

Judith A. Fairclough
(Of Counsel)

August 8, 2008

NH DEPT OF
ENVIRONMENTAL SERVICES

AUG 11 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
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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.

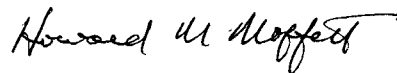
On November 28, 2007, you wrote to advise that the proposed restructuring would not be considered a change of substantive ownership requiring the prior approval of the SEC, and on January 31, 2008, we advised you that the restructuring had been effected as proposed, and identified the owners of the five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

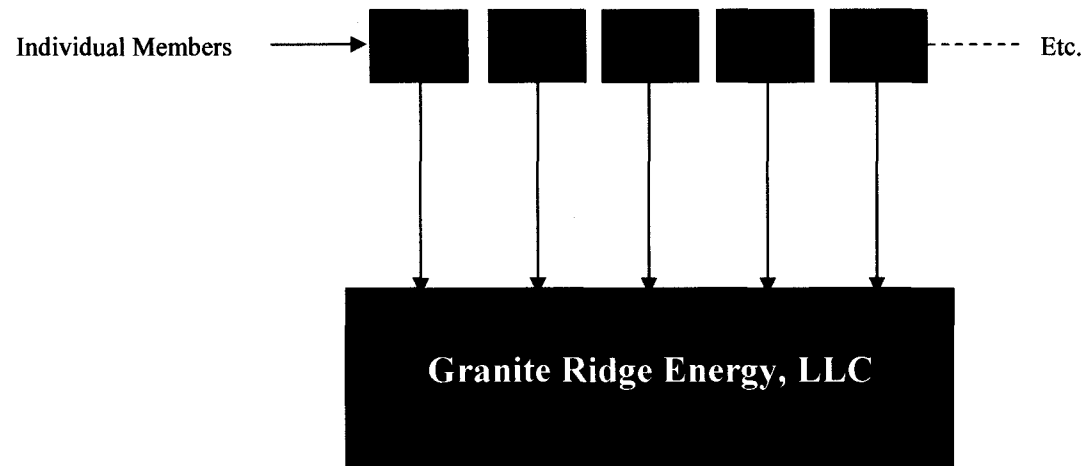
Sincerely yours,



Howard M. Moffett

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

Granite Ridge Energy, LLC Corporate Structure Pre-Reorganization



Post-Reorganization Granite Ridge Energy, LLC Corporate Structure

