

2010 SEP 20 PM 1:19

September 20, 2010

VIA HAND DELIVERY

Hon. Jaclyn A. Brillig, Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Notice of Protective Lay-Up of Greenidge Unit 4,
Torrey, Yates County, New York
Correction for Typographical Error

Dear Secretary Brillig:

Our firm represents AEE2, LLC ("AEE2"), a wholly owned subsidiary of AES Eastern Energy, L.P., which is the owner of the Greenidge Unit 4 generating facility located in the town of Torrey in Yates County, New York. Last Friday, September 17, 2010, AEE2 submitted a notice of protective lay-up with respect to this facility in accordance with the New York Public Service Commission's notice requirements ("Notice").¹ It has come to our attention that this Notice inadvertently contained a typographical error on page 1, which referenced an intended, future, protective lay-up date of March 18, 2010 -- a date that already has passed -- rather than the correct date of March 18, 2011. To correct for this typographical error, kindly substitute the first page of the Notice in the Commission's files with the page that is enclosed herein. This substitute page contemporaneously is being provided to both the New York Independent System Operator, Inc. and New York State Electric & Gas Corporation, the two entities carbon-copied on the September 17th Notice.

Thank you in advance for your attention to this matter. If you have any questions, please call or email me.

Very truly yours,

GREENBERG TRAUIG, LLP



Doreen U. Saia

DUS/aaw

Enclosure

cc: New York Independent System Operator at generator_retirement@nyiso.com (via e-mail)
Mr. Jeffrey McKinney, New York State Electric & Gas Corp. (via e-mail)

ALB 1,381,650v1 9-20-10

¹ See NYPSC Case 05-E-0889, Proceeding on Motion of the Commission To Establish Policies and Procedures Regarding Generation Unit Retirements, "Order Adopting Notice Requirements for Generation Unit Retirements" (issued and effective December 20, 2005).

RECEIVED
PUBLIC SERVICE
COMMISSION
EXL 1100-ALBANY
2010 SEP 20 PM 1:19



AES AEE2, LLC
Suite 505
130 East Seneca Street
Ithaca, New York 14850
tel 607.272.5970
fax 607.272.5971

September 17, 2010

VIA HAND DELIVERY

Hon. Jaclyn A. Brilling
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Notice of Protective Lay-Up of Greenidge Unit 4,
Torrey, Yates County, New York

Dear Secretary Brilling:

AEE2, LLC ("AEE2"), a wholly owned subsidiary of AES Eastern Energy, L.P., is the owner of, and AES Greenidge, LLC, a wholly owned subsidiary of AEE2, LLC, is the operator of, the Greenidge Unit 4 generating facility located in the town of Torrey in Yates County, New York. In its order adopting generator retirement notice requirements, the New York Public Service Commission ("Commission") noted that it had established in its initiating order that, for purposes of the Generator Retirement Notice Proceeding, the term "retirement" collectively included, inter alia, "mothballing, and other circumstances where a generating unit is taken out of service for a substantial period of time, excluding scheduled maintenance and forced outages."¹ Pursuant to the Generator Retirement Notice Order and the broad definition of the term "retirement" set forth therein limited to application thereto, AEE2 hereby provides this written notice that, in light of the market conditions and other circumstances as they are known as of this time, it intends to put its Greenidge Unit 4 facility in protective lay-up on Friday, March 18, 2011.

The Greenidge Unit 4 facility is a 108 MW net, coal & biomass-fired generating facility that provides energy, capacity and ancillary services in Central New York. The Greenidge Unit 3 facility also is owned by AEE2, was operated by AES Greenidge and is located on the same site. It was permanently retired on December 31, 2009. No other generating facilities are located on this site.

¹ See NYPS Case 05-E-0889, Proceeding on Motion of the Commission To Establish Policies and Procedures Regarding Generation Unit Retirements, "Order Adopting Notice Requirements for Generation Unit Retirements" (issued and effective December 20, 2005) (hereinafter, "Generator Retirement Notice Proceeding" and "Generator Retirement Notice Order," respectively) at 1, n.1.



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Suite 505
130 East Seneca Street
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September 17, 2010

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Hon. Jaclyn A. Brillling
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Notice of Protective Lay-Up of Greenidge Unit 4,
Torrey, Yates County, New York

Dear Secretary Brillling:

AEE2, LLC (“AEE2”), a wholly owned subsidiary of AES Eastern Energy, L.P., is the owner of, and AES Greenidge, LLC, a wholly owned subsidiary of AEE2, LLC, is the operator of, the Greenidge Unit 4 generating facility located in the town of Torrey in Yates County, New York. In its order adopting generator retirement notice requirements, the New York Public Service Commission (“Commission”) noted that it had established in its initiating order that, for purposes of the Generator Retirement Notice Proceeding, the term “retirement” collectively included, inter alia, “mothballing, and other circumstances where a generating unit is taken out of service for a substantial period of time, excluding scheduled maintenance and forced outages.”¹ Pursuant to the Generator Retirement Notice Order and the broad definition of the term “retirement” set forth therein limited to application thereto, AEE2 hereby provides this written notice that, in light of the market conditions and other circumstances as they are known as of this time, it intends to put its Greenidge Unit 4 facility in protective lay-up on Friday, March 18, 2010.

