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GE Power Systems
Global Power Plant Systems
General Electric Company
One River Road, Schenectady, NY 12345
518-385-0663

May 9, 2001

Mr. Chris Booth
Enron Engineering & Construction Company
333 Clay Street, Suite 400
Houston, TX 77002-7361

Subject: 2 x7EA Peaker Project (Blue Dog Max)
Payment of Invoices

Reference: Enron letter dated 5/3/01

Dear: Chris:

The referenced letter stated that Enron was deducting an amount of \$536,500 from GE's invoice of May 25, 2001 as liquidated damages for late delivery of the Air Filter Housing for Unit 1. As you know, Enron has directed GE to place Unit 1 into storage. Article 5.5.2 of the subject contract states: "If such Equipment is directed by Purchaser to be placed in storage, including storage at the facility where manufactured, the following conditions shall apply: (1) for the purpose of assessing Liquidated Damages and final payment, Seller's delivery obligation shall be deemed fulfilled ...". Since direction to place Unit 1 into storage supercedes the contract requirement to which Delivery Liquidated Damages apply, namely, shipment of Unit 1 to the Delivery Point, GE requests that the May 25, 2001 invoice be paid in full.

Additionally, an amount of \$965,885 was withheld pending issuance of a lien release and a retention letter of credit. This requirement, as stated in Article 6.1.3, is for payment of the last 5% of the Purchase Amount. The Purchase Amount is defined in Article 5.1. To date we have billed only 77.3% of the Purchase Amount. Therefore GE requests that the April 25, 2001 invoice be paid in full.

Respectfully,

A handwritten signature in black ink, appearing to read 'Jeff Darst', with a stylized flourish at the end.

Jeff Darst
Project Manager