Tariff Submitter:	AES Huntington Beach, L.L.C.
FERC Tariff Program:	FERC FPA Electric Tariff
Tariff Title:	Service Agreements
Tariff Record Proposed Effective Date:	June 26, 2013
Tariff Record Title:	Rate Schedule No. 2, Must-Run Service Agreement with California ISO
Option Code:	A

1200 New Hampshire Avenue NW, Washington, DC 20036
tel (202) 974-5600 **fax** (202) 974-5602

CHADBOURNE & PARKE LLP

June 3, 2013

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.W. Room 1A
Washington, DC 20426

Re: AES Huntington Beach, L.L.C. and California Independent System Operator, Amendments to RMR Agreement, Docket No. ER13-351-000

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,[1] and Part 35.13 of the Federal Energy Regulatory Commission's ("Commission") regulations,[2] AES Huntington Beach, L.L.C. ("AESHB") and the California Independent System Operator Corporation ("ISO") hereby jointly submit for filing and acceptance certain limited revisions to the executed version of the Reliability Must-Run Service Agreement and accompanying AESHB rate schedules between AESHB and ISO (collectively, the "Parties") for Huntington Beach Generating Station Units 3 and 4 ("RMR Agreement"), as described below. The original executed version was accepted by the Commission on January 4, 2013, *AES Huntington Beach, L.L.C. and California Independent System Operator Corporation,* 142 FERC ¶ 61,017 (2013).

The changes to the rates, terms and conditions reflected in this First Revision to the RMR Agreement are the product of extensive negotiations and agreement between the Parties, Southern California Edison ("SCE") and San Diego Gas & Electric ("SDG&E") (collectively, the "Responsible Utilities").[3] As explained in more detail below, these are modest revisions that reflect the actual additional costs that have been incurred as a result of a 25-day delay in the Commercial Operations Date ("COD") for the Huntington Beach Unit 3 and 4 synchronous condensers that has occurred due to the ongoing efforts to satisfy certain conditions precedent to the effectiveness of the RMR Agreement. In addition, the Parties have agreed to minor modifications to the descriptions of the resources' capabilities. The proposed revisions are just and reasonable and not unduly discriminatory or preferential.

The Parties respectfully request that the Commission accept the proposed revised sheets to AESHB Rate Schedule FERC No. 2 effective June 26, 2013, the revised COD for the synchronous condenser project.

---

1 16 U.S.C. § 824d.
2 18 C.F.R. § 35.13.
3 The California Public Utilities Commission was also consulted during these negotiations.

I. COMMUNICATIONS

The Parties request that all communications and correspondence concerning this filing be directed to:

For AESHB:

Weikko Wirta*
Chief Executive Manager
AES HUNTINGTON BEACH, L.L.C.
21730 Newland Street
Huntington Beach, CA 92646
Tel: 714-374-1421
Fax: 714-374-1475
E-Mail: weikko.wirta@aes.com

Robert F. Shapiro*
CHADBOURNE & PARKE, LLP
1200 New Hampshire Ave., N.W.
Washington, DC 20036
Tel: 202-974-5600
Fax: 202-974-5602
E-Mail: rshapiro@chadbourne.com

For ISO:

Nancy Saracino,
General Counsel
Roger E. Collanton,
Deputy General Counsel
Sidney M. Davies*
Assistant General Counsel
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION
250 Outcropping Way
Folsom, CA 95630
Tel: 916-351-4400
Fax: 916-608-7222
E-Mail: sdavies@caiso.com

Lawrence G. Acker*
VAN NESS FELDMAN, LLP
1050 Thomas Jefferson St., N.W.
Washington, DC 20007
Tel: 202-298-1800
Fax: 202-338-2416
E-Mail: lga@vnf.com

*Designated for receipt of service

II. LIST OF DOCUMENTS SUBMITTED WITH THIS FILING

Appendix A – A clean version of the First Revision to the RMR Agreement between AESHB and ISO (AES Rate Schedule FERC No. 2).

Appendix B – A redline version of the First Revision to the RMR Agreement, comparing the revised version to the original version of the RMR Agreement, which was conditionally accepted by the Commission on January 4, 2013.[4]

[4] *AES Huntington Beach, L.L.C. and California Independent System Operator Corporation*, 142 FERC ¶ 61,017 (2013).

III. PURPOSE AND NATURE OF FILING

Brief Further Extension to Certain Condition Precedent Deadlines

The RMR Agreement, as approved by the Commission, provides for AESHB to operate two synchronous condensers at Huntington Beach Units 3 and 4 to produce reactive power to provide voltage support in the Los Angeles Basin and the San Diego/Imperial Valley local capacity areas. In return, AESHB will receive negotiated cost-of-service rates. The ISO identified these synchronous condensers, along with the installation of shunt capacitors at three separate substations, as the only reasonably feasible solution to address the voltage support deficiency present in this region, which has resulted from the extended outage of the San Onofre Nuclear Generating Station Units 2 and 3. Without this mixture of dynamic and static voltage support provided by the two projects, this Southern California region could face unprecedented load shedding.

In order for the RMR Agreement to become effective, certain conditions precedent outlined in Section 2.1(a) of the RMR Agreement must first be satisfied. Since the Commission's conditional approval of the RMR Agreement on January 4, 2013, the ISO and the Responsible Utilities have been working diligently with AESHB to procure the requisite consents and authorizations required under Section 2.1(a). Periodically, the Parties and Responsible Utilities have agreed to exercise their rights pursuant to Schedule B of the RMR Agreement to extend the deadlines for satisfying certain conditions precedent. The Commission has been notified of each of these extensions through informational filings submitted by the ISO.[5]

To date, the conditions precedent in Section 2.1(a)(i), (ii), and (v) have been fulfilled to the satisfaction of AESHB. As a result, this filing removes and reserves Section 2.1(a)(i), makes no change to Section 2.1(a)(ii), and amends Section 2.1(a)(v) to reflect the agreement between the Parties and Responsible Utilities to extend the applicable deadline to April 15, as part of the third extension to the RMR Agreement. This deadline has not required any further extensions because AESHB and Edison Mission Huntington Beach, LLC ("EMHB") were able to reach an agreement to amend the existing lease of certain components of Huntington Beach Units 3 and 4 in order to allow for the Synchronous Condenser Transaction to move forward. By agreement of the Parties and the Responsible Utilities, the additional costs associated with this EMHB lease amendment are acceptable to the Parties and the Responsible Utilities and will be finally calculated and submitted in a future Schedule L-1.

The conditions precedent in Sections 2.1(a)(iii), (iv), and (vi) are still outstanding and are expected to be satisfied shortly. As explained in the ISO's recent informational filings with the Commission, in February 2013, SCE submitted an Advice Letter to the California Public Utilities Commission ("CPUC") seeking the CPUC's approval of a bilaterally-negotiated Capacity Sale and Tolling Agreement between SCE and BE CA, LLC, an indirect, wholly-owned subsidiary of JPMorgan Chase ("BE CA") that would provide SCE with BE CA's rights and obligations under the current tolling agreement between AESHB and BE CA ("BECA Contract"). The CPUC voted to approve the BECA Contract without modification on May 9, 2013, and issued Resolution E-4584 on May 13, 2013. The CPUC's Resolution noted that its "approval of the BECA Contract, and SCE's consent to the operation of synchronous condensers, will eliminate the alleged contractual barriers and litigation risk related to the

5 These informational filings were submitted to the Commission on January 4, 2013 in Docket EL13-21-000, and on January 24, February 25, April 12, and May 14 in Docket ER13-351-000.

development of synchronous condensers at Huntington Beach Units 3 and 4."[6] It is expected that the CPUC's Resolution will become final and non-appealable on June 12, 2013.

Therefore, in order to avoid termination of the RMR Agreement and to allow sufficient time for the CPUC Resolution to become final and non-appealable and for the consents and approvals required under these sections to be obtained, the Parties and Responsible Utilities have agreed to a brief further extension of these deadlines. As a result, the First Revision to the RMR Agreement extends the deadline for the satisfaction of the condition precedent in Section 2.1(a)(iii) to June 14 and the deadlines for Sections 2.1(a)(iv) and (vi) to June 28.[7]

RMR Schedule Revisions

In addition to the proposed revisions to Section 2.1(a) of the RMR Agreement, the Parties have agreed to modify certain Rate Schedules to the RMR Agreement, as permitted under Schedule B of the Commission-approved RMR Agreement. These changes are required because, as a result of the additional time needed to satisfy the conditions precedent, the COD of the synchronous condensers has been delayed to June 26, 2013, rather than the June 1 date that was anticipated at the time that the RMR Agreement was conditionally approved by the Commission. As a result of the delayed COD, AESHB has had to incur additional costs that were not anticipated at the time the RMR Agreement was filed on November 9, 2012.

The Parties submit the proposed revisions pursuant to Schedule B of the RMR Agreement. Schedule B provides that, "[i]n the event that the required consents and confirmations specified in Section 2.1 of the [RMR] Agreement have not been received by January 7, 2013," and AESHB agrees to suspend the Synchronous Condenser Transaction, AESHB is required to be kept "whole for any additional costs or foregone 2013 revenues that it reasonably incurs or suffers as a result of such delayed execution or such suspension and associated delay in achieving the Commercial Operations Date…."[8] In addition, the Parties have agreed to minor modifications to the descriptions of the resources' capabilities. Accordingly, the Parties propose the following changes to the Rate Schedules to the RMR Agreement:

1. Schedule A: Section 1, Description of Facility; Section 2, Description of RMR Units;

The changes to Sections 1 and 2 of Schedule A are relatively minor and reflect that the final Maximum Net Dependable MVAr Capability allocated to each unit may be slightly different from the original 145 MVAr value for each unit, depending on the results of commissioning testing that will occur during the June 15 to June 25 period. However, the total Maximum Net Dependable MVAr Capability for both units combined is not expected to fall below 290 MVAr. In addition, the Maximum Reactive

---

6 *CPUC Resolution E-4584,* at 14 (2013).

