

**DEPARTMENT OF WATER RESOURCES**

California Energy Resources Scheduling  
PO Box 219001  
3310 El Camino Avenue, Suite 120  
SACRAMENTO, CA 95821-9001  
(916)574-1291



June 18, 2001

Mark Woodruff  
AES Huntington Beach, L.L.C.  
690 N. Studebaker Road  
Long Beach, California 90803

Dear Mr. Woodruff:

The Department of Water Resources has been in negotiations with you as representative of AES Huntington Beach, L.L.C. for the purpose of entering into a power purchase agreement for the purchase of power from AES's Huntington Beach Units 3 and 4 which AES intends to repower for operation this summer.

DWR has been attempting to negotiate such an agreement with you in good faith on the basis of a letter of intent signed by you on March 2, 2001. Based on the negotiations to date, DWR has concluded that these negotiations cannot be successfully concluded and accordingly DWR has determined to terminate these negotiations as of Friday, June 15, 2001.

By a copy hereof DWR is hereby advising the California Energy Commission and the South Coast Air Quality Management District of the foregoing so that the Commission and the District may eliminate the conditions of the permit that limit sales to DWR.

If you have any questions on the foregoing, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond D. Hart".

Raymond D. Hart  
Deputy Director

cc: (See attached list.)

Steve Larson  
CA Energy Commission  
1516 Ninth Street  
Sacramento, California 95814

Barry Wallerstein  
South Coast Air Quality Management District  
21865 East Copley Drive  
Diamond Bar, California 91765-4182

June 18, 2001

Mr. Wallerstein  
South Coast Air Quality Management District  
21865 East Copley Drive  
Diamond Bar, California 91765-4182

Dear Mr. Wallerstein:

The Department of Water Resources has been in negotiations with you as representative of AES Huntington Beach, C. for the purpose of entering into a purchase agreement for the purchase of power from AES Huntington Beach, C. and which AES intends to refer to as the "Agreement".

DWR has been attempting to negotiate such an agreement with you on the basis of a letter of intent signed by you on March 2, 2001. Based on the negotiations to date, DWR has concluded that these negotiations cannot be completed and accordingly, DWR has determined to terminate the negotiations as of today, June 18, 2001.

By way of general DWR authority advising the California Energy Commission, the South Coast Air Quality Management District of the foregoing so that the Commission and the District may all understand the conditions of the permit that will issue to AES. If you have any questions on the foregoing, please do not hesitate to call me.

Sincerely,

Raymond D. Hill  
District Director

cc: (See attached list.)