

EXHIBIT NO. ____ (RG-14)
DOCKET NO. UE-07 ____
2007 PSE PCORC
WITNESS: ROGER GARRATT

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-07 ____

**THIRTEENTH EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF
ROGER GARRATT
ON BEHALF OF PUGET SOUND ENERGY, INC.**

MARCH 20, 2007

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

Calpine Corporation, et al.,

Debtors.

)
)
) Chapter 11
)
) Case No. 05-60200 (BRL)
) Jointly Administered
)

**ORDER (A) APPROVING BIDDING PROCEDURES AND OVERBID PROTECTIONS
IN CONNECTION WITH THE SALE OF THE GOLDENDALE PROJECT, (B)
APPROVING THE FORM AND MANNER OF NOTICE; (C) SCHEDULING AN
AUCTION AND SALE HEARING; AND (D) APPROVING PROCEDURES FOR
DETERMINING CURE AMOUNTS**

THIS MATTER is before the Court on the motion (the “Motion”)¹ [Docket No. 3158] dated November 14, 2006, of Goldendale Energy Center, LLC (the “Selling Debtor”) and Calpine Corporation (“Calpine”) for entry of an order, among other things: (i) establishing bidding procedures to sell the Purchased Interests (the “Bidding Procedures”); (ii) approving certain bid protections in connection therewith; (iii) scheduling an auction to sell the Purchased Interests (the “Auction”); (iv) scheduling the Sale Hearing; (v) approving the form and manner of notice of the Sale, the Bidding Procedures, the Auction and the Sale Hearing; (vi) establishing procedures for determining cure amounts in connection with the assumption and assignment of executory contracts and unexpired leases; and (vii) granting other related relief. After due deliberation and having determined that the relief requested in the Motion is in the best interests of the Selling Debtor, Calpine and their respective estates,

¹ Unless otherwise stated, all capitalized terms not defined herein shall have the same meaning as set forth in the Membership Interests Purchase Agreement, dated as of November 3, 2006 (the “MIPA”), by and between the Selling Debtor and Puget Sound Energy, Inc. (the “Purchaser”) and the Motion, as applicable.



THE COURT HEREBY FINDS THAT:²

A. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. § 1334. This proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief requested herein are sections 105(a), 363(b) and (f), 365, 503 and 507 of title 11 of the United States Code (the “Bankruptcy Code”) and Rules 2002(a)(2), 6004(a), (b), (c), (e) and (f), 6006(a) and (c), 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

C. Notice of the Motion, having been given to (i) the United States Trustee for the Southern District of New York; (ii) counsel to the Creditors’ Committee; (iii) counsel to the administrative agents for the Debtors’ prepetition secured lenders; (iv) counsel to the ad hoc committee; (v) the indenture trustees pursuant to the Debtors’ secured indentures; (vi) counsel to the Debtors’ postpetition lenders; (vii) counsel to the Equity Committee; (viii) all parties that have requested special notice pursuant to Bankruptcy Rule 2002; (ix) the Purchaser and its counsel; (x) all persons or entities known or reasonably believed to have asserted a Lien on any of the Acquired Assets or the Purchased Interests; (x) the counterparties to each of the Assigned Contracts; and (xi) all persons or entities known or reasonably believed to have expressed an interest in acquiring the Acquired Assets, is sufficient in light of the circumstances and the nature of the relief requested herein.

² The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

D. The Selling Debtor and Calpine have articulated good and sufficient reasons for this Court to grant the relief requested in the Motion regarding the sales process, including, without limitation, (i) approval of the Bidding Procedures and, under the circumstances described herein, the Break-Up Fee; (ii) determination of final Cure Amounts (as defined below) in the manner described herein; and (iii) approval and authorization to serve the Sale Notice (as defined below).

E. The Break-Up Fee to be paid under the circumstances described herein and in the MIPA to the Purchaser is (i) an actual and necessary cost and expense of preserving the Selling Debtor's estate within the meaning of sections 503(b) and 507(a)(2) of the Bankruptcy Code, (ii) commensurate to the real and substantial benefit conferred upon the Selling Debtor's estate by the Purchaser, (iii) reasonable and appropriate, in light of the size and nature of the proposed sale transaction and comparable transactions, the commitments that have been made and the efforts that have been and will be expended by the Purchaser, and (iv) necessary to induce the Purchaser to continue to pursue the sale transaction and to continue to be bound by the MIPA.

F. The Break-Up Fee also induced the Purchaser to submit a bid that will serve as a minimum floor bid on which the Selling Debtor, its creditors and other bidders may rely. The Purchaser has provided a material benefit to the Selling Debtor and its creditors by increasing the likelihood that the best possible price for the Purchased Interests will be received. Accordingly, the Bidding Procedures and the Break-Up Fee are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Selling Debtor's estate.

G. The Sale Notice (annexed hereto as **Exhibit B**) is reasonably calculated to provide all interested parties with timely and proper notice of the Sale, the Sale Hearing and the Auction.

H. The Sale Notice, together with the Motion (to the extent such Motion seeks approval of the sale transactions and the assumption and assignment of the Assigned Contracts contemplated in the MIPA, the “Sale Motion”), are reasonably calculated to provide all counterparties to the Assigned Contracts with proper notice of the potential assumption and assignment