7 Recently, the Parties and the Responsible Utilities had agreed to extend the deadline for satisfaction of the condition precedent in Section 2.1(a)(iii) to June 11 and the deadlines for Sections 2.1(a)(iv) and (vi) to June 26. The Commission was notified of this extension through the ISO's informational filing on May 14, 2013.

8 *Huntington Beach RMR Agreement*, at 86.

Power Lagging values have been changed to 120 MVAr for each unit in order to correctly reflect the capabilities of the synchronous condensers.[9]

2. Schedule B: Table B-1, Hourly Availability Charges; Table B-2, Hourly Capital Item Charges; Table B-3, Hourly Penalty Rate; Table B-4, Hourly Surcharge Penalty Rate; Table B-5, Target Available Hours;

The above-listed Schedule B tables have been revised to account for the additional costs that AESHB has incurred (and any foregone revenues that have resulted) due to the delayed COD, as required under Schedule B of the Commission-approved RMR Agreement. The Parties and the Responsible Utilities have agreed that these changes are necessary to satisfy the Schedule B requirements and are just and reasonable.

Specifically, because of the COD delay, there are 500 fewer hours in 2013 that the synchronous condensers will be available for operation (Table B-5). In order to ensure that AESHB will still have the opportunity to receive the total 2013 Annual Fixed Revenue Requirement ("AFRR") that was approved by the Commission, the Parties and Responsible Utilities have agreed to increase the hourly rates for the 2013 Non-Summer Month Hourly Availability Charges (Table B-1) and the corresponding Hourly Penalty Rate (Table B-3).[10] Therefore, while on an hourly basis AESHB will be paid a slightly higher rate than initially anticipated for being available (and also a higher penalty rate when unavailable), the total AFFR amount for 2013 remains unchanged. This modification was only required for the 2013 Non-Summer Month rates, and no other changes to Tables B-1, B-3 or B-5 are proposed.

AESHB has also incurred additional capital costs of $727,478, billed by Siemens, the vendor for the synchronous condenser project, because of the delayed COD resulting from delays in obtaining certain of the consents required by Section 2.1 of the RMR Agreement. Specifically, the delay resulted in increased costs from Siemens for items such as the need to demobilize and then remobilize the Siemens workforce and to come back for post-synchronization testing, the need to shift certain work off-site that had been planned to be done on-site, and additional staffing associated with making up for lost time. Such costs totaled the referenced $727,478. In order to ensure that the AESHB is made whole for these necessary expenditures, in accordance with Schedule B of the RMR Agreement as approved, the Parties have agreed to allocate these costs over the entire 2013 to 2016/2017 period, in the same manner and using the same method that was used to allocate the previously approved capital items. As a result, small changes have been made to the Hourly Capital Item Charges (Table B-2) and the corresponding Hourly Surcharge Penalty Rate (Table B-4) to incorporate these additional costs.

3. Schedule L-1: Project Budget, Annual Surcharge for Capital Item Costs; and Project Schedule.

Schedule L-1 has been modified to reflect the June 26 COD and to include the additional capital costs that AESHB has incurred due to the delayed COD (i.e., the same costs that are reflected in Tables B-2 and B-4 in Schedule B).

---

9 As a general matter, lagging values for synchronous condensers are expected to be less than leading values.

10 The Hourly Availability Charges and Hourly Penalty Rates in the 2013 Non-Summer Months have been increased from $237.07/hour to $298.71/hour.

In addition, the Termination Fee in Section 2.5 of the RMR Agreement has also been revised to reflect the additional capital costs incurred as a result of the delayed COD.

The Responsible Utilities have informed the Parties that they do not oppose these revisions, and they have agreed to make a filing in support of these revisions.

Additional Information Required By Section 35.13(b)

Pursuant to Section 35.13(b)(6) of the Commission's regulations,[11] the Parties state that no agreements are required to make this filing. As explained above, Schedule B of the RMR Agreement itself provides for the agreement to be revised in the event that the Section 2.1 conditions precedent are not satisfied by their agreed upon deadline.

Pursuant to Section 35.13(b)(7) of the Commission's regulations,[12] the Parties state that the revisions contained in this filing do not result in any expenses or costs that are the product of discriminatory employment practices.

IV. Requested Effective Date, Subject to Conditions Precedent and Waiver of 60-Day Notice Requirement

Pursuant to Section 35.13(b)(2) of the Commission's regulations,[13] the Parties respectfully request that each revised portion of the RMR Agreement become effective on June 26, 2013, conditioned upon the satisfaction of the revised conditions precedent contained in Section 2.1(a). In addition, the Parties respectfully request that the Commission waive the normal 60-day notice requirements of Section 35.3 of the Commission's regulations and any other requirements contained in Part 35 of the Commission's regulations, a waiver of which is necessary to grant the requested effective date for the proposed revisions.

V. Request for Waiver of Certain of the Commission's Part 35 Filing Requirements

The Parties respectfully request that the Commission grant a waiver of all remaining filing requirements under Part 35 of the Commission's regulations. The rates, terms, and conditions contained in the RMR Agreements and the requested revisions arose out of lengthy negotiations between AESHB, ISO, SCE, and SDG&E, and Commission precedent supports such a waiver.[14]

VI. Conclusion

For the foregoing reasons, the revised RMR Agreement should be approved by the Commission, without modification, and subject only to the remaining conditions precedent agreed to by the Parties and

11 18 C.F.R. § 35.13(b)(6).
12 18 C.F.R. § 35.13(b)(7).
13 18 C.F.R. § 35.13(b)(2).
14 *See e.g., Gilroy Energy Center, LLC,* Docket No. ER10-909-000, letter order (Apr. 29, 2010).

the Responsible Utilities as described above and set forth in the revised Section 2.1 of the RMR Agreement.

A copy of this filing is being served upon the CPUC, SCE and SDG&E.

Respectfully submitted,

For AESHB

Robert F. Shapiro
CHADBOURNE & PARKE LLP
1200 New Hampshire Avenue, N.W.
Washington, DC 20036
(202) 974-5600

For California ISO

Lawrence Acker /LG

Lawrence G. Acker
VAN NESS FELDMAN, LLP
1050 Thomas Jefferson St., N.W.
Washington, DC 20007
(202) 298-1800

Tariff Submitter:	AES Huntington Beach, L.L.C.
FERC Tariff Program:	FERC FPA Electric Tariff
Tariff Title:	Service Agreements
Tariff Record Proposed Effective Date:	June 26, 2013
Tariff Record Title:	Rate Schedule No. 2, Must-Run Service Agreement with California ISO
Option Code:	A

“Variable Cost Payment” means the payment to Owner for Billable MWh described in Schedule C.

ARTICLE 2
TERM

2.1 Term

(a) This Agreement shall become effective on the latest to occur of (1) January 1, 2013, (2) the date it is permitted to become effective by FERC, or (3) the satisfaction of the following conditions precedent as set forth in this Section 2.1(a) on or before the applicable date set forth in each such condition precedent, as such dates may be extended as provided in Schedule B, in each case on terms and conditions acceptable to Owner in its reasonable discretion:

(i) [Reserved];

(ii) Receipt, on or before January 7, 2013, of approval of such amendments to California Energy Commission license relating to Huntington Beach Units #3&4 as are required for the proposed Synchronous Condenser Transaction to be constructed by Owner;

(iii) Receipt, on or before June 14, 2013, of such consent, confirmation or other acknowledgment as may be required from BE CA LLC ("BE CA") under the existing agreements between Owner and BE CA, to the effect that:

(x) while reserving on any determination as to whether Owner’s participation in the Synchronous Condenser Transaction requires any consent or waiver by BE CA under such contractual agreements between BE CA and Owner, BE CA agrees that it will not claim that any such participation constitutes a breach or violation of any such contractual arrangement, or

(y) BE CA confirms that its consent or waiver is not required under such contractual agreements between BE CA and Owner in connection with or as a result of Owner's participation in the Synchronous Condenser Transaction, or

(z) BE CA consents to Owner’s participation in the Synchronous Condenser Transaction for all purposes of such contractual agreements between BE CA and Owner;

(iv) Receipt, on or before June 28, 2013, of consent to this Agreement by the lenders under that certain Credit Agreement dated as of May 15, 1998 (as amended, the “Credit Agreement”), among AES Southland, L.L.C., AES Alamitos, L.L.C., AES Huntington Beach, L.L.C. and AES Redondo Beach, L.L.C.
(collectively, the “AES Parties”), certain lenders and issuing banks named therein, Credit Suisse, New York Branch, as Agent and

Collateral Agent, and Credit Suisse, New York Branch, as Securities Intermediary and Depositary Bank;

(v) Receipt, on or before April 15, 2013, of consent to the Synchronous Condenser Transaction by Edison Mission Huntington Beach, LLC in respect of its existing lease arrangements in respect of certain components of Huntington Beach Units #3&4, and any amendment to such lease agreement as may be required to implement the same; and

(vi) Receipt, on or before June 28, 2013, of confirmation from Owner to CAISO that each of the conditions precedent set forth in clauses (iii), (iv) and (v) of this Section 2.1(a) have been satisfied on terms and conditions that provide Owner with assurances that Owner's participation in this Synchronous Condenser Transaction will not subject such Owner or its affiliates to an unacceptable risk of claims under any existing contractual arrangements;

provided, however, that for the avoidance of doubt, if any of the above-specified conditions precedent shall not have been satisfied to the satisfaction of Owner in its reasonable discretion on or before the applicable date for such condition precedent as set forth therein, as such dates may be extended as provided in Schedule B, this Agreement shall terminate and be of no further force and effect.

