La Paloma Generating Plant
La Paloma Generating Company, LLC

POB175 (Mail)
1760 W. Skyline Road
(Deliveries)
McKittrick, CA 93251

661.762.6000
661.762.6041 Fax

September 24, 2004

Ms. Nancy Tronaas
Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS – 2000
Sacramento, CA 95814

Re: La Paloma Generating Project
Docket No. 98-AFC-2
Petition for Transfer of Equity Ownership

Dear Ms. Tronaas:

Pursuant to section 1769(b), La Paloma Generating Company, LLC submits a Petition for Transfer of Equity Ownership of the La Paloma Generating Project from the La Paloma Generating Trust Ltd. (Trust) to the La Paloma Generating Company, LLC (LPGC).

Background

On January 26, 2000, the California Energy Commission ("CEC") approved LPGC's petition to transfer ownership of the La Paloma Generating Project from LPGC to the Trust (Order No. 00-0126-02). Following a pending transfer of equity in LPGC discussed below, the Trust will be merged into LPGC which will become owner of the plant. Accordingly, this petition is necessary to transfer ownership of the generating project back to LPGC.

As was discussed in an April 27, 2004 letter to you, National Energy & Gas Transmission, Inc. ("NEGT"), formerly known as PG&E National Energy Group, Inc. has commenced a Chapter 11 proceeding under U.S. bankruptcy laws. NEGT has, in consultation with its main creditor constituencies, developed a reorganization plan in the bankruptcy proceeding that contemplates the transfer of the equity interest in LPGC to its lenders.

The bankruptcy court has approved the transfer of LPGC's equity interests from certain NEGT non-debtor subsidiaries to the secured lenders, interest hedge providers and lease equity investors in LPGC (the "Creditors"). On March 26, 2004, LPGC filed for approval of the proposed equity transfer with the Federal Energy Regulatory Commission ("FERC"). FERC authorized the transfer on May 27, 2004. The equity transfer is expected to close by the end of September 2004, but could occur later. After the transfer, the equity interests in LPGC will be held by the Creditors and/or their affiliates. After

the restructuring, and the merger of the Trust into LPGC, LPGC will be both owner and operator of the La Paloma Generating Plant.

Operational Relationship

To protect the Creditors' interests in their collateral, effective April 13, 2004, LPGC entered into an Operations and Maintenance Agreement with DTE La Paloma Operations, LLC ("DTE La Paloma"). As is typical in the power generation industry, DTE La Paloma will provide day-to-day operations and maintenance services at the plant. Under the terms of that agreement, LPGC retains the ultimate decision-making authority relating to the operation of the plant. LPGC will remain the holder of the CEC certificates and on-site management will remain the same.

We have attached a statement from an officer of LPGC (to become effective immediately upon closing of transfer of equity interest) attesting under penalty of perjury that LPGC understands the CEC conditions of certification, is responsible for compliance with the conditions, and agrees to continue to comply with those conditions.

Request

For the foregoing reasons, LPGC requests that the Commission approve the transfer of ownership of the La Paloma Generating Project from La Paloma Generating Trust, Ltd to the La Paloma Generating Company, LLC effective on the date of closing of the transfer of equity interest. We will notify you of that date when closing occurs.

Please call either me at (661) 762-6005 or Zenis Walley at (661) 762-6003 if you have any questions regarding this petition.

Sincerely,

Tom Romesberg
General Manager
La Paloma Generating Plant

cc: Z. Walley R. Skinner K. Panczak Irwin Karp Bill Steiner (URS)
Brian Nelson (RW Beck) Kaleb Sanchez (Milbank)

DTE **La Paloma Operations, LLC**

September 17, 2004

Ms. Nancy Tronaas
Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814

Re: La Paloma Generating Project
Docket No. 98-AFC-2
Statement of La Paloma Generating Company, LLC

Dear Ms. Tronaas:

This statement is submitted in support of the La Paloma Generating Company, LLC's ("LPGC") Petition for Transfer of Equity Ownership of the above-referenced project.

Upon the closing of transfer of equity interest in LPGC, and the merger of La Paloma Generating Trust Ltd. ("Trust") with LPGC, LPGC will be the owner of the La Paloma Generating Plant ("Plant"). LPGC has entered into an Operation and Maintenance Agreement ("Agreement") with DTE La Paloma Operations, LLC ("DTE") for the Plant. Under the terms of the Agreement, DTE is required to operate and maintain the Plant in compliance with all applicable requirements, which includes the California Energy Commission's Conditions of Certification adopted under Docket No. 98-AFC-2 and all subsequent orders amending those conditions . In addition, under the terms of the Agreement, LPGC retains ultimate decision-making authority relating to the operation of the Plant.

As an officer of LPGC, to become effective upon closing of transfer of equity interest, I hereby attest under penalty of perjury, that LPGC understands the Conditions of Certification, is responsible for compliance with those conditions, and will continue to comply with those conditions.

Gary S. Quantock
Vice President
La Paloma Generating Company, LLC
(effective immediately upon closing
of transfer of equity interest)