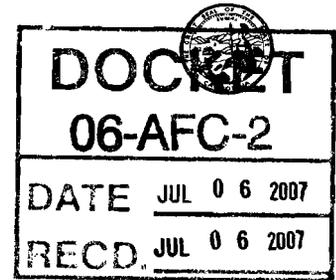


CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5112

July 6, 2007

TO: AGENCY DISTRIBUTION LIST

CONTINUED REQUEST FOR AGENCY PARTICIPATION IN THE REVIEW OF THE AES HIGHGROVE PROJECT, APPLICATION FOR CERTIFICATION (06-AFC-2)

On June 2, 2006, your agency was sent a copy of the AES Corporation Application for Certification (AFC) for the AES Highgrove Project (HP) in the City of Grand Terrace, San Bernardino County with a request for your agency's comments. On July 19, 2006, the Energy Commission determined the AFC to be data adequate, and staff began the discovery and analysis phases of the project review process. A workshop was held in Grand Terrace on November 16, 2006, and as a result AES determined it was possible to revise the proposed water source, processing and disposal options, and address the pending changes to the South Coast Air Quality Management District's (SCAQMD) Proposed Amended Rule 1309.1, the Priority Reserve emissions reduction credit program. This has resulted in the Highgrove Project AFC process being delayed.

During this time, staff has continued an examination of the project's potential for environmental, public health, and engineering impacts and compliance with all applicable laws, ordinances, regulations and standards (LORS). As part of our review process, the staff of the Energy Commission works closely with local, state and federal agencies to ensure that all LORS are analyzed and incorporated into the final Energy Commission decision. Your agency has a continued opportunity to assist the Energy Commission staff in analysis and resolution of any identified issues.

CH2MHill on behalf of AES has provided the enclosed Supplement C to the AFC, which proposes changes to the intended sources of cooling and process water, modifications to the on site water treatment system, the cooling tower system, and wastewater disposal plans. These changes include the need for an additional 1.3 miles of water supply pipeline to convey degraded water from the Spring Street wells in Riverside County to the HP site in Grand Terrace. AES and the Energy Commission are expecting that the SCAQMD will complete the adoption of the Proposed Amended Rule 1309.1 at its scheduled July 13, 2007 Executive Board meeting.

To insure a timely review of the AFC with the new supplemental information (enclosed with this notice), we request your cooperation by completing your review and issuing any **draft and final notices**, findings, opinions (such as those contained in wastewater discharge requirements, biological opinions and land use recommendations) **within 31 and 60 days**, respectively, from the date of receipt of this new Supplement. Please provide your agency's preliminary and final determinations and opinions to us by **August 6, 2007** (31 days) and **September 4, 2007** (60 days), respectively.

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Energy Commission's Facility Certification Process

Over the next several months, the Energy Commission will conduct additional public workshops and hearings on the proposal to determine whether the project would be approved for construction and operation and, if so, under what set of conditions. These events will provide the public as well as local, state, and federal agencies the opportunity to ask questions about and provide input on the proposed project. Each public workshop or hearing will be publicly noticed at least 10 to 14 days prior to the scheduled date. We encourage your agency to participate in these proceedings.

Enclosed is a copy of Supplement C filed for the AFC. If you have questions on how to participate in the Energy Commission's review of the project, please contact Robert Worl, Project Manager, at (916) 651-8853, or by email at rworl@energy.state.ca.us. The status of the project, copies of notices, electronic version of the AFC, and other relevant documents are also available on the Energy Commission's Internet web site at <http://www.energy.ca.gov/sitingcases/highgrove>. You can also receive email notification of all project related activities and availability of reports by subscribing to the Listserve on the website.

Sincerely,


Roger E. Johnson, Manager
Energy Facilities Siting and Compliance Office

Enclosure