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January 17, 2006

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VIA E-MAIL AND U.S. MAIL

Joe Desmond, Chairman
California Energy Commission
1516 9th Street, MS-32
Sacramento, CA 95814

Jacklayne Pfannenstiel, Commissioner
California Energy Commission
1516 9th Street, MS-31
Sacramento, CA 95814

Arthur H. Rosenfeld, Commissioner
California Energy Commission
1516 9th Street, MS-35
Sacramento, CA 95814

James D. Boyd, Commissioner
California Energy Commission
1516 9th Street, MS-34
Sacramento, CA 95814

John L. Geesman, Commissioner
California Energy Commission
1516 9th Street, MS-31
Sacramento, CA 95814

**Re: El Segundo Power Redevelopment Project, 00-AFC-014
Response Comments to Staff's Complaint for Compliance Violation**

Dear Commissioners:

El Segundo Power II LLC ("ESP II") provides these brief comments regarding Staff's proposed complaint against the El Segundo Power Redevelopment Project ("ESPR") and ESP II and the first deposit of \$250,000 required by Condition of Certification, Biology-1 ("BIO-1"). Today, January 17, 2006, ESP II deposited \$250,000 in the general account for the Santa Monica Bay Restoration Foundation ("Bay Foundation") and, as such, believes it has complied with the essence of BIO-1.

BIO-1, however, requires that the money be placed in trust for the "Santa Monica Bay Restoration Commission" ("Bay Commission," emphasis added), which is a separate and distinct entity from the Bay Foundation. ESP II deposited the funds with the Bay Foundation because the Bay Commission is not capable of receiving or utilizing such funds and because the Bay Foundation is the logical entity to handle the funds, conduct additional fundraising, and use the

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funds as directed by either the CEC or the Bay Commission. However, ESP II is not certain whether the Bay Commission can, in fact, direct the Bay Foundation as to how to utilize the funds, or merely request them to do so. In any case, ESP II feels that the Bay Foundation is the ideal entity to hold the funds in trust and carry out the goals of BIO-1. Since there will be a hearing regarding BIO-1 tomorrow, January 18, 2006, this might be the best time to confirm that the Bay Foundation is considered the equivalent of the Bay Commission for purposes of BIO-1.

NRG Energy Inc. has recently entered into a transaction to purchase Dynegy Inc.'s interest in those California assets jointly owned by the two companies. Negotiations and completion of the this transaction were occurring at the same time BIO-1 issues were pending. While certainly no excuse, ESP II can only apologize and commit to compliance with all Conditions of Certification, including BIO-1, in a timely manner going forward. In completing the transaction, NRG Energy, the parent of ESP II, has shown a commitment to California that few, if any, other energy companies are showing or are capable of showing at this time. NRG Energy believes that needed reforms are underway in California, which will strengthen the function and reliability of the California electricity market.

ESP II looks forward to obtaining sufficient long term commitment from California or its electricity service providers so that ESPR can be constructed as soon as possible. ESP II also looks forward to a positive relationship with the CEC and its Staff in moving the ESPR project forward.

Very truly yours,

A handwritten signature in black ink that reads "John A. McKinsey". The signature is written in a cursive, flowing style.

John A. McKinsey