation and Maintenance Standards for Power Plants, we adopted certain operating availability standards applicable to covered Generating Asset Owners (called “GAO’s”). There are three GO 167 Operating Standards involved in plant closures or permanent retirements. OS 22 requires a GAO to maintain its unit in a state of “readiness” to provide full available power, except during specified necessary maintenance or forced outages. Operating Standard (OS) 23 requires notification of long-term changes in the operating status of a unit. OS 24 requires GAOs to obtain the Commission’s approval, in consultation with the CAISO, prior to closing a generating facility or making any long-term changes in operating status, provided that there is a “mechanism to compensate the GAO for readiness services provided.”

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<sup>1</sup> Email from CAISO (Cheryl Adler) to CPSD (Valerie Beck) dated December 13, 2012.

<sup>2</sup> CAISO *Evaluation Report of Load Serving Entities’ Compliance with 2012 Local and System Resource Adequacy Requirements* (November 23, 2011).

AES-HB and EME-HB's joint notice on September 29, 2011 satisfies the OS-23 notification requirement.

With respect to OS-22 and OS-24, we previously determined in EGPB-12 that AES-HB and EME complied with GO 167 by obtaining an affirmative declaration from this Commission, in consultation with the CAISO, that the generating facility is no longer needed for reliability. All that is required from us in this Resolution is to approve the request to accelerate the retirement date by approximately ten months. The CAISO has confirmed with this Commission that HB Units 3 and 4 are no longer needed for reliability purposes after 2011. While there may be various market alternatives available to fully or partially compensate a resource, here neither the CAISO nor any other entity has provided a mechanism to compensate HB Units 3 and 4 in 2012. Under the circumstances, we see no alternative but to allow HB to accelerate its retirement. AES-HB and EME-HB submitted sufficient documentation to demonstrate compliance with GO 167 requirements.

Thus, we authorize in this resolution the accelerated retirement of HB Units 3 and 4. AES-HB and EME-HB sought an effective date of December 31, 2011 in their September 29, 2011 request. While this Resolution is effective today, we note that the CAISO affirmed on December 13, 2011 that it no longer requires HB 3 and 4 for reliability purposes beyond December 31, 2011.

### **COMMENTS**

Public Utilities Code section 311(g) (1) requires that draft resolutions be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

AES-HB and EME-HB now seek to accelerate the retirement to December 31, 2011, and have stipulated to reduce the comment period. Thus, CPSD proposes to shorten the applicable 30-day public comment period to 10 days. No comments were received.

### **FINDINGS AND CONCLUSIONS**

1. Operations Standard 22 of GO 167 states that except during necessary maintenance or forced outages, the Generating Asset Owner is required to prepare for the operation of the unit at full available power upon request of the Control Area Operator (CAISO).
2. Operation Standard 23 of GO 167 requires the Generating Asset Owner to notify the Commission and the Control Area Operator in writing at least 90 days prior to a change in the long-term status of a unit.

3. Operation Standard 24 of GO 167 requires covered Generating Asset Owners to obtain an affirmative declaration from the Commission, after consultation with the Control Area Operator, prior to closing a generating facility or making any long-term changes in operating status that affect the availability of the resource, provided that the “regulatory body with relevant ratemaking authority has instituted a mechanism to compensate the GAO for readiness services provided.”
4. On May 26, 2011, the Commission approved EGPB-12 that granted authorization to AES-HB and EME-HB to permanently retire HB 3 and 4, effective midnight October 31, 2012.
5. On September 29, 2011, AES Huntington Beach, LLC and Edison Mission Huntington Beach, LLC jointly notified the Consumer Protection and Safety Division of their intent to accelerate the retirement date of Huntington Beach Generating Station Units 3 and 4 to December 31, 2011, unless the California Independent System Operator (CAISO) provides a contract to compensate for providing readiness services through October 31, 2012.
6. The CAISO has confirmed that AES Huntington Beach, LLC is not needed for reliability purposes.
7. The CAISO has no plans to compensate AES Huntington Beach, LLC and Edison Mission Huntington Beach, LLC for readiness services of HB 3 and 4 during 2012.

**THEREFORE IT IS ORDERED THAT:**

1. This resolution modifies resolution EGPB-12 to authorize permanent retirement of Huntington Beach Generating Units 3 and 4 as of the effective date of this resolution.
2. This resolution does not resolve any cost or ratemaking issues associated with procurement and resource adequacy requirements due to the retirement of Huntington Beach Generating Units 3 and 4 by AES Huntington Beach, LLC and Edison Mission Huntington Beach, LLC. Such issues, if any, shall be addressed by the Commission in the appropriate proceeding(s.)

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 12, 2012, the following Commissioners voting favorably thereon:

/s/ Paul Clanon

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Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President  
TIMOTHY ALAN SIMON  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
MARK J. FERRON  
Commissioners