(b) Once effective, this Agreement shall continue in effect for one Contract Year.

(c) CAISO may extend the term of this Agreement for an additional calendar year as to all Units only for Contract Years 2014 through 2016, or for Unit 4 in Contract Year 2017, by notice given not later than October 1 of the expiring Contract Year, subject to the terms set forth in the attached Schedules for those future Contract Years for each Unit. CAISO may extend the term for less than a full calendar year to all Units only for Contract Years 2014 through 2016 or for Unit 4 in Contract Year 2017 only by mutual agreement. For years following Contract Year 2017, designation of the Units as Reliability Must-Run Units may occur only by mutual agreement.

2.2 Termination

(a) Subject to any necessary authorization from FERC, this Agreement may be terminated as to all Units only for Contract Years 2013 through 2016, or for Unit 4 in Contract Year 2017, in accordance with this Section 2.2; provided, however, that if this Agreement applies to a Facility having hydroelectric Unit, this Agreement may be terminated only as to all hydroelectric Units at the Facility. If this Agreement terminates as to fewer than all Units, the Agreement shall remain in effect as to the remaining Units. If this Agreement terminates as to all Units, the Agreement shall terminate.

(b) This Agreement may be terminated as to all Units only for Contract Years 2013 through 2016 or for Unit 4 in Contract Year 2017:

(i) by CAISO pursuant to Section 11.4 in the event of default by Owner;

(b) The Termination Fee shall be as set forth below:

Huntington Beach Unit 3

END OF CONTRACT YEAR	2013	2014	2015	2016
Undepreciated CapAdd Items ("NCI")	$5,633,787	$3,755,858	$1,877,929	N/A
("CWIP")	0	0	0	N/A
Salvage ("S")	0	0	0	N/A
Termination Fee	$5,633,787	$3,755,858	$1,877,929	N/A

Huntington Beach Unit 4

END OF CONTRACT YEAR	2013	2014	2015	2016
Undepreciated CapAdd Items ("NCI")	$6,009,373	$4,507,030	$3,004,687	$1,502,343
("CWIP")	0	0	0	0
Salvage ("S")	0	0	0	0
Termination Fee	$6,009,373	$4,507,030	$3,004,687	$1,502,343

(c) The Termination Fee shall be payable in 12 equal monthly installments calculated using the following formula:

$$M = T\left[\frac{r}{1-(1+r)^{-12}}\right]$$

Where

M = the monthly payment,
T = Termination Fee under Section 2.5(b), and
r = an annual discount rate equal to the interest rate used by FERC for the calculation of refunds (as set forth in 18 C.F.R. § 35.19a) in effect on the date that Owner provides notice to the CAISO pursuant to Section 2.5(a) of this Agreement, divided by12.

(d) If the Unit ceases to be Closed at any time within 12 months following the date the Unit Closed, CAISO shall cease payment of Termination Fee installments as of the Month in which the Unit ceased to be Closed, but

Schedule A

Unit Characteristics, Limitations and Owner Commitments

1. **Description of Facility**

Provide the following information for all units at the Facility, regardless of their RMR designation status. Information regarding units not designated as Reliability Must-Run Units is required only if and to the extent that the information is used to allocate Facility costs between Reliability Must-Run Units and other units.

Unit	RMR (Y/N)	Maximum Net Dependable MVAr Capability (includes CAISO-paid Upgrade capacity)*	Fuel Type
Huntington Beach Unit 3	Y	145 MVAr**	N/A
Huntington Beach Unit 4	Y	145 MVAr**	N/A

* Maximum Net Dependable MVAr Capability shall reflect any transformer or line loss to the Delivery Point.
** The final MVAr allocated to each unit is subject to change based on testing results during commissioning and prior to the Commercial Operations Date. The total MVAr for both units combined will not be materially less than 290 MVAr leading.

2. Description of RMR Units

Provide the address(es) of the Units at the Facility and the following tabular information:

	Huntington Beach Unit 3	Huntington Beach Unit 4
Type (fossil, combustion turbine, etc.)	Synchronous Condenser	Synchronous Condenser
Synchronous Condenser Capability (Y/N)	Y	Y
Power Factor Range (lead to lag)	N/A	N/A
Maximum Reactive Power Leading, MVAr	145**	145**
Maximum Reactive Power Lagging, MVAr	120**	120**
Load at Maximum MVAr Lagging, MW	N/A	N/A
Load at Maximum MVAr Leading, MW	N/A	N/A
Black Start Capable (Y/N)	N	N
Automatic Start or Ramp (Y/N)*	N	N
Upgrade Capacity Paid by CAISO, MW	N/A	N/A

* If "Y", describe the conditions under which the Unit will start or ramp automatically.

** The final MVAr allocated to each unit is subject to change based on testing results during commissioning and prior to the Commercial Operations Date. The total MVAr for both units combined will not be materially less than 290 MVAr leading and not materially different from 240 MVAr lagging.

3. Operational and Regulatory Limitations of RMR Units: N/A

Air Emissions Limitations - N/A

List applicable NO_x, CO, SO_2, particulate, and other appropriate emissions limits; note the name and address of the lead agency; the agency's applicable rule number(s); and note those pollutants for which an emissions cap applies.

Monthly Reserved MWh for Air Emission Limitations - N/A

Operating Limits related to Ambient Temperatures

Ambient Temperature Correction Factors for Availability Test

Equation B-5

$$\text{Hourly Availability Rate} = \frac{\text{Annual Fixed Revenue Requirement}}{\text{Target Available Hours}}$$

Annual Fixed Revenue Requirement is set forth in Section 7 below.

Target Available Hours are set forth in Section 6 below.

- For Units under Condition 1, the Fixed Option Payment Factor is set forth in Table B-0 below:

Table B-0	
Unit	Fixed Option Payment Factor
Huntington Beach Unit 3	N/A
Huntington Beach Unit 4	N/A

For Units under Condition 2, the Fixed Option Payment Factor is 1.

The Hourly Availability Charges for the applicable Summer Month or Non-Summer Month of the Contract Year are set forth in Table B-1 below. Payment of the Hourly Availability Charges will be effective upon the Commercial Operations Date.

Table B-1 - Hourly Availability Charges				
Unit	Contract Year	Contract Month	Condition 1	Condition 2 (AFRR/TAH)
Huntington Beach Unit 3	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	$298.71
	2014	Summer Months	N/A	$1,368.32
		Non-Summer Months	N/A	$336.29
	2015	Summer Months	N/A	$1,339.58
		Non-Summer Months	N/A	$329.74
	2016	Summer Months	N/A	$1,313.53
		Non-Summer Months	N/A	$322.47
	2017	Summer Months	N/A	N/A
		Non-Summer Months	N/A	N/A
Huntington Beach Unit 4	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	$298.71
	2014	Summer Months	N/A	$1,368.32

Table B-2 - Hourly Capital Item Charges				
Unit	Contract Year	Contract Month	Annual Capital Item Cost	Condition 2 Hourly Capital Item Charge
Huntington Beach Unit 3	2013	Summer Months	$3,033,406	$1,383.22
		Non-Summer Months	$505,568	$219.05
		Full Year	**$3,538,973**	**$786.26**
	2014	Summer Months	$2,173,699	$747.49
		Non-Summer Months	$1,086,850	$195.76
		Full Year	**$3,260,549**	**$385.41**
	2015	Summer Months	$1,966,368	$676.19
		Non-Summer Months	$983,184	$177.09
		Full Year	**$2,949,551**	**$348.65**
	2016	Summer Months	$1,760,770	$605.49
		Non-Summer Months	$880,385	$157.89
		Full Year	**$2,641,155**	**$311.31**
	2017	Summer Months	N/A	N/A
		Non-Summer Months		
		Full Year		
Huntington Beach Unit 4	2013	Summer Months	$2,705,704	$1,233.79
		Non-Summer Months	$450,951	$195.39
		Full Year	**$3,156,655**	**$701.32**
	2014	Summer Months	$1,947,435	$669.68
		Non-Summer Months	$973,718	$175.38
		Full Year	**$2,921,153**	**$345.29**
	2015	Summer Months	$1,776,967	$611.06
		Non-Summer Months	$888,484	$160.03
		Full Year	**$2,665,451**	**$315.07**
	2016	Summer Months	$1,608,235	$553.04
		Non-Summer Months	$804,117	$144.21
		Full Year	**$2,412,352**	**$284.34**
	2017	Summer Months	$1,441,106	$495.57

		Non-Summer Months	$720,553	$129.78
		Full Year	**$2,161,659**	**$255.52**

B. Unit Availability Limit is defined in Article 1 of the Agreement.

C. Maximum Net Dependable MVAr Capability is shown in Section 1 of Schedule A.

5. The Monthly Nonperformance Penalty is calculated pursuant to Section 8.5 using the following variables:

A. Hourly Penalty Rate

A Unit's Hourly Penalty Rate for the applicable Summer Month or Non-Summer Month of each Contract Year is the lesser of (a) the Unit's Hourly Availability Rate for the applicable Summer Month or Non-Summer Month of the Contract Year (calculated pursuant to Item 2.A above), or (b) three times the Unit's Hourly Availability Charge for the applicable Summer Month or Non-Summer Month of the Contract Year (as shown in Table B-1 above). The Hourly Penalty Rates for the applicable Summer Month or Non-Summer Month of the Contract Year are set forth in Table B-3 below. Payment of the Hourly Penalty Rate will be effective upon the Commercial Operations Date.

