

NH DEPT OF
ENVIRONMENTAL SERVICES

NOV - 3 2008

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Orr&Reno
Professional AssociationOne Eagle Square, P.O. Box 3550
Concord, NH 03302-3550
Telephone 603.224.2381
Facsimile 603.224.2318
www.orr-reno.com

October 30, 2008

Judith A. Fairclough
(Of Counsel)
Maureen D. Smith
(Of Counsel)Thomas S. Burack, Chairman
Site Evaluation Committee
P.O. Box 95
29 Hazen Drive
Concord, NH 03302-0095**Re: Granite Ridge Energy, LLC
Delay in Auction Sale Process**

Dear Commissioner Burack:

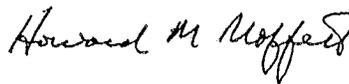
This letter is in follow-up to our letters of August 8 and September 12 regarding the proposed auction sale of equity (membership) interests in Granite Ridge Energy, LLC ("GRE"), which owns the 720-MW combined cycle gas turbine Granite Ridge power plant in Londonderry.

The GRE management team worked with several interested parties as they deliberated on the possible purchase of the asset. However due to the significant change in the credit markets the potential buyers valuations changed significantly.

GRE has continued its discussions with the potential buyers who remain interested in completing a purchase, but in light of the current uncertainty in the financial markets, GRE and the potential purchasers have agreed to slow the process down until the markets show some greater degree of stability. At this point, we expect that it may be several months before the parties resume negotiations which could lead to a sale.

We will keep you informed of any significant developments. If you have any questions in the meantime, please do not hesitate to contact us.

Sincerely yours,



Howard M. Moffett

HMM:kjc

cc: Jim Carlton, Granite Ridge Energy, LLC
David Caron, Londonderry Town Manager

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Judith A. Fairclough
(Of Counsel)

September 12, 2008

William L. Chapman
George W. Roussos
Howard M. Moffett
James E. Morris
John A. Malmberg
Martha Van Oot
Douglas L. Patch
James P. Bassett
Emily Gray Rice
Steven L. Winer
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Justin M. Boothby
Heidi S. Cole
Jeremy D. Eggleton

Thomas S. Burack, Chairman
Site Evaluation Committee
P.O. Box 95
29 Hazen Drive
Concord, NH 03302-0095

Re: Granite Ridge Energy, LLC
Status of Auction Sale Process

Dear Commissioner Burack:

As you know from our earlier letters, the owners of Granite Ridge Energy, LLC ("GRE"), the 720-MW combined cycle gas turbine Granite Ridge power plant in Londonderry have initiated a process to divest the equity interests of GRE in a private auction sale. The purpose of this letter is to give you a status update on the auction sale process.

The GRE Board of Directors, working with Merrill Lynch, completed an initial bid round in late August, and selected a small group of second-round bidders. As of today, GRE has completed management presentations to the second round bidders at the plant in Londonderry and is now in the process of addressing final information requests and presenting the final bidders with a proposed purchase and sale agreement ("PSA").

GRE expects to select a purchaser and negotiate a final PSA during the last week of September. We anticipate filing a joint application (with the purchaser) with the Site Evaluation Committee in early October. We expect to pre-file testimony on the purchaser's managerial, technical, and financial qualifications with the application. Our intent is to provide the SEC with a complete package of information to allow your committee to complete its review as promptly as practicable.

Mr. Thomas S. Burack, Chairman
September 12, 2008
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We will keep you informed as we move into the final phase of the sale process. In the meantime, if you would like any further information, please do not hesitate to contact me.

Sincerely yours,



Howard M. Moffett

HMM:kjc

cc: James Carlton, Granite Ridge Energy, LLC
Michael Iacopino, Esquire

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State of New Hampshire
Site Evaluation Committee

<http://nhsec.state.nh.us>

P. O. Box 95

29 Hazen Drive

Concord, New Hampshire

03302-0095

Telephone (603) 271-3503

Fax (603) 271-2867



Thomas S. Burack, Esquire
Chairman

Thomas B. Getz, Esquire
Vice-Chairman

August 28, 2008

Howard M. Moffett, Esq.
Orr & Reno, Professional Association
One Eagle Square, P.O. Box 3550
Concord NH 03302-3550

Re: Granite Ridge Energy, LLC

Dear Mr. Moffett:

I received and acknowledge your letter dated August 8, 2008, concerning a change in ownership structure of Granite Ridge Energy, LLC (formerly known as AES Londonderry, LLC). Your letter has also been forwarded to each member of the New Hampshire Site Evaluation Committee.

