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RICHARD A. McCORMACK
President

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July 11, 2001

Commissioner Robert A. Laurie
California Energy Commission
1516 9th Street
Sacramento, CA 95814

Subject: Chula Vista II Peaker Power Plant

Dear Commissioner Laurie:

It is with regret that I write to inform you that RAMCO, Inc. (RAMCO) has decided not to proceed with the subject Peaker Plant approved by the California Energy Commission (CEC) on June 13, 2001.

The California Independent System Operator's (CAISO) inability to assure RAMCO that it will be paid for services under its Summer Reliability Agreements (SRAs) with CAISO or to assign its obligations to a credit worthy entity has made further investment in California by RAMCO unsound and highly speculative. RAMCO was optimistic that the State Department of Water Resources (DWR) would provide the credit support for the ISO or assume CAISO's SRA contracts with RAMCO. Unfortunately, the DWR's June 8, 2001 letter to Terry Winter specifically rejected such support.

In order for RAMCO to proceed with the subject project, conditions would have to change such that RAMCO could expect to earn (consistent with performance) a reasonable return on its investment while dealing with a credit-worthy entity in an environment where the sanctity of contract exists. There is simply no evidence that we can see, even on the horizon, that would suggest conditions will improve to the point where RAMCO could once again consider investing in new power plants for California.

The CEC approval requires that the facility be operational by September 30, 2001. RAMCO would need to start construction immediately in order to meet this deadline. Since RAMCO requires regulatory and business conditions to change, as described above, before it would consider proceeding with construction, we do not believe that commercial operation by this date is possible, thus nullifying the CEC approval.

I would like to thank the Commission and its staff for the effort put forth to expedite the licensing of this facility. It is unfortunate that the hard work of the Commission and RAMCO has been negated by these circumstances.

Sincerely,

Richard McCormack
President

Copy: Mr. Bob Eller
Mr. Dale Mesplé