Table B-3 - Hourly Penalty Rate				
Unit	Contract Year	Contract Month	Condition 1	Condition 2
Huntington Beach Unit 3	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	$298.71
	2014	Summer Months	N/A	$1,368.32
		Non-Summer Months	N/A	$336.29
	2015	Summer Months	N/A	$1,339.58
		Non-Summer Months	N/A	$329.74
	2016	Summer Months	N/A	$1,313.53
		Non-Summer Months	N/A	$322.47
	2017	Summer Months	N/A	N/A
		Non-Summer Months	N/A	N/A
Huntington Beach Unit 4	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	$298.71
	2014	Summer Months	N/A	$1,368.32
		Non-Summer Months	N/A	$336.29
	2015	Summer Months	N/A	$1,339.58
		Non-Summer Months	N/A	$329.74
	2016	Summer Months	N/A	$1,313.53

		Non-Summer Months	N/A	$322.47
	2017	Summer Months	N/A	$1,357.45
		Non-Summer Months	N/A	$335.75

B. Hourly Surcharge Penalty Rate

A Unit's Hourly Surcharge Penalty Rate for each Capital Item for the applicable Summer Month or Non-Summer Month of each Contract Year is the lesser of (a) the corresponding Hourly Capital Item Rate for the applicable Summer Month or Non-Summer Month of the Contract Year (calculated pursuant to Item 4.A above), or (b) three times the applicable Hourly Capital Item Charge for the applicable Summer Month or Non-Summer Month of the Contract Year (as shown in Table B-2 above). The Hourly Surcharge Penalty Rates for the applicable Summer Month or Non-Summer Month of the Contract Year are set forth in Table B-4 below. Payment of the Hourly Surcharge Penalty Rate will be effective upon the Commercial Operations Date.

Table B-4 - Hourly Surcharge Penalty Rate

Unit	Contract Year	Contract Month	Hourly Capital Item Rate	Condition 1 Hourly Surcharge Penalty Rate	Condition 2 Hourly Surcharge Penalty Rate
Huntington Beach Unit 3	2013	Summer Months	$1,383.22	N/A	$1,383.22
		Non-Summer Months	$219.05	N/A	$219.05
	2014	Summer Months	$747.49	N/A	$747.49
		Non-Summer Months	$195.76	N/A	$195.76
	2015	Summer Months	$676.19	N/A	$676.19
		Non-Summer Months	$177.09	N/A	$177.09
	2016	Summer Months	$605.49	N/A	$605.49
		Non-Summer Months	$157.89	N/A	$157.89
	2017	Summer Months	N/A	N/A	N/A
		Non-Summer Months	N/A	N/A	N/A

Table B-4 (cont'd) - Hourly Surcharge Penalty Rate

Unit	Contract Year	Contract Month	Hourly Capital Item Rate	Condition 1 Hourly Surcharge Penalty Rate	Condition 2 Hourly Surcharge Penalty Rate
Huntington Beach Unit 4	2013	Summer Months	$1,233.79	N/A	$1,233.79

		Non-Summer Months	$195.39	N/A	$195.39
	2014	Summer Months	$669.68	N/A	$669.68
		Non-Summer Months	$175.38	N/A	$175.38
	2015	Summer Months	$611.06	N/A	$611.06
		Non-Summer Months	$160.03	N/A	$160.03
	2016	Summer Months	$553.04	N/A	$553.04
		Non-Summer Months	$144.21	N/A	$144.21
	2017	Summer Months	$495.57	N/A	$495.57
		Non-Summer Months	$129.78	N/A	$129.78

6. Target Available Hours

A Unit's Target Available Hours for each Contract Year are calculated in accordance with the Equation B-10 below:

Equation B-10

Target Available Hours (TAH) = Hours in the Calendar Year – (Average Other Outage Hours + Long-Term Planned Outage Hours)

Average Other Outage Hours means the average annual Other Outage Hours as set forth in Table B-5 below.

Long-term Planned Outage Hours means the Long-term Planned Outage Hours for the Contract Year scheduled with CAISO pursuant to Section 7.2(a). For periods prior to December 31, 1998, Other Outage Hours shall exclude a planned interruption, in whole or in part, in the electrical output of a Unit to permit Owner to perform a major equipment overhaul or inspection or for new construction work, but only if the outage lasted 21 or more consecutive days.

Long-term Planned Outage Hours scheduled for a Contract Year shall be subject to the Long-term Scheduled Outage Adjustment pursuant to Section 8.6 of the Agreement, except for 2013 Contract Year.

The Average Other Outage Hours, Long-term Planned Outage Hours and Target Available Hours for each Unit for the Contract Year are shown in Table B-5 below:

Table B-5 - Target Available Hours					
Unit	Contract Year	Contract Month	Average Other Outage Hours	Long-term Planned Outage Hours	TAH
Huntington Beach Unit 3	2013	Summer Months	15	0	2,193
		Non-Summer Months	20	4,224	2,308
		Full Year	**35**	**4,224**	**4,501**
	2014	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2015	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2016	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,576
		Full Year	**300**	**0**	**8,484**
	2017	Summer Months	N/A	N/A	N/A
		Non-Summer Months	N/A	N/A	N/A
		Full Year	**N/A**	**N/A**	**N/A**

Table B-5 (cont'd) - Target Available Hours					
Unit	Contract Year	Contract Month	Average Other Outage Hours	Long-term Planned Outage Hours	TAH
Huntington Beach Unit 4	2013	Summer Months	15	0	2,193
		Non-Summer Months	20	4,224	2,308
		Full Year	**35**	**3,624**	**4,501**
	2014	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2015	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2016	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,576
		Full Year	**300**	**0**	**8,484**
	2017	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**

7. Annual Fixed Revenue Requirement (AFRR)
The Annual Fixed Revenue Requirement for each Unit is set forth in Table B-6 below.

Table B-6 - Annual Fixed Revenue Requirement (AFRR)			
Unit	Contract Year	Contract Month	Annual Fixed Revenue Requirement
Huntington Beach Unit 3	2013	Summer Months	$4,431,758
		Non-Summer Months	$689,412
		Full Year	**$5,121,171**
	2014	Summer Months	$3,979,089
		Non-Summer Months	$1,867,102

If this request covers Unplanned Repairs, or Capital Items projected to cost more than $500,000, provide the information in the remainder of this form for each project.

Project Description: (describe the project and its major scope items – materials, new systems, modifications to existing systems, etc.)

Capital Item request is required for the conversion of Units 3 & 4 to Synchronous Condensers. Siemens proposal for this project is attached as Exhibit I of this Schedule L1. The proposed solution utilizes a Pony Motor arrangement and a variable frequency drive (VFD) to accelerate the units to synchronous speed. Expected in-operation date is June 26, 2013.

- One (1) Pony Motor package will be utilized for the Unit 3 HP generator.
- One (1) Pony Motor package will be utilized for the Unit 4 IP/LP generator.
- One (1) Thrust Bearing package will be utilized for the Unit 3 LP generator.
- One (1) Thrust Bearing package will be utilized for the Unit 4 HP/LP generator.
- Spare Parts (For details, refer to Section 4.1)
- Integration of Units 3 & 4 Synchronous Condensers into existing DCS (ABB) for Units 1 & 2.

Base Scope of Supply includes the following:

- Conversion of Units 3 & 4 STG into SC (For details, refer to Section 4.1)
- Spare Parts (For details, refer to Section 4.1)
- Integration of Units 3 & 4 SC into DCS (ABB) for Units 1 & 2

If the project is required because of loss or damage to a Unit, describe the cause and nature of the loss or damage and all repairs performed or required for all Units during the year:

Not applicable

Project Budget:

Option: Siemens	Cost excluding sales tax $	Sales Tax $	AES Total Cost $
Unit 3	5,496,000	325,152	5,821,152
Unit 4	5,496,000	325,152	5,821,152
Project Manager	228,605	-	228,605
Controls upgrade	700,000	34,557	734,557
Parts	1,568,900	121,590	1,690,490
Constr. delay & COs	727,478		727,478
Total Costs	**14,216,983**	**806,450**	**15,023,433**

Describe any work or repairs performed relating to this project in the last five years:

Not applicable

As applicable, state the proposed depreciation life, Annual Capital Item Cost, Surcharge Payment Factor or Repair Payment Factor (percentage owed by CAISO) of the Capital Item or Repair:

Unit 3

		CapAdd Amount	**$7,511,717**
Fiscal year	**Contract year**	**Annual Surcharge**	**Annual Depreciation**
2013	1	3,538,973	25.00%
2014	2	3,260,549	25.00%
2015	3	2,949,551	25.00%
2016	4	2,641,155	25.00%
Total		**$12,390,229**	100.00%

Unit 4

		CapAdd Amount	**$7,511,717**
Fiscal year	**Contract year**	**Annual Surcharge**	**Annual Depreciation**
2013	1	3,156,655	20.00%
2014	2	2,921,153	20.00%
2015	3	2,665,451	20.00%
2016	4	2,412,352	20.00%
2017	5	2,161,659	20.00%
Total		**$13,317,269**	100.00%

