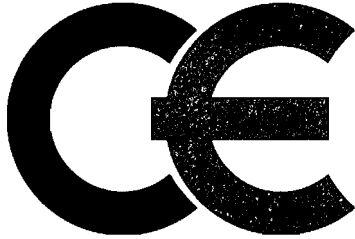


DOCKET

98-AFC-8C

DATE APR 12 2010

RECD. APR 13 2010



La Paloma Generating Company, LLC

April 12, 2010

Mary Dyas
Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS 2000
Sacramento, CA 95814

Re: Transfer of Indirect Ownership of La Paloma Generating Company, LLC

Dear Ms. Dyas:

Pursuant to California Code of Regulations, Title 20, Section 1769(b), La Paloma Generating Company, LLC ("LPGC") hereby notifies the California Energy Commission ("Commission") that indirect ownership of the La Paloma Generating Project, a 1,022 MW combined cycle generating facility located near McKittrick, California (the "Project") is expected to be transferred.

Background

LPGC is the direct owner of the Project and is currently wholly owned by La Paloma Acquisition Co, LLC ("La Paloma Acquisition"). CEH/La Paloma Holding Company, LLC ("CEH/La Paloma Holding") owns 60 percent of the voting interests in La Paloma Acquisition, with the remaining 40 percent held by various institutional investors. CEH/La Paloma Holding entered into that certain Note Purchase Agreement, dated as of August 16, 2005 (as amended, restated, supplemented or otherwise modified from time to time, the "Note Purchase Agreement"), among CEH/La Paloma Holding, the Note Purchasers party thereto (the "Note Purchasers") and TCW Asset Management Company, as administrative agent on behalf of the Note Purchasers and other registered holders of the Notes issued pursuant thereto (collectively, the "Note Holders") (TCW Asset Management Company, in such representative capacity, in such representative capacity, "Agent" and, together with the Note Holders, collectively, the "Note Parties"). In connection with the Note Purchase Agreement, CEH/La Paloma Holding and certain of its affiliates entered into various security agreements, pledge agreements and other financing-related documents with the Note Parties (collectively, the "Note Documents"). The

Note Holders are presently comprised of (i) various funds and trusts managed and advised by Agent or certain of its affiliates and (ii) Morgan Stanley & Co. Incorporated.

CEH/La Paloma Holding has defaulted on its obligations under the Note Purchase Agreement, which, pursuant to the terms of the Note Documents, entitles the Note Parties to, among other things, foreclose on the equity interests held by CEH/La Paloma Holding in La Paloma Acquisition.¹ The Note Parties have determined that it is in the best economic interest of LPGC and the Note Parties to consummate the enforcement action described herein (“Transaction”) as soon as legally possible. Following the Transaction, one or more special purpose vehicles owned by one or more of the Note Parties will hold, in the aggregate, 56.5% of the equity interests of La Paloma Acquisition. For your information, Attachment A-1 hereto reflects the La Paloma Pre-Transaction Organization Chart and Attachment A-2 hereto reflects the expected La Paloma Post-Transaction Organization Chart. Authorization for the Transaction was issued by the Federal Energy Regulatory Commission on January 4, 2010 and the Transaction is expected to be consummated on or before May 3, 2010.

Operational Relationship

The current operator of the Project is CEP La Paloma Operating Company LLC. There is expected to be no change in the operator of the Project in connection with the consummation of the Transaction. However, all of the equity interests held indirectly by Complete Energy Holdings, LLC (the ultimate parent of CEH/La Paloma Holding) in CEP La Paloma Operating Company LLC are pledged in favor of the Note Parties. Under the terms of the Note Documents, the Note Parties are entitled, and expect, to foreclose on such equity interests, and as a result, control over CEP La Paloma Operating Company will transfer from Complete Energy Holdings, LLC to the Note Parties.

* * *

Pursuant to Section 1769(b)(1)(C), as an officer of LPGC, I hereby attest, under penalty of perjury, under the law of the State of California, that the contents of this notice are truthful and accurate to the best of my knowledge and belief.