Granite Ridge, LLC, is the holder of a Certificate of Site and Facility (Certificate) to construct and operate a 720 MW combined cycle natural gas fired power plant and associated facilities. See, SEC Docket No. 1998-02. The plant itself is located in the Ecological Industrial Park, Londonderry, N.H. The associated facilities are located in Litchfield and Manchester, N.H. Granite Ridge Energy, LLC, is presently owned by a consortium of lenders that obtained ownership of Granite Ridge Energy, LLC as the result of a voluntary foreclosure process in 2004. The present owners of the equity in Granite Ridge Energy, LLC, are Cargill Financial Services Corporation I, Merrill Lynch Credit Products, Inc., Stonehill Institutional Partners, LP, KSCH Energy V Limited and TPG Credit Opportunities Fund LP.

In your letter you advise that the lenders who own Granite Ridge, LLC, wish to once again create a holding company entity to take direct, equity ownership of Granite Ridge Energy, LLC. The equity in the proposed holding company would remain with the current owners in shares that may, from time to time, be adjusted. Your letter indicates that the purpose behind this re-organization is to better facilitate an auction sale or refinancing of Granite Ridge Energy, LLC.

The proposal contained in your letter does not involve a transfer of the Certificate of Site and Facility for the project, which will remain with Granite Ridge Energy, LLC. Likewise, the proposal does not involve a substantive change in ownership as the current owners of Granite Ridge, LLC will continue to hold the equity interest in the new holding company. Additionally, I note that you apprised the Site Evaluation Committee of this possibility in your correspondence of October 30, 2007. The

Howard M. Moffett, Esq.
Granite Ridge Energy, LLC
August 28, 2008
Page 2 of 2

proposed change in ownership structure does not appear to require any action by the Site Evaluation Committee and none, save this acknowledgement, will be taken.

Nevertheless, please remember that the Site Evaluation Committee maintains the authority and jurisdiction to monitor and enforce the terms and conditions of the Certificate granted to Granite Ridge Energy, LLC, pursuant to R.S.A. 162-H: 4, and the terms of the Certificate itself. Any future changes in ownership or any attempt to transfer the Certificate itself are subject to approval by the Site Evaluation Committee.

Thank you for bringing this change in ownership structure to our attention.

Very truly yours,



Thomas S. Burack, Chairman
N.H. Site Evaluation Committee

cc: SEC roster

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Professional Association

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Judith A. Fairclough
(Of Counsel)

August 8, 2008

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Thomas S. Burack, Chairman
Site Evaluation Committee
New Hampshire Department of Environmental Services
6 Hazen Drive, P.O. Box 95
Concord, NH 03302-0095

Re: Granite Ridge Energy, LLC

Dear Commissioner Burack:

We are writing to advise the Site Evaluation Committee ("SEC") of a technical change in the ownership structure of the Granite Ridge electric generating facility in Londonderry (though it represents no change in substantive ownership).

As you know, the immediate owner of the Granite Ridge plant and the holder of its Certificate of Site and Facility is Granite Ridge Energy, LLC ("GRE"), a Delaware limited liability company originally known as AES Londonderry, LLC and sometimes referred to as the "project company". At the request of the original developer, AES, in November 2004 the lenders who had financed the project took it over in a voluntary foreclosure, in which the membership (equity) interests in the project company were transferred from an AES subsidiary holding company (AES Londonderry Holdings, LLC) to a special purpose holding company formed and owned by the lenders (Granite Ridge I SPE, LLC). At that time, the project company's name was changed to Granite Ridge Energy, LLC. Following the transfer of ownership, the ultimate owners of the project were the lenders party from time to time to the Credit Agreement with the project company.