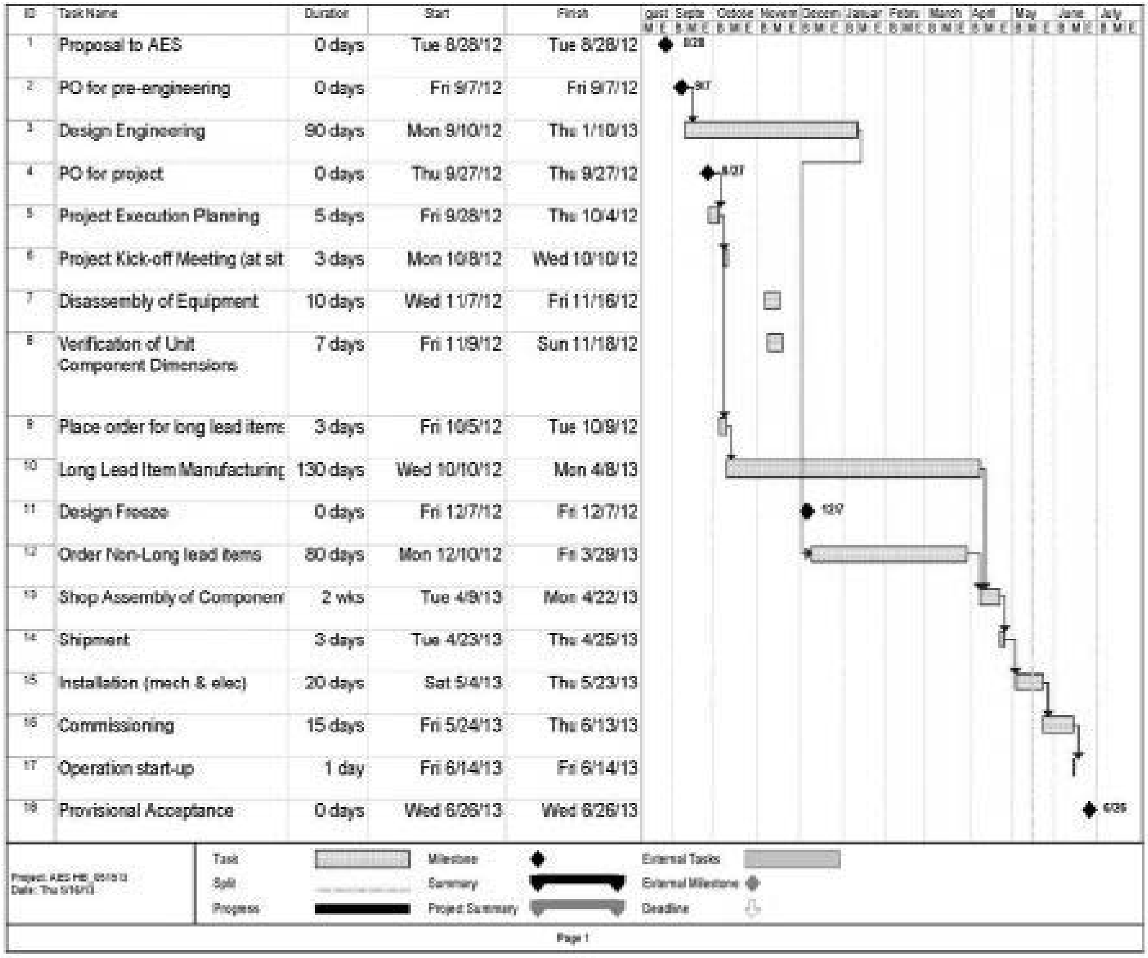
Describe why this project is required (justification):

With the unexpected outage of the San Onofre Nuclear Generating Station (“SONGS”), HB 3&4 are providing critical voltage support and local reliability services to the system. Given the uncertainty surrounding when SONGS will return to service, the CAISO has determined that the conversion of HB3&4 into synchronous condensers is a necessary project to provide the required voltage support in the absence of SONGS.

Is this project required to comply with any laws, regulations or permits? If so, please list them and explain requirement.

Yes. Modification to the existing CEC permit 2000 – AFC – 013 is in progress.

Provide a cost/benefit analysis summary for this project:



ID	Task Name	Duration	Start	Finish
1	Proposal to AES	0 days	Tue 8/28/12	Tue 8/28/12
2	PO for pre-engineering	0 days	Fri 9/7/12	Fri 9/7/12
3	Design Engineering	90 days	Mon 9/10/12	Thu 1/10/13
4	PO for project	0 days	Thu 9/27/12	Thu 9/27/12
5	Project Execution Planning	5 days	Fri 9/28/12	Thu 10/4/12
6	Project Kick-off Meeting (at sit	3 days	Mon 10/8/12	Wed 10/10/12
7	Disassembly of Equipment	10 days	Wed 11/7/12	Fri 11/16/12
8	Verification of Unit Component Dimensions	7 days	Fri 11/9/12	Sun 11/18/12
9	Place order for long lead items	3 days	Fri 10/5/12	Tue 10/9/12
10	Long Lead Item Manufacturing	130 days	Wed 10/10/12	Mon 4/8/13
11	Design Freeze	0 days	Fri 12/7/12	Fri 12/7/12
12	Order Non-Long lead items	80 days	Mon 12/10/12	Fri 3/29/13
13	Shop Assembly of Componen	2 wks	Tue 4/9/13	Mon 4/22/13
14	Shipment	3 days	Tue 4/23/13	Thu 4/25/13
15	Installation (mech & elec)	20 days	Sat 5/4/13	Thu 5/23/13
16	Commissioning	15 days	Fri 5/24/13	Thu 6/13/13
17	Operation start-up	1 day	Fri 6/14/13	Fri 6/14/13
18	Provisional Acceptance	0 days	Wed 6/26/13	Wed 6/26/13

Describe any outages required to implement this project:

From RMR contract effective date through June 25, 2013.

Other comments:

None

Tariff Submitter:	AES Huntington Beach, L.L.C.
FERC Tariff Program:	FERC FPA Electric Tariff
Tariff Title:	Service Agreements
Tariff Record Proposed Effective Date:	June 26, 2013
Tariff Record Title:	Rate Schedule No. 2, Must-Run Service Agreement with California ISO
Option Code:	A

"Variable Cost Payment" means the payment to Owner for Billable MWh described in Schedule C.

ARTICLE 2
TERM

2.1 Term

(a) This Agreement shall become effective on the latest to occur of (1) January 1, 2013, (2) the date it is permitted to become effective by FERC, or (3) the satisfaction of the following conditions precedent as set forth in this Section 2.1(a) on or before the applicable date set forth in each such condition precedent, as such dates may be extended as provided in Schedule B, in each case on terms and conditions acceptable to Owner in its reasonable discretion:

(i) ~~Receipt, on or before June 1, 2013, of approval of this Agreement by FERC in a final and non-appealable order on the same terms and conditions contained in this Agreement as filed with FERC~~[Reserved];

(ii) Receipt, on or before January 7, 2013, of approval of such amendments to California Energy Commission license relating to Huntington Beach Units #3&4 as are required for the proposed Synchronous Condenser Transaction to be constructed by Owner;

(iii) Receipt, on or before ~~January 7~~June 14, 2013, of such consent, confirmation or other acknowledgment as may be required from BE CA LLC ("BE CA") under the existing agreements between Owner and BE CA, to the effect that:

(x) while reserving on any determination as to whether Owner's participation in the Synchronous Condenser Transaction requires any consent or waiver by BE CA under such contractual agreements between BE CA and Owner, BE CA agrees that it will not claim that any such participation constitutes a breach or violation of any such contractual arrangement, or

(y) BE CA confirms that its consent or waiver is not required under such contractual agreements between BE CA and Owner in connection with or as a result of Owner's participation in the Synchronous Condenser Transaction, or

(z) BE CA consents to Owner's participation in the Synchronous Condenser Transaction for all purposes of such contractual agreements between BE CA and Owner;

(iv) Receipt, on or before ~~February 1~~June 28, 2013, of consent to this Agreement by the lenders under that certain Credit Agreement dated as of May 15, 1998 (as amended, the "Credit Agreement"), among AES Southland, L.L.C., AES Alamitos, L.L.C., AES Huntington Beach, L.L.C. and AES Redondo Beach, L.L.C.

(collectively, the "AES Parties"), certain lenders and issuing banks named therein, Credit Suisse, New York Branch, as Agent and Collateral Agent, and Credit Suisse, New York Branch, as Securities Intermediary and Depositary Bank;

(v) Receipt, on or before ~~January 7~~April 15, 2013, of consent to the Synchronous Condenser Transaction by Edison Mission Huntington Beach, LLC in respect of its existing lease arrangements in respect of certain components of Huntington Beach Units #3&4, and any amendment to such lease agreement as may be required to implement the same; and

(vi) Receipt, on or before ~~February 1~~June 28, 2013, of confirmation from Owner to CAISO that each of the conditions precedent set forth in clauses (iii), (iv) and (v) of this Section 2.1(a) have been satisfied on terms and conditions that provide Owner with assurances that Owner's participation in this Synchronous Condenser Transaction will not subject such Owner or its affiliates to an unacceptable risk of claims under any existing contractual arrangements;

provided, however, that for the avoidance of doubt, if any of the above-specified conditions precedent shall not have been satisfied to the satisfaction of Owner in its reasonable discretion on or before the applicable date for such condition precedent as set forth therein, as such dates may be extended as provided in Schedule B, this Agreement shall terminate and be of no further force and effect.

(b) Once effective, this Agreement shall continue in effect for one Contract Year.