Very truly yours,

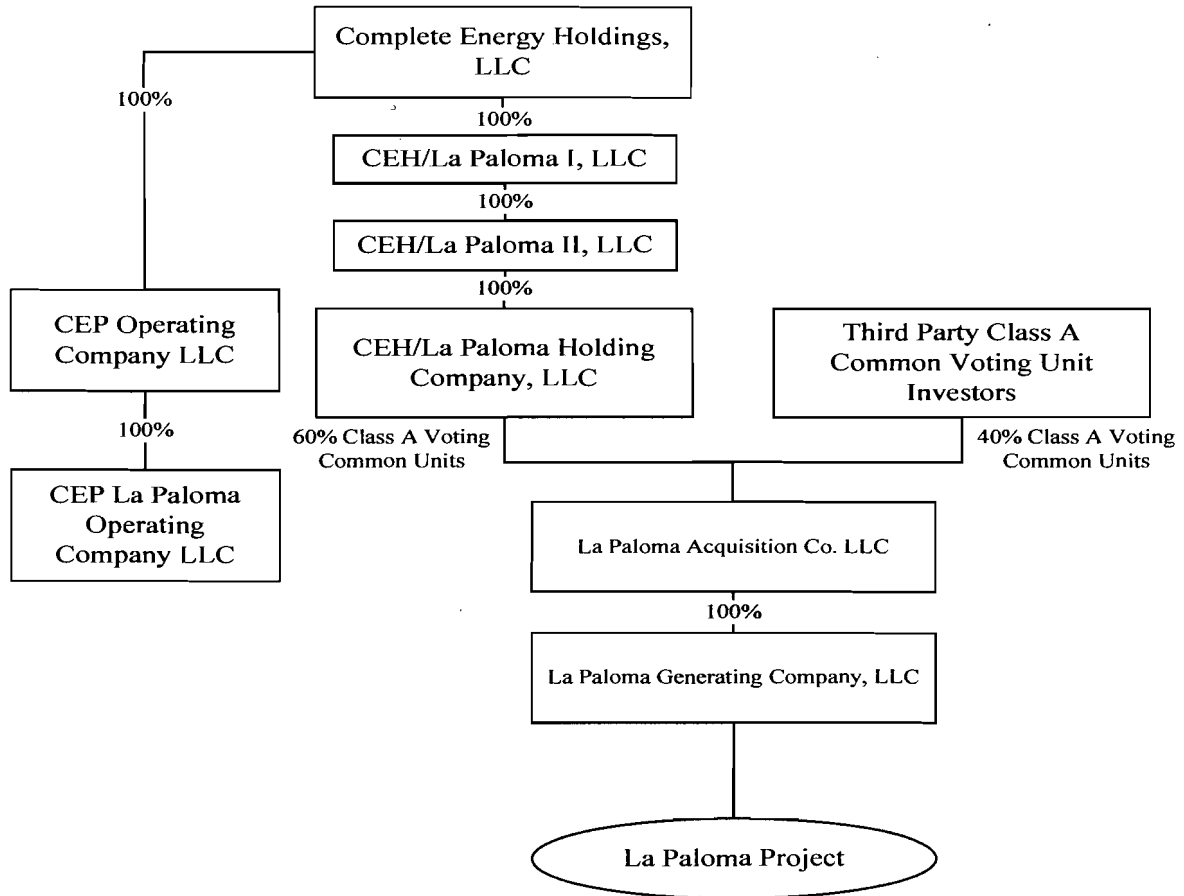


Lori A. Cuervo
Authorized Officer

cc: John Decker, Esq., Vinson & Elkins LLP

¹ In addition, all of the equity interests held indirectly by Complete Energy Holdings, LLC (the ultimate parent of CEH/La Paloma Holding) in CEP La Paloma Operating Company LLC are pledged in favor of the Note Parties. Under the terms of the Note Documents, the Note Parties are entitled, and expect, to foreclose on such equity interests. CEP La Paloma Operating Company LLC is the manager of each of LPGC and La Paloma Acquisition under the terms of the limited liability company agreements of each such company. CEP La Paloma Operating Company is also presently the operator of the Project.

La Paloma Pre-Transaction Organization Chart



La Paloma Post-Transaction Organization Chart

