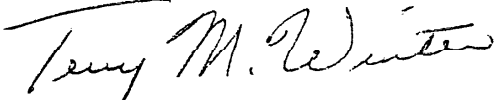


year under hot summer conditions. The overall ISO system load is growing at a minimum of 2 to 3 percent per year (920 to 1380 MW per year), adding to the projected deficiency. In high growth areas such as the Bay Area, the load growth is even higher (5 to 6 percent). The amount of new generation proposed to be on-line in the next two years will not be sufficient to cover our projected deficiency plus the load growth. Without the Metcalf Energy Center, there will be a greater deficiency of 600 MW starting in 2002.

Should shortages occur, the ISO could be forced to implement rolling blackouts of customers, such as occurred in the Greater San Francisco Bay Area on June 14, 2000. The ISO is committed to doing everything in our power to prevent these actions, such as providing financial incentives for installing temporary generation in key locations in deficient areas. New generation at Metcalf will be a permanent means to defer these extreme measures in the foreseeable future.

Please call me at (916) 351-2366 if you have any questions or if I can be of any further assistance.

Sincerely,



Terry M. Winter
President and Chief Executive Officer
California ISO

cc: Paul Richins (CEC)
Ken Abreu (Calpine Corporation)