(c) CAISO may extend the term of this Agreement for an additional calendar year as to all Units only for Contract Years 2014 through 2016, or for Unit 4 in Contract Year 2017, by notice given not later than October 1 of the expiring Contract Year, subject to the terms set forth in the attached Schedules for those future Contract Years for each Unit. CAISO may extend the term for less than a full calendar year to all Units only for Contract Years 2014 through 2016 or for Unit 4 in Contract Year 2017 only by mutual agreement. For years following Contract Year 2017, designation of the Units as Reliability Must-Run Units may occur only by mutual agreement.

2.2 Termination

(a) Subject to any necessary authorization from FERC, this Agreement may be terminated as to all Units only for Contract Years 2013 through 2016, or for Unit 4 in Contract Year 2017, in accordance with this Section 2.2; provided, however, that if this Agreement applies to a Facility having hydroelectric Unit, this Agreement may be terminated only as to all hydroelectric Units at the Facility. If this Agreement terminates as to fewer than all Units, the Agreement shall remain in effect as to the remaining Units. If this Agreement terminates as to all Units, the Agreement shall terminate.

(b) The Termination Fee shall be as set forth below:

Huntington Beach Unit 3

END OF CONTRACT YEAR	2013	2014	2015	2016
Undepreciated CapAdd Items ("NCI")	~~$5,360,983~~ $5,633,787	~~$3,573,989~~ $3,755,858	~~$1,786,994~~ $1,877,929	N/A
("CWIP")	0	0	0	N/A
Salvage ("S")	0	0	0	N/A
Termination Fee	~~$5,360,983~~ $5,633,787	~~$3,573,989~~ $3,755,858	~~$1,786,994~~ $1,877,929	N/A

Huntington Beach Unit 4

END OF CONTRACT YEAR	2013	2014	2015	2016
Undepreciated CapAdd Items ("NCI")	~~$5,718,382~~ $6,009,373	~~$4,288,786~~ $4,507,030	~~$2,859,191~~ $3,004,687	~~$1,429,595~~ $1,502,343
("CWIP")	0	0	0	0
Salvage ("S")	0	0	0	0
Termination Fee	~~$5,718,382~~ $6,009,373	~~$4,288,786~~ $4,507,030	~~$2,859,191~~ $3,004,687	~~$1,429,595~~ $1,502,343

(c) The Termination Fee shall be payable in 12 equal monthly installments calculated using the following formula:

$$M = T\left[\frac{r}{1-(1+r)^{-12}}\right]$$

Where

M = the monthly payment,
T = Termination Fee under Section 2.5(b), and
r = an annual discount rate equal to the interest rate used by FERC for the calculation of refunds (as set forth in 18 C.F.R. § 35.19a) in effect on the date that Owner provides notice to the CAISO pursuant to Section 2.5(a) of this Agreement, divided by12.

(d) If the Unit ceases to be Closed at any time within 12 months following the date the Unit Closed, CAISO shall cease payment of Termination Fee installments as of the Month in which the Unit ceased to be Closed, but

Schedule A

Unit Characteristics, Limitations and Owner Commitments

1. **Description of Facility**

Provide the following information for all units at the Facility, regardless of their RMR designation status. Information regarding units not designated as Reliability Must-Run Units is required only if and to the extent that the information is used to allocate Facility costs between Reliability Must-Run Units and other units.

Unit	RMR (Y/N)	Maximum Net Dependable MVAr Capability (includes CAISO-paid Upgrade capacity)*	Fuel Type
Huntington Beach Unit 3	Y	145 MVAr**	N/A
Huntington Beach Unit 4	Y	145 MVAr**	N/A

* Maximum Net Dependable MVAr Capability shall reflect any transformer or line loss to the Delivery Point.

**The final Maximum Net Dependable MVAr Capability allocated to each unit is subject to change based on testing results during commissioning and prior to the Commercial Operations Date. The total Maximum Net Dependable MVAr Capability for both units combined will not be materially less than 290 MVAr leading.

2. Description of RMR Units

Provide the address(es) of the Units at the Facility and the following tabular information:

	Huntington Beach Unit 3	Huntington Beach Unit 4
Type (fossil, combustion turbine, etc.)	Synchronous Condenser	Synchronous Condenser
Synchronous Condenser Capability (Y/N)	Y	Y
Power Factor Range (lead to lag)	N/A	N/A
Maximum Reactive Power Leading, MVAr	145**	145**
Maximum Reactive Power Lagging, MVAr	~~145~~120**	~~145~~120**
Load at Maximum MVAr Lagging, MW	N/A	N/A
Load at Maximum MVAr Leading, MW	N/A	N/A
Black Start Capable (Y/N)	N	N
Automatic Start or Ramp (Y/N)*	N	N
Upgrade Capacity Paid by CAISO, MW	N/A	N/A

* If "Y", describe the conditions under which the Unit will start or ramp automatically.

**The final MVAr allocated to each unit is subject to change based on testing results during commissioning and prior to the Commercial Operations Date. The total MVAr for both units combined will not be materially less than 290 MVAr leading and not materially different from 240 MVAr lagging.

3. Operational and Regulatory Limitations of RMR Units: N/A

Air Emissions Limitations - N/A

List applicable NO_x, CO, SO_2, particulate, and other appropriate emissions limits; note the name and address of the lead agency; the agency's applicable rule number(s); and note those pollutants for which an emissions cap applies.

Monthly Reserved MWh for Air Emission Limitations - N/A

Operating Limits related to Ambient Temperatures

Ambient Temperature Correction Factors for Availability Test

Equation B-5

$$\text{Hourly Availability Rate} = \frac{\text{Annual Fixed Revenue Requirement}}{\text{Target Available Hours}}$$

Annual Fixed Revenue Requirement is set forth in Section 7 below.

Target Available Hours are set forth in Section 6 below.

- For Units under Condition 1, the Fixed Option Payment Factor is set forth in Table B-0 below:

Table B-0	
Unit	Fixed Option Payment Factor
Huntington Beach Unit 3	N/A
Huntington Beach Unit 4	N/A

For Units under Condition 2, the Fixed Option Payment Factor is 1.

The Hourly Availability Charges for the applicable Summer Month or Non-Summer Month of the Contract Year are set forth in Table B-1 below. Payment of the Hourly Availability Charges will be effective upon the Commercial Operations Date.

Table B-1 - Hourly Availability Charges

Unit	Contract Year	Contract Month	Condition 1	Condition 2 (AFRR/TAH)
Huntington Beach Unit 3	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	~~$237.07~~$298.71
	2014	Summer Months	N/A	$1,368.32
		Non-Summer Months	N/A	$336.29
	2015	Summer Months	N/A	$1,339.58
		Non-Summer Months	N/A	$329.74
	2016	Summer Months	N/A	$1,313.53
		Non-Summer Months	N/A	$322.47
	2017	Summer Months	N/A	N/A
		Non-Summer Months	N/A	N/A
Huntington Beach Unit 4	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	~~$237.07~~$298.71
	2014	Summer Months	N/A	$1,368.32

Table B-2 - Hourly Capital Item Charges				
Unit	Contract Year	Contract Month	Annual Capital Item Cost	Condition 2 Hourly Capital Item Charge
Huntington Beach Unit 3	2013	Summer Months	~~$2,886,519~~$3,033,406	~~$1,316.24~~$1,383.22
		Non-Summer Months	~~$481,087~~$505,568	~~$165.44~~$219.05
		Full Year	**~~$3,367,606~~$3,538,973**	**~~$660.19~~$786.26**
	2014	Summer Months	~~$2,068,443~~$2,173,699	~~$711.29~~$747.49
		Non-Summer Months	~~$1,034,221~~$1,086,850	~~$186.28~~$195.76
		Full Year	**~~$3,102,664~~$3,260,549**	**~~$366.75~~$385.41**
	2015	Summer Months	~~$1,871,150~~$1,966,368	~~$643.45~~$676.19
		Non-Summer Months	~~$935,575~~$983,184	~~$168.51~~$177.09
		Full Year	**~~$2,806,725~~$2,949,551**	**~~$331.76~~$348.65**
	2016	Summer Months	~~$1,675,509~~$1,760,770	~~$576.17~~$605.49
		Non-Summer Months	~~$837,754~~$880,385	~~$150.24~~$157.89
		Full Year	**~~$2,513,263~~$2,641,155**	**~~$296.24~~$311.31**
	2017	Summer Months	N/A	N/A
		Non-Summer Months		
		Full Year		
Huntington Beach Unit 4	2013	Summer Months	~~$2,574,686~~$2,705,704	~~$1,174.05~~$1,233.79
		Non-Summer Months	~~$429,114~~$450,951	~~$147.56~~$195.39
		Full Year	**~~$3,003,801~~$3,156,655**	**~~$588.87~~$701.32**
	2014	Summer Months	~~$1,853,135~~$1,947,435	~~$637.25~~$669.68
		Non-Summer Months	~~$926,567~~$973,718	~~$166.89~~$175.38
		Full Year	**~~$2,779,702~~$2,921,153**	**~~$328.57~~$345.29**
	2015	Summer Months	~~$1,690,922~~$1,776,967	~~$581.47~~$611.06
		Non-Summer Months	~~$845,461~~$888,484	~~$152.28~~$160.03
		Full Year	**~~$2,536,382~~$2,665,451**	**~~$299.81~~$315.07**
	2016	Summer Months	~~$1,530,359~~$1,608,235	~~$526.26~~$553.04
		Non-Summer Months	~~$765,180~~$804,117	~~$137.23~~$144.21
		Full Year	**~~$2,295,539~~$2,412,352**	**~~$270.57~~$284.34**
	2017	Summer Months	~~$1,371,323~~$1,441,106	~~$471.57~~$495.57

		Non-Summer Months	~~$685,662~~$720,553	~~$123.50~~$129.78
		Full Year	**~~$2,056,985~~$2,161,659**	**~~$243.14~~$255.52**

B. Unit Availability Limit is defined in Article 1 of the Agreement.

C. Maximum Net Dependable MVAr Capability is shown in Section 1 of Schedule A.

5. The Monthly Nonperformance Penalty is calculated pursuant to Section 8.5 using the following variables:

A. Hourly Penalty Rate

A Unit's Hourly Penalty Rate for the applicable Summer Month or Non-Summer Month of each Contract Year is the lesser of (a) the Unit's Hourly Availability Rate for the applicable Summer Month or Non-Summer Month of the Contract Year (calculated pursuant to Item 2.A above), or (b) three times the Unit's Hourly Availability Charge for the applicable Summer Month or Non-Summer Month of the Contract Year (as shown in Table B-1 above). The Hourly Penalty Rates for the applicable Summer Month or Non-Summer Month of the Contract Year are set forth in Table B-3 below. Payment of the Hourly Penalty Rate will be effective upon the Commercial Operations Date.

