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July 31, 2009

Mr. Daniel Barpal

Carson Bay Energy Holdings, LLC

Subject: Carson Bay Energy Holdings, LLC
Paul Creek Energy Center Project
Turnkey EPC Budgetary Proposal
Three (3) GE Frame 7FA Gas Turbine Generators

Gentlemen:

ProEnergy EPC Services appreciates the opportunity to submit this proposal to Engineer, Design, Purchase, Install, Start-up, Commission and Test on a Turnkey Basis the subject Power Generation Facility. This project can be commercial in less than 16-18 months from execution of an EPC Contract and receipt of a mutually agreed upon down payment. Carson Bay Energy Holdings, LLC's Project existing advantages include: an **existing Air Permit**, a high pressure **natural gas pipeline** near the site and immediate **access to a 500 KV** transmission line.

The long lead item appears to be the three (3) 500 KV GSUs, presently at 14 – 16 months. We have identified the **GSUs and have included them in our EPC Price**. A key to shortening the project schedule is the availability of **three (3) new, unused natural gas fueled GE Frame 7FA Gas Turbine Generators**. The facility will be capable of providing 469 MW at your site location in the simple cycle configuration with an expected heat rate of 9674 Btu/kwh (LHV). A future combined cycle addition will increase the output by 225 MW and improve the heat rate to approx. 6560 Btu/kwh (LHV).

We have attached a **Technical Scope Document** that clearly describes in detail what is included in this proposal. This is a fully operational and complete plant and assumes the Electric Utility provides the 500KV Substation, Dead End Tower(s) and other required Substation Equipment. The plant can be dispatched and operated as a "simple cycle unit" until such time as the combined cycle equipment is added. **Exhaust Stacks including Diverter Valves are included in the price** which eliminates having to shut down the plant for the future Combined Cycle conversion and for flexibility. It also allows each gas turbine to operate in simple cycle after the conversion.

The Budgetary Installed price including the (3) Gas Turbines is \$219.260 million (\$468/KW). This price includes transportation of all equipment to site, including the three (3) Gas Turbine Generator Packages and associated equipment. This price assumes that go-ahead is received from Carson Bay Energy Holdings, LLC within the next 60-90 days.

This offer is also based upon **ProEnergy Services being able to negotiate an associated O&M Services Agreement and LTSA with Carson Bay Energy Holdings, LLC.**

If you have any questions in this regard, please contact myself at (918)740-6047 or David Whisenhunt, President at (713)838-9400.

Respectfully Submitted



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Director Marketing and Operations

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