The Greenidge Unit 4 facility is a 108 MW net, coal & biomass-fired generating facility that provides energy, capacity and ancillary services in Central New York. The Greenidge Unit 3 facility also is owned by AEE2, was operated by AES Greenidge and is located on the same site. It was permanently retired on December 31, 2009. No other generating facilities are located on this site.

¹ See NYPSC Case 05-E-0889, Proceeding on Motion of the Commission To Establish Policies and Procedures Regarding Generation Unit Retirements, “Order Adopting Notice Requirements for Generation Unit Retirements” (issued and effective December 20, 2005) (hereinafter, “Generator Retirement Notice Proceeding” and “Generator Retirement Notice Order,” respectively) at 1, n.1.



Since AEE2 purchased the Greenidge Unit 4 facility, more than \$40 million has been invested in environmental retrofits, including an SCR, a Dry Scrubber, and a Baghouse, to limit its emissions. In addition, \$9 million was invested to provide for biomass co-firing of up to 10% at the facility to lower its overall carbon levels. The combination of this significant investment in state-of-the-art technology coupled with the biomass conversion make AES Greenidge one of the cleanest coal fired units in the Northeast with respective removal rates of 95% for SO₂ and NO_x, and more than 99% for mercury.

Moreover, it has invested substantial additional dollars in the facility to improve its heat rate, reduce its outages and otherwise improve its operating capability. With respect to reliability, during the past 10 years, the facility has achieved a 90.1% availability factor. The site employs 40 direct employees, is one of the largest taxpayers in Yates County paying millions of dollars in property and other taxes annually and provides significant economic benefits and indirect employment benefits to the Yates County area.

However, based on the current and forecasted wholesale electric prices in Central New York and current and pending environmental regulations, the Greenidge Unit 4 facility is, and will continue to be, operating at a net loss. Thus, given that the unit is not economic at this time, AEE2 intends to put the Greenidge Unit 4 facility in protective lay-up to limit the costs that are incurred at the facility. AEE2 further intends to take all steps within its control to avoid permanently shutting down the facility by, e.g., continuing to explore any and all alternatives with its suppliers and other parties, including reductions in its variable and fixed costs. In that vein, during this six month period and any subsequent protective lay-up period that may ensue thereafter, AEE2 will direct AES Greenidge to perform associated maintenance and inspection work to keep the source in New York State's emissions inventory and maintain its environmental permits while closely monitoring market conditions and circumstances that will allow it to continue -- or to reinstate -- service from its Greenidge Unit 4 facility.

In accordance with the requirements that are set forth in the Generator Retirement Notice Order and Technical Bulletin No. 185 issued by the New York Independent System Operator, Inc. ("NYISO"), AEE2 contemporaneously has sent a copy of this protective lay-up notice to the NYISO via e-mail directed to its designated web address. In addition to providing a copy of this notice to the NYISO, the Generator Retirement Notice Order further provided that the notice must be provided to "any affected T&D utility" without, however, defining such term or otherwise providing guidance on how it was to be applied. The Greenidge Unit 4 facility is located in the service territory, and interconnected to the transmission and distribution system, of New York State Electric and Gas Corporation ("NYSEG"). While transmission and distribution studies of the local and bulk systems in the vicinity of the Greenidge Unit 4 facility have not yet been conducted,² AEE2 has provided a copy of this notice to NYSEG.

² In its Generator Retirement Notice Order, the Commission established that it had adopted the 180 day notice period for facilities sized equal to or greater than 80 MW with which AEE2 herein complies because it "equate[d] to the minimum period that NYISO indicates as adequate to identify and resolve reliability concerns." (See Generator Retirement Notice Order at 15.)



Kindly date-stamp the copy of this notice provided herein and return it to our messenger. Should you have any questions about this notice, please call or email me using the contact information noted above.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter S. Norgeot".

Peter S. Norgeot
President, AES AEE2, LLC

cc: New York Independent System Operator at generator_retirement@nyiso.com (via e-mail and Overnight mail)
Mr. Jeffrey McKinney, New York State Electric & Gas Corp. (via e-mail and Overnight mail)

ALB 1,359,271 v1 9-13-10



AES AEE2, LLC
Suite 505
130 East Seneca Street
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tel 607.272.5970
fax 607.272.5971

September 17, 2010

VIA HAND DELIVERY

Hon. Jaclyn A. Brillling
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Notice of Protective Lay-Up of Westover Unit 8,
Union, Broome County, New York

Dear Secretary Brillling:

AEE2, LLC (“AEE2”), a wholly owned subsidiary of AES Eastern Energy, L.P., is the owner of, and AES Westover, LLC, a wholly owned subsidiary of AEE2, LLC, is the operator of, the Westover Unit 8 generating facility located in the town of Union in Broome County, New York. In its order adopting generator retirement notice requirements, the New York Public Service Commission (“Commission”) noted that it had established in its initiating order that, for purposes of the Generator Retirement Notice Proceeding, the term “retirement” collectively included, *inter alia*, “mothballing, and other circumstances where a generating unit is taken out of service for a substantial period of time, excluding scheduled maintenance and forced outages.”¹ Pursuant to the Generator Retirement Notice Order and the broad definition of the term “retirement” set forth therein limited to application thereto, AEE2 hereby provides this written notice that, in light of the market conditions and other circumstances as they are known as of this time, it intends to place its Westover Unit 8 facility in protective lay-up on Friday, March 18, 2011.