Table B-3 - Hourly Penalty Rate

Unit	Contract Year	Contract Month	Condition 1	Condition 2
Huntington Beach Unit 3	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	~~$237.07~~$298.71
	2014	Summer Months	N/A	$1,368.32
		Non-Summer Months	N/A	$336.29
	2015	Summer Months	N/A	$1,339.58
		Non-Summer Months	N/A	$329.74
	2016	Summer Months	N/A	$1,313.53
		Non-Summer Months	N/A	$322.47
	2017	Summer Months	N/A	N/A
		Non-Summer Months	N/A	N/A
Huntington Beach Unit 4	2013	Summer Months	N/A	$2,020.87
		Non-Summer Months	N/A	~~$237.07~~$298.71
	2014	Summer Months	N/A	$1,368.32
		Non-Summer Months	N/A	$336.29
	2015	Summer Months	N/A	$1,339.58
		Non-Summer Months	N/A	$329.74
	2016	Summer Months	N/A	$1,313.53

		Non-Summer Months	N/A	$322.47
	2017	Summer Months	N/A	$1,357.45
		Non-Summer Months	N/A	$335.75

B. Hourly Surcharge Penalty Rate

A Unit's Hourly Surcharge Penalty Rate for each Capital Item for the applicable Summer Month or Non-Summer Month of each Contract Year is the lesser of (a) the corresponding Hourly Capital Item Rate for the applicable Summer Month or Non-Summer Month of the Contract Year (calculated pursuant to Item 4.A above), or (b) three times the applicable Hourly Capital Item Charge for the applicable Summer Month or Non-Summer Month of the Contract Year (as shown in Table B-2 above). The Hourly Surcharge Penalty Rates for the applicable Summer Month or Non-Summer Month of the Contract Year are set forth in Table B-4 below. Payment of the Hourly Surcharge Penalty Rate will be effective upon the Commercial Operations Date.

Table B-4 - Hourly Surcharge Penalty Rate

Unit	Contract Year	Contract Month	Hourly Capital Item Rate	Condition 1 Hourly Surcharge Penalty Rate	Condition 2 Hourly Surcharge Penalty Rate
Huntington Beach Unit 3	2013	Summer Months	~~$1,316.24~~$1,383.22	N/A	~~$1,316.24~~$1,383.22
		Non-Summer Months	~~$165.44~~$219.05	N/A	~~$165.44~~$219.05
	2014	Summer Months	~~$711.29~~$747.49	N/A	~~$711.29~~$747.49
		Non-Summer Months	~~$186.28~~$195.76	N/A	~~$186.28~~$195.76
	2015	Summer Months	~~$643.45~~$676.19	N/A	~~$643.45~~ $676.19
		Non-Summer Months	~~$168.51~~$177.09	N/A	~~$168.51~~$177.09
	2016	Summer Months	~~$576.17~~$605.49	N/A	~~$576.17~~ $605.49
		Non-Summer Months	~~$150.24~~$157.89	N/A	~~$150.24~~$157.89
	2017	Summer Months	N/A	N/A	N/A
		Non-Summer Months	N/A	N/A	N/A

Table B-4 (cont'd) - Hourly Surcharge Penalty Rate

Unit	Contract Year	Contract Month	Hourly Capital Item Rate	Condition 1 Hourly Surcharge Penalty Rate	Condition 2 Hourly Surcharge Penalty Rate
Huntington Beach Unit 4	2013	Summer Months	~~$1,174.05~~$1,233.79	N/A	~~$1,174.05~~$1,233.79

		Non-Summer Months	~~$147.56~~$195.39	N/A	~~$147.56~~$195.39
	2014	Summer Months	~~$637.25~~$669.68	N/A	~~$637.25~~$669.68
		Non-Summer Months	~~$166.89~~$175.38	N/A	~~$166.89~~$175.38
	2015	Summer Months	~~$581.47~~$611.06	N/A	~~$581.47~~$611.06
		Non-Summer Months	~~$152.28~~$160.03	N/A	~~$152.28~~$160.03
	2016	Summer Months	~~$526.26~~$553.04	N/A	~~$526.26~~$553.04
		Non-Summer Months	~~$137.23~~$144.21	N/A	~~$137.23~~$144.21
	2017	Summer Months	~~$471.57~~$495.57	N/A	~~$471.57~~$495.57
		Non-Summer Months	~~$123.50~~$129.78	N/A	~~$123.50~~$129.78

6. Target Available Hours

A Unit's Target Available Hours for each Contract Year are calculated in accordance with the Equation B-10 below:

Equation B-10

Target Available Hours (TAH)	=	Hours in the Calendar Year – (Average Other Outage Hours + Long-Term Planned Outage Hours)

Average Other Outage Hours means the average annual Other Outage Hours as set forth in Table B-5 below.

Long-term Planned Outage Hours means the Long-term Planned Outage Hours for the Contract Year scheduled with CAISO pursuant to Section 7.2(a). For periods prior to December 31, 1998, Other Outage Hours shall exclude a planned interruption, in whole or in part, in the electrical output of a Unit to permit Owner to perform a major equipment overhaul or inspection or for new construction work, but only if the outage lasted 21 or more consecutive days.

Long-term Planned Outage Hours scheduled for a Contract Year shall be subject to the Long-term Scheduled Outage Adjustment pursuant to Section 8.6 of the Agreement, except for 2013 Contract Year.

The Average Other Outage Hours, Long-term Planned Outage Hours and Target Available Hours for each Unit for the Contract Year are shown in Table B-5 below:

Table B-5 - Target Available Hours					
Unit	Contract Year	Contract Month	Average Other Outage Hours	Long-term Planned Outage Hours	TAH
Huntington Beach Unit 3	2013	Summer Months	15	0	2,193
		Non-Summer Months	20	~~3,624~~4,224	~~2,908~~2,308
		Full Year	**35**	**~~3,624~~4,224**	**~~5,101~~4,501**
	2014	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2015	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2016	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,576
		Full Year	**300**	**0**	**8,484**
	2017	Summer Months	N/A	N/A	N/A
		Non-Summer Months	N/A	N/A	N/A
		Full Year	**N/A**	**N/A**	**N/A**

Table B-5 (cont'd) - Target Available Hours					
Unit	Contract Year	Contract Month	Average Other Outage Hours	Long-term Planned Outage Hours	TAH
Huntington Beach Unit 4	2013	Summer Months	15	0	2,193
		Non-Summer Months	20	~~3,624~~4,224	~~2,908~~2,308
		Full Year	**35**	**3,624**	**~~5,101~~4,501**
	2014	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2015	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**
	2016	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,576
		Full Year	**300**	**0**	**8,484**
	2017	Summer Months	20	0	2,908
		Non-Summer Months	280	0	5,552
		Full Year	**300**	**0**	**8,460**

7. Annual Fixed Revenue Requirement (AFRR)

The Annual Fixed Revenue Requirement for each Unit is set forth in Table B-6 below.

Table B-6 - Annual Fixed Revenue Requirement (AFRR)			
Unit	Contract Year	Contract Month	Annual Fixed Revenue Requirement
Huntington Beach Unit 3	2013	Summer Months	$4,431,758
		Non-Summer Months	$689,412
		Full Year	**$5,121,171**
	2014	Summer Months	$3,979,089
		Non-Summer Months	$1,867,102

If this request covers Unplanned Repairs, or Capital Items projected to cost more than $500,000, provide the information in the remainder of this form for each project.

Project Description: (describe the project and its major scope items – materials, new systems, modifications to existing systems, etc.)

Capital Item request is required for the conversion of Units 3 & 4 to Synchronous Condensers. Siemens proposal for this project is attached as Exhibit I of this Schedule L1. The proposed solution utilizes a Pony Motor arrangement and a variable frequency drive (VFD) to accelerate the units to synchronous speed. Expected in-operation date is June ~~1st~~26, 2013.

- One (1) Pony Motor package will be utilized for the Unit 3 HP generator.
- One (1) Pony Motor package will be utilized for the Unit 4 IP/LP generator.
- One (1) Thrust Bearing package will be utilized for the Unit 3 LP generator.
- One (1) Thrust Bearing package will be utilized for the Unit 4 HP/LP generator.
- Spare Parts (For details, refer to Section 4.1)
- Integration of Units 3 & 4 Synchronous Condensers into existing DCS (ABB) for Units 1 & 2.

