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California Energy Commission
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Subject: Extension Request for the Application for Certification (02-AFC-2C) for the Black Rock 1, 2 And 3 Geothermal Power Project

CE Obsidian Energy LLC ("CE Obsidian") respectively requests a three-year extension to an existing amended license (referenced above) that was approved by the California Energy Commission on February 2, 2011. The amended license allows for the construction of a 159 MW geothermal energy plant near the Salton Sea in Imperial County. The proposed extension request is from December 18, 2011, to December 18, 2014.

The currently approved license was revised and approved February 2, 2011. However, the license was extended only through December 18, 2011, via a request submitted November 12, 2007. Due to circumstances beyond the control of CE Obsidian, it is extremely unlikely that we can commit to begin construction of the plant by December 2011. The primary challenges involved, which have delayed project progress, have been resolution of electrical transmission with the Imperial Irrigation District ("IID"), and obtaining a power purchase agreement.

Recently, CE Obsidian signed a generator interconnection agreement with the IID and made a down payment for transmission system improvement costs of approximately $1.7 million. CE Obsidian is earnestly pursuing a transmission service agreement with IID, which is also required to allow transmission of the plant's electrical generation capacity. The last transmission challenge to overcome is the schedule associated with final financial commitments by all other power generation projects within the IID cluster to contribute their identified share required transmission system improvements. Currently, confirmation of final cost and IID cluster participants are not expected to be received until February 28, 2012. CE Obsidian will pursue project financing after a solid commitment by the IID is in place to build the necessary transmission infrastructure.

The second challenge to overcome prior to CE Obsidian pursuing financing is to obtain a power purchase agreement for the sale of electricity from Black Rock 1, 2 and 3 Geothermal Power Project. CE Obsidian is actively participating in a selection process by three separate investor-owned utilities. It may take until March 2012 to reach agreement on any one of these. Following a

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signed agreement, the contracting entities will submit the contract to the California Public Utilities Commission ("CPUC") for approval, which can take six or more months to complete. CE Obsidian does not expect to close on project financing until the CPUC approves the power purchase agreement. We anticipate that CPUC approval may occur in November 2012.

CE Obsidian continues to pursue the project as viable and remains focused on achieving the critical path of the schedule. Current business conditions have been considered in setting the requirement to obtain a power purchase agreement approval by the CPUC and a firm cost commitment transmission agreement with IID prior to requesting project financing. Based on the known schedule of the approvals and agreements as well as the associated variables strictly outside CE Obsidian's control, we are requesting the permit be extended for three years.

Given the critical importance of developing new energy supplies in California, especially for facilities that involve the generation of renewable, environmentally responsible electricity, we believe that an extension of the permit is clearly in the best interest of all Californians. As such, we respectfully request that the California Energy Commission consider extending the permit for the Black Rock 1, 2 And 3 Geothermal Power Project for three years, from December 18, 2011, to December 18, 2014. We believe that this extension will allow us to successfully overcome the project challenges that have prevented the construction of the new generation facility to date.

We are anxious to discuss this matter with you and your staff in greater detail, and I urge you to contact me at your earliest convenience.

Sincerely,

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cc: Doug Kusyk
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file L.1.012