The Westover Unit 8 facility is an 80 MW, coal-fired generating facility that has provided energy, capacity and ancillary services in Western New York.² The Westover Unit 7 facility also

¹ See NYPSC Case 05-E-0889, Proceeding on Motion of the Commission To Establish Policies and Procedures Regarding Generation Unit Retirements, “Order Adopting Notice Requirements for Generation Unit Retirements” (issued and effective December 20, 2005) (hereinafter, “Generator Retirement Notice Proceeding” and “Generator Retirement Notice Order,” respectively) at 1, n.1.

² In its Generator Retirement Notice Order, the Commission established a 180 day notice requirement for generators “sized equal to or greater than 80 MW” and a 90 day notice requirement for generators “sized under 80



is owned by AEE2, was operated by AES Westover and is located on the same site. It was permanently retired on December 31, 2009. No other generating facilities are located on this site.

Since AEE2 purchased the Westover Unit 8 facility, it has invested \$60M in environmental retrofits including an SCR, a Dry Scrubber, and a Baghouse to limit the emissions of this facility. As a direct result of these significant investments in these state-of-the-art environmental controls, the Westover Unit 8 facility is one of the cleanest coal-fired facilities in New York and the Northeast with removal rates of 95% for SO₂ and NO_x and more than 99% for mercury (Hg).

Moreover, it has invested substantial additional dollars in the facility to improve its heat rate, reduce its outages and otherwise improve its operating capability. During the past 10 years, the facility has achieved an availability factor of 91.3%. The site employs 37 direct employees, is one of the largest taxpayers in Broome County paying millions of dollars in property and other taxes annually and provides significant economic benefits and indirect employment benefits to the Broome County area.

However, based on the current and forecasted wholesale electric prices in Central New York and current and pending environmental regulations, the Westover Unit 8 facility is, and will continue to be, operating at a net loss. Thus, given that the unit is not economic at this time, AEE2 intends to place the Westover Unit 8 facility in protective lay-up to limit the costs that are incurred at the facility. AEE2 further intends to take all steps within its control to avoid permanently shutting down the facility by, *e.g.*, continuing to explore any and all alternatives with its suppliers and other parties, including reductions in its variable and fixed costs. In that vein, during this six month period and any subsequent protective lay-up period that may ensue thereafter, AEE2 will direct AES Westover to perform associated maintenance and inspection work to keep the source in New York State's emissions inventory and maintain its environmental permits while closely monitoring market conditions and circumstances that will allow it to continue -- or to reinstate -- service from its Westover Unit 8 facility.

In accordance with the requirements that are set forth in the Generator Retirement Notice Order and Technical Bulletin No. 185 issued by the New York Independent System Operator, Inc. ("NYISO"), AEE2 contemporaneously has sent a copy of this protective lay-up notice to the NYISO via e-mail directed to its designated web address. In addition to providing a copy of this notice to the NYISO, the Generator Retirement Notice Order further provided that the notice must be provided to "any affected T&D utility" without, however, defining such term or otherwise providing guidance on how it was to be applied. The Westover Unit 8 facility is located in the service territory, and interconnected to the transmission and distribution system, of

MW." (See Generator Retirement Notice Order at 15.) However, the Commission did not establish whether the generator's size was based on its DMNC test level, its name plate rating or some other measure. As reflected in the 2010 Load and Capacity Data Book, the Westover Unit 8 facility has a name plate rating of 43.8 MW and a summer 2010 capability period rating of 80.8 MW. Thus, either the 180 day notice period or the 90 day notice period arguably could apply to this facility. However, to ensure that there was no dispute over whether the notice requirements were met, AEE2 has elected to provide the 180 day notice herein.



New York State Electric and Gas Corporation ("NYSEG"). While transmission and distribution studies of the local and bulk systems in the vicinity of the Westover Unit 8 facility have not yet been conducted,³ AEE2 has provided a copy of this notice to NYSEG.

Kindly date-stamp the copy of this notice provided herein and return it to our messenger. Should you have any questions about this notice, please call or email me using the contact information noted above.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter S. Norgeot".

Peter S. Norgeot
President, AES AEE2, LLC

cc: New York Independent System Operator at generator_retirement@nyiso.com (via e-mail and Overnight mail)
Mr. Jeffrey McKinney, New York State Electric & Gas Corp. (via e-mail and Overnight mail)

ALB 1,359,273v1 9-13-10

³ In its Generator Retirement Notice Order, the Commission established that it had adopted the six month notice period for facilities sized equal to or greater than 80 MW with which AEE2 herein complies because it "equate[d] to the minimum period that NYISO indicates as adequate to identify and resolve reliability concerns." (See Generator Retirement Notice Order at 15.)