Base Scope of Supply includes the following:

- Conversion of Units 3 & 4 STG into SC (For details, refer to Section 4.1)
- Spare Parts (For details, refer to Section 4.1)
- Integration of Units 3 & 4 SC into DCS (ABB) for Units 1 & 2

If the project is required because of loss or damage to a Unit, describe the cause and nature of the loss or damage and all repairs performed or required for all Units during the year:

Not applicable

Project Budget:

Option: Siemens	Cost excluding sales tax $	Sales Tax $	AES Total Cost $
Unit 3	5,496,000	325,152	5,821,152
Unit 4	5,496,000	325,152	5,821,152
Project Manager	228,605	-	228,605
Controls upgrade	700,000	34,557	734,557
Parts	1,568,900	121,590	1,690,490
Constr. delay & COs	727,478		727,478
Total Costs	**~~13,489,505~~14,216,983**	**806,450**	**~~14,295,955~~15,023,433**

Describe any work or repairs performed relating to this project in the last five years:

Not applicable

As applicable, state the proposed depreciation life, Annual Capital Item Cost, Surcharge Payment Factor or Repair Payment Factor (percentage owed by CAISO) of the Capital Item or Repair:

Unit 3

		CapAdd Amount	**~~$7,147,977~~$7,511,717**
Fiscal year	**Contract year**	**Annual Surcharge**	**Annual Depreciation**
2013	1	~~3,367,606~~3,538,973	25.00%
2014	2	~~3,102,664~~3,260,549	25.00%
2015	3	~~2,806,725~~2,949,551	25.00%
2016	4	~~2,513,263~~2,641,155	25.00%
Total		**~~$11,790,258~~$12,390,229**	100.00%

Unit 4

		CapAdd Amount	**~~$7,147,977~~$7,511,717**
Fiscal year	**Contract year**	**Annual Surcharge**	**Annual Depreciation**
2013	1	~~3,003,801~~3,156,655	20.00%
2014	2	~~2,779,702~~2,921,153	20.00%
2015	3	~~2,536,382~~2,665,451	20.00%
2016	4	~~2,295,539~~2,412,352	20.00%
2017	5	~~2,056,985~~2,161,659	20.00%
Total		**~~$12,672,408~~$13,317,269**	100.00%

Describe why this project is required (justification):

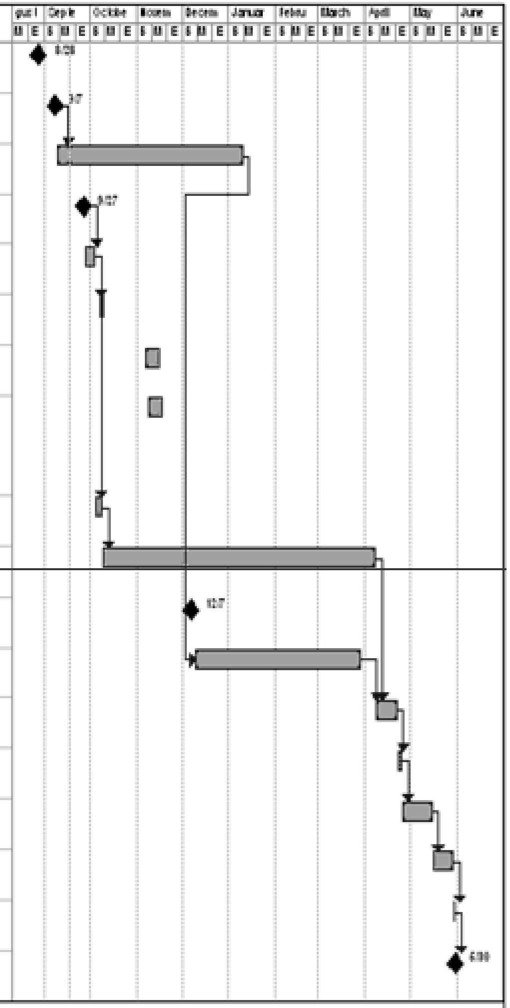
With the unexpected outage of the San Onofre Nuclear Generating Station ("SONGS"), HB 3&4 are providing critical voltage support and local reliability services to the system. Given the uncertainty surrounding when SONGS will return to service, the CAISO has determined that the conversion of HB3&4 into synchronous condensers is a necessary project to provide the required voltage support in the absence of SONGS.

Is this project required to comply with any laws, regulations or permits? If so, please list them and explain requirement.

Yes. Modification to the existing CEC permit 2000 – AFC – 013 is in progress.

Provide a cost/benefit analysis summary for this project:

ID	Task Name	Duration	Start	Finish
1	Proposal to AES	0 days	Tue 8/28/12	Tue 8/28/12
2	PO for pre-engineering	0 days	Fri 9/7/12	Fri 9/7/12
3	Design Engineering	90 days	Mon 9/10/12	Thu 1/10/13
4	PO for project	0 days	Thu 9/27/12	Thu 9/27/12
5	Project Execution Planning	5 days	Fri 9/28/12	Thu 10/4/12
6	Project Kick-off Meeting (at site)	3 days	Mon 10/8/12	Wed 10/10/12
7	Disassembly of Equipment	10 days	Wed 11/7/12	Fri 11/16/12
8	Verification of Unit Component Dimensions	7 days	Fri 11/9/12	Sun 11/18/12
9	Place order for long lead items	3 days	Fri 10/5/12	Tue 10/9/12
10	Long Lead Item Manufacturing	130 days	Wed 10/10/12	Mon 4/8/13
11	Design Freeze	0 days	Fri 12/7/12	Fri 12/7/12
12	Order Non-Long lead items	80 days	Mon 12/10/12	Fri 3/29/13
13	Shop Assembly of Components	2 wks	Tue 4/9/13	Mon 4/22/13
14	Shipment	3 days	Tue 4/23/13	Thu 4/25/13
15	Installation (mech & elec)	20 days	Fri 4/26/13	Wed 5/15/13
16	Commissioning	10 days	Thu 5/16/13	Wed 5/29/13
17	Operation start-up	1 day	Thu 5/30/13	Thu 5/30/13
18	Provisional Acceptance	0 days	Thu 5/30/13	Thu 5/30/13

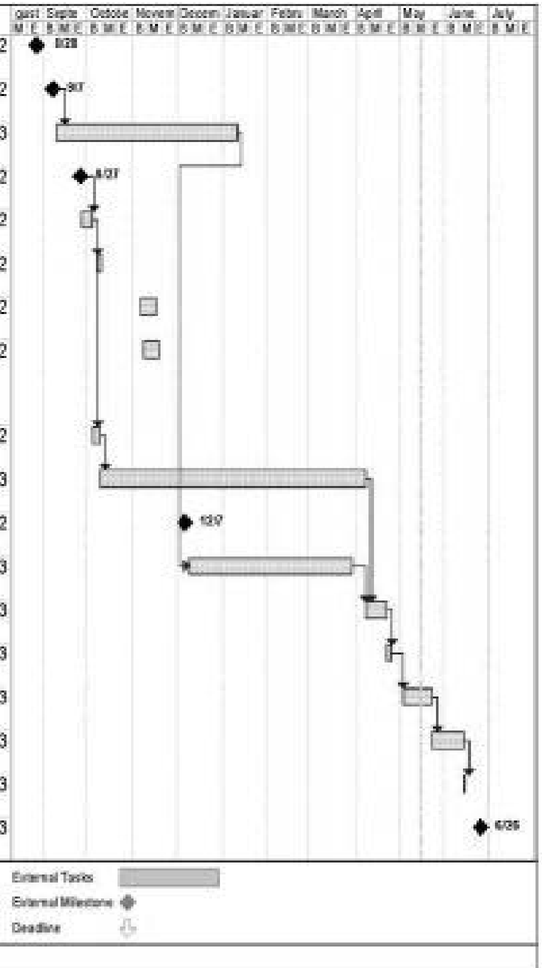


Project: AES HB_091812
Date: Tue 9/18/12

Task | Split | Progress | Milestone | Summary | Project Summary | External Tasks | External Milestone | Deadline

Page 1

ID	Task Name	Duration	Start	Finish
1	Proposal to AES	0 days	Tue 8/28/12	Tue 8/28/12
2	PO for pre-engineering	0 days	Fri 9/7/12	Fri 9/7/12
3	Design Engineering	90 days	Mon 9/10/12	Thu 1/10/13
4	PO for project	0 days	Thu 9/27/12	Thu 9/27/12
5	Project Execution Planning	5 days	Fri 9/28/12	Thu 10/4/12
6	Project Kick-off Meeting (at sit	3 days	Mon 10/8/12	Wed 10/10/12
7	Disassembly of Equipment	10 days	Wed 11/7/12	Fri 11/16/12
8	Verification of Unit Component Dimensions	7 days	Fri 11/9/12	Sun 11/18/12
9	Place order for long lead items	3 days	Fri 10/5/12	Tue 10/9/12
10	Long Lead Item Manufacturing	130 days	Wed 10/10/12	Mon 4/8/13
11	Design Freeze	0 days	Fri 12/7/12	Fri 12/7/12
12	Order Non-Long lead items	80 days	Mon 12/10/12	Fri 3/29/13
13	Shop Assembly of Componen	2 wks	Tue 4/9/13	Mon 4/22/13
14	Shipment	3 days	Tue 4/23/13	Thu 4/25/13
15	Installation (mech & elec)	20 days	Sat 5/4/13	Thu 5/23/13
16	Commissioning	15 days	Fri 5/24/13	Thu 6/13/13
17	Operation start-up	1 day	Fri 6/14/13	Fri 6/14/13
18	Provisional Acceptance	0 days	Wed 6/26/13	Wed 6/26/13



Describe any outages required to implement this project:

From RMR contract effective date through ~~May 31~~June 25, 2013.

Other comments:

None