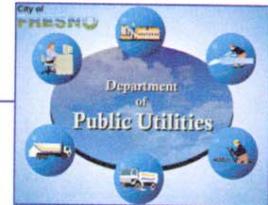


**CITY OF FRESNO LETTERS**

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October 25, 2006

Ms. Eileen Allen, Siting Manager  
California Energy Commission  
1516 Ninth Street, MS 40  
Sacramento, CA 95814-5512

RE: Bullard Energy Center – Water Use Offset Projects

Dear Ms. Allen:

By letter dated October 4, 2006, the City notified the Bullard Energy Center (BEC) of our commitment to provide water supply via the municipal system for the operation of the proposed power plant (copy enclosed). To comply with the California Water Policy, BEC has proposed to offset the use of municipal supply by providing for treatment of an equivalent annual volume of non-potable groundwater for potable use. In addition, to offset the use of groundwater, BEC has proposed to work with the City, the Fresno Metropolitan Flood Control District and the Fresno Irrigation District to provide for additional recharge with surface water supplies. The City of Fresno welcomes and supports such offsets and is committed to working with BEC toward agreements to implement these projects.

BEC has proposed to fund treatment of nitrate-contaminated groundwater in the Sunnyside area of southeast Fresno for use in the City's potable water distribution system. The treatment project will help to alleviate a groundwater contamination problem that affects the Sole Source Aquifer from which the City derives most of its potable water. In addition, the treated water will help to alleviate existing municipal supply deficiencies in the Sunnyside area due to well closures resulting from the groundwater contamination. Although such treatment has been identified as one of the recommended measures in the City of Fresno Nitrate Management Plan, this wellhead treatment project has not been budgeted in the City's Capital Improvement Plan nor is it expected to be budgeted any time in the near future.

The majority of the municipal supply that will be utilized by the BEC is provided by groundwater. The Fresno-Clovis Metropolitan Water Resources Management Plan identifies a number of measures to address groundwater overdraft conditions, including recharge with surface water supplies. BEC has proposed to provide for additional recharge of surface water supplies owned by the City to avoid contributing to overdraft conditions in the sub-basin.

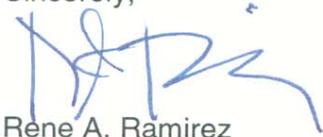
The groundwater treatment and recharge offset projects would be welcomed and supported by the City subject to mutual agreement on terms and conditions. The City looks forward to

Ms. Eileen Allen  
October 25, 2006  
Page 2

working with BEC to reach a written agreement for implementing the offset projects described above.

If you have any questions, feel free to contact me at (559.621.8614) or Lon Martin, P.E., Assistant Director - Water (559.621.8616).

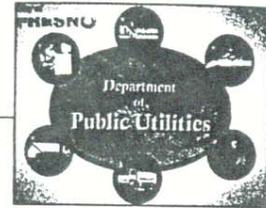
Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Ramirez', with a stylized flourish at the end.

Rene A. Ramirez  
Director

Enclosure: Will Serve Letter

c: Jon Ruiz, Assistant City Manager  
Nick Yovino, Director, Planning & Development Department  
Mike Kirn, P.E., City Engineer  
Robert Andersen, P.E., Assistant Director of Public Utilities – Administration  
Lon Martin, P.E., Assistant Director of Public Utilities – Administration  
Steve Hogg, Assistant Director of Public Utilities – Wastewater  
Garth Gaddy, Provisional Water Division Manager  
Jim Bier, Chief Engineering Technician, Department of Public Utilities  
Ralph Boyajian, P.E., URS Corporation, 30 River Park Place West, Suite 180, Fresno, CA  
93720



October 4, 2006

Mr. Gary Chandler, President  
Bullard Energy Center, LLC  
Three Charles Place  
63 Kendrick Street  
Needham, MA 02494

RE: Will Serve for Water Supply, Sewer Collection and Wastewater Treatment Capacity for the Bullard Energy Center

Dear Mr. Chandler:

This letter confirms our commitment to provide water supply, sewer collection and wastewater treatment capacity to your facility, subject to the conditions summarized below:

1. Completion of any and all required entitlement and associated conditions of approval including any General Plan Amendments, Rezoning, Conditional Use Permit(s), and associated Environmental Impact Report requirements.
2. Payment of all fees and costs that will be due to the City of Fresno for connection, inspection, delivery, and all other goods and services necessary to provide water, sewer and wastewater utility services to and for the site. This includes up-front, incidental, recurring, and ongoing costs.
3. Submittal of engineered water and sewer utility plans for review and approval by the City of Fresno Department of Public Utilities – Utility Planning and Engineering Section.
4. With this will serve letter, it is being made known to the Bullard Energy Center LLC that the State Regional Water Quality Control Board regulates wastewater treatment, wastewater effluent and groundwater underlying the reclamation facility, including Electro-Conductivity (EC, salt, or brine). These regulations may at some time require the City to enact discharge limits that could affect City of Fresno sewer customers such as the Bullard Energy Center LLC.

5. Bullard Energy Center LLC will cooperatively work with Department of Public Utility staff to explore and implement brine disposal options for both their power plant's sewer discharge and their proposed partnership with the City of Fresno Water Division to offset potable water demands of the Bullard Energy Center LLC plant site with potential water well-head treatment in other areas of the City of Fresno water service area that could generate brine to be disposed into the sewer system affecting regulated EC levels.

Thank you for your efforts to support economic development within our community and your investment in Fresno.

Sincerely,



Rene A. Ramirez  
Director

Cc: Jon Ruiz, Assistant City Manager  
Nick Yovino, Director of Planning & Development  
Mike Kim P.E., City Engineer  
Robert Andersen P.E., Assistant Director of Public Utilities - Administration  
Lon Martin P.E., Assistant Director of Public Utilities - Administration  
Steve Hogg, Assistant Director of Public Utilities - Wastewater  
Garth Gaddy, Interim Water Manager  
Jim Bier, Chief Engineering Technician of Public Utilities  
Ralph Boyajian, URS Corporation, 30 River Park Place West, Suite 180, Fresno CA 93720