As you may recall, we wrote to you on October 30, 2007 to advise the SEC of a proposed restructuring plan in which, among other things, a large portion of GRE's debt to the lenders would be converted to equity, the intermediate holding company (Granite Ridge I SPE, LLC) would be eliminated so that ownership of GRE would be held directly by the lenders (or their special purpose affiliates), and a conventional five-member board of directors would be

Thomas S. Burack, Chairman
August 8, 2008
Page 2 of 2

put in place to manage GRE. The letter noted that under GRE's LLC Agreement, the GRE board of directors have the authority to create a holding company between the project company and the ultimate owners, without changing the substantive ownership of GRE.

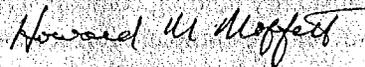
On November 28, 2007, you wrote to advise that the proposed restructuring would not be considered a change of substantive ownership requiring the prior approval of the SEC, and on January 31, 2008, we advised you that the restructuring had been effected as proposed, and identified the owners of the five largest equity interests in GRE, accounting for 80% of its equity.

Since then, as you know, the owners have decided to initiate a potential auction sale of the project. If a buyer is found on mutually agreeable terms, then the current owners would expect to file a joint application with the prospective purchaser seeking the SEC's approval for the transfer of ownership.

The owners have concluded that it would be advantageous to create a holding company in order to facilitate such a sale or, alternatively, a refinancing of the project company. Accordingly, GRE's Board has approved and on July 28, 2008 formed Granite Ridge Holdings, LLC, a Delaware limited liability company, to serve as the sole member of GRE. The holding company's membership interests are held by the ultimate owners, as shown on the two-page organization chart attached as Exhibit 1. (There has been one sale of a minority equity interest in GRE since our letter of January 30, 2008, with the result that the five largest equity owners, accounting for more than 80% of the ownership of GRE, are now CFSI (for Cargill Financial Services International) Corporation I, Merrill Lynch Credit Products, Inc., Stonehill Institutional Partners, LP, KSCH Energy V Limited, and TPG Credit Opportunities Fund, L.P.) GRE itself continues to hold the Certificate of Site and Facility.

We would be happy to answer any questions you may have concerning this non-substantive reorganization.

Sincerely yours,



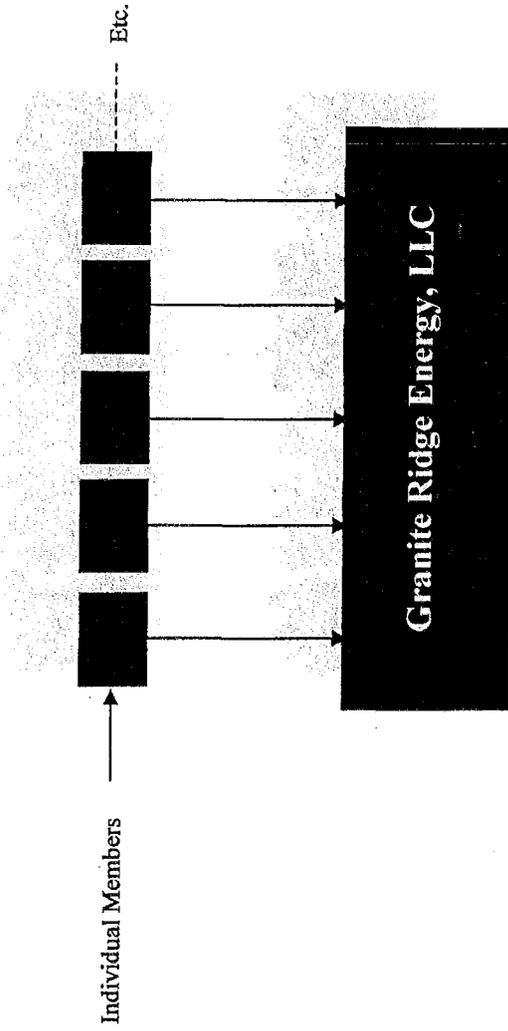
Howard M. Moffett

HMM:kjc
Enclosure

cc: James Carlton, Granite Ridge Energy, LLC
Michael Iacopino, Esquire

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Granite Ridge Energy, LLC Corporate Structure Pre-Reorganization



Post-Reorganization Granite Ridge Energy, LLC Corporate Structure

