



March 7, 2001

Mr. Michael Stoddard
Clean Energy Funds Network
Clean Energy Group
50 State Street, 3rd Floor
Montpelier, VT 05602

Dear Michael;

Thank you for taking the time to talk with us last week. Again, our apologies for not providing you with specific feedback on your case study while it was under development, and our appreciation for your openness to receiving our comments at this date. We'd like to use this letter to capture the points made in our discussion.

We understand from our conversation that the primary goal of this Case Study was to provide accurate information about a wind project supported in part by NYSERDA funds, in order to help educate the 15 or so national competitive energy fund managers who make up the Clean Energy Funds Network. We are very supportive of this important goal and hope our comments are useful.

First, to correct a few factual errors:

- 1) All references to *Pure Wind*sm should include the service mark identification. As the owners of a pending trademark, we cannot knowledgeably allow *Pure Wind*sm to appear without proper service mark identification.
- 2) Ownership references to the Madison Project. The following is a legal description of the chain of ownership between PG&E Corp., PG&E National Energy Group and Madison Windpower LLC.

The windfarm is owned by Madison Windpower LLC. Madison Windpower LLC is owned by Madison Wind Power Corporation (99%) and PG&E Energy Holdings Inc. (1%). Both of these entities are indirectly owned by PG&E National Energy Group, which itself is an indirect subsidiary of PG&E Corporation. Pacific Gas and Electric Company, the California regulated utility, is also owned by PG&E Corporation, but has no direct or indirect ownership interest in any of Madison, Gen or NEG. Madison Windpower LLC was formed on December 8, 1998 and acquired by Madison Wind Power Corporation on December 21, 1999.

A shorthand approach (and the most accurate) would be to replace most references to PG&E Corp. and PG&E NEG with Madison Windpower LLC since it is the legal entity which secured financing and holds all contractual obligations for the project.

- 3) Although we were given the opportunity to review the Case Study, we are not prepared to be listed as having agreed to the final product. Many of the financial details and decisions that are subjects of this Case Study are competitive in nature. It is highly unlikely that any developer or owner would release specific financial information to public scrutiny, and therefore the anecdotes contained in the Case Study should be offered as just that. Its “greenness” notwithstanding, this emerging new business sector must still respect the competitive realities of the business world.

Notwithstanding this last point, we support your goal of educating the national clean energy funds managers. To this end, it is critically important that they see their responsibilities and influence as extending beyond the physical development of projects. Unless green markets for energy are developed, no amount of investment money will result in the sustained growth of this industry. We hope that any current and future discussion of the role that clean energy funds can play in the development of wind, renewables and clean energy will include both the intangible benefits which contribute to a project’s success (in both development and marketing stages) as well as the critical importance of environmental or renewable energy certificates (RECs) for both public policy and market benefits.

Intangible Benefits:

As in the development of all power plants, the role of the local community is critical to a wind project’s success. Regardless of size or environmental benefits, all development projects have impacts on surrounding areas. Wind projects in the East are especially challenged to match resource base with acceptable locale. However, it is possible to succeed in all respects: siting, permitting, local economies and infrastructure, media interest and environmental benefits. When projects take advantage of all these opportunities, they receive the type of support which Madison has enjoyed. This kind of approval has direct influence on an individual project’s marketing appeal, while also paving the way for acceptance of other similar projects.

It is critical to recognize these factors -- extensive public involvement, environmental outreach, local business support, regional sensitivities, media education, etc -- because they do not appear on the “typical” developer checklist, yet can have as much importance and financial impact as, say, turbine choice.

Importance of the Environmental Certificate Market:

No other emerging market vehicle has the opportunity to support development of new renewable resources, and to expand the emerging green market, as significantly as Environmental Certificates. If properly designed, certificates can form the common currency for many new markets including emissions trading, greenhouse gas mitigation, Renewable Portfolio Standard compliance, and verification of marketing claims. Certificates are also the only vehicle currently

March 19, 2001

Page 3

available which allow transactions of the environmental attributes of energy to occur in congested wholesale markets, and embryonic retail markets.

In the East Coast, where prime renewable project sites may not conform to power pool boundaries, certificates may allow new renewables to be built and sold in a manner supportive of environmental and clean air goals, renewable portfolio and green power standards and consumer accountability concerns. The flexibility of *Pure Wind*sm certificates – they may be sold separately as certificates or re-bundled with energy – has allowed us to offer creative solutions in an immature market.

We appreciate your reluctance to tackle the entire discussion of Environmental Certificates in this case study, but hope that any further discussion of emerging markets, wind, and roles that clean energy funds managers might play, will include a significant look at certificates.

Again, thank you for being open to this further discussion. We look forward to an ongoing dialogue with you and Lew.

Sincerely,

Jane Hotchkiss Gordy and Jean Hopkins