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DOCKET 06-AFC-2	
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February 7, 2007

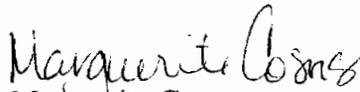
Ms. Raquel Rodriguez
California Energy Commission
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Re: **STATUS REPORT NO. 3**
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 NO. 3**, for the Highgrove Project (06-AFC-02).

Sincerely,


Marguerite Cosens

Scott A. Galati
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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 #3

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.

Data Responses

Data Response, Set 1B was filed on December 12, 2007 and Informal Data Response, Set 1A (in response to the Issue Resolution Workshop) was filed on January 17, 2007.

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. On February 2, 2007, the SCAQMD Staff modified its December 1, 2006 proposed amendments. The current proposed amendments identify 6 potential amendment options for the SCAQMD Board to select. Two of these options allow the Highgrove Project unrestricted access to the

Priority Reserve. The SCAQMD Board will consider the amendment options at its March 2, 2007 meeting.

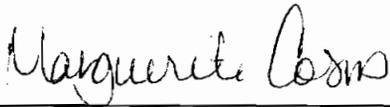
In the event that the final amendment precludes the AES Highgrove Project from participating in the Priority Reserve, AES will likely continue to seek a License from the Commission but will rely on either a much lower capacity factor that will correspond to the Emission Reduction Credits (ERCs) that 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)

AES submitted a revised RCRA Facility Assessment/Current Conditions Report (RFA/CCR) to DTSC on January 26, 2007. The RFA/CCR had been revised based on comments from DTSC Staff. We understand that DTSC will review the document and provide comments that will allow AES to prepare the RCRA Facility Investigation (RFI) Workplan, which will identify areas that require additional investigation to determine the presence/absence or extent of impacted soils. The projected date for submittal of the draft RFI Workplan to DTSC is February 26, 2007.

Dated: February 6, 2007

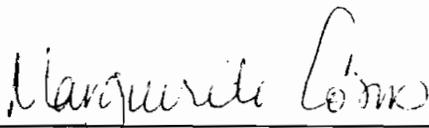


FOR Scott A. Galati
Counsel to AES Highgrove LLC

DECLARATION OF SERVICE

I, Marguerite Cosens, declare that on January 29, 2007, I deposited copies of the attached **AES Highgrove Project Status Report Number 3** in the United States mail at Sacramento, California with first class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above. Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210.

I declare under penalty of perjury that the foregoing is true and correct.



Marguerite Cosens