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DOCKET 06-AFC-2	
DATE	2006
RECD.	

December 22, 2006

Ms. Raquel Rodriguez
California Energy Commission
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Re: **STATUS REPORT**
DOCKET NO. 06-AFC-02

Dear Ms. Rodriguez:

Enclosed for filing with the California Energy Commission are one original and 12 (Twelve) copies of the **STATUS REPORT**, for the Highgrove Project (06-AFC-02).

Sincerely,


Marguerite Cosens

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STATE OF CALIFORNIA
Energy Resources
Conservation and Development Commission

In the Matter of:

Application for Certification for the AES
Highgrove Project

DOCKET NO. 06-AFC-02

STATUS REPORT

In accordance with the Siting Committee Scheduling Order dated October 5, 2006, AES Highgrove LLC (AES) files its Status Report to assist the Committee in determining if satisfactory progress is being made with the licensing of the AES Highgrove Project and to bring potential schedule delays or other relevant matters to the Committee's attention.

Air Quality

As the Committee is aware, the AES Highgrove Project plans to participate in the South Coast Air Quality Management District (SCAQMD) Priority Reserve Program. Rule 1309.1, which establishes and implements the Priority Reserve Program, was approved on September 8, 2006, allowing electricity generating facilities including the AES Highgrove Project to access emissions credits from the Priority Reserve. On December 1, 2006, SCAQMD Staff proposed an additional amendment to Rule 1309.1 to provide incentives to generators to locate projects in certain areas. The proposed amendment establishes new criteria for projects to access the Priority Reserve and proposes to preclude projects from accessing the Priority Reserve if they are located in a particular region (Zone 3) or if they are within 1000 feet of a school. The AES Highgrove Project is proposed to be located in Zone 3 and is within 1000 feet of a proposed High School.

AES has participated in meetings with SCAQMD Staff and has given testimony at a recent SCQAMD public workshop on the SCAQMD Staff's proposed amendment. In summary, AES is hopeful that the SCAQMD will modify its proposed amendment to establish stringent performance and health standards that would allow the AES

Highgrove Project to access the Priority Reserve. Currently the SCAQMD will be having additional workshops on the proposed amendment on January 3 and January 11, 2007. The final amendment is currently scheduled to be heard by the SCAQMD Board at its March 2, 2007 meeting.

In the event that the final amendment precludes the AES Highgrove Project from participating in the Priority Reserve, AES will likely continue to seek a License from the Commission but will rely on either a much lower capacity factor that will correspond to the Emission Reduction Credits (ERCs) which it already has acquired, or be forced to reconfigure the project to a lower net generating capacity.

We understand that the SCAQMD Staff is continuing to process the Preliminary Determination of Compliance (PDOC) but has not given us a firm delivery date.

Department of Toxic Substances Control (DTSC)

On November 16, 2006 DTSC Staff participated in the CEC Staff sponsored Data Response and Issue Resolution Workshop. At that workshop, substantial progress was made to coordinate information necessary for DTSC and the CEC Staff. AES believes that this approach is supportive of timely preparation of a PSA and therefore will not delay issuance of the License.

Response to Data Requests

AES responded to Staff's first round of data requests. At the November 16, 2006 workshop, Staff and AES had productive discussions concerning alternative water supply options. AES is currently evaluating several options with the ultimate goal of reducing its use of the onsite well water to the extent feasible. AES believes that it can reduce its use of onsite well water by blending with a degraded water source. Our evaluation is currently trying to maximize use of the degraded water while minimizing truck traffic associated with wastewater disposal.

Dated: December 22, 2006



Scott A. Galati
Counsel to AES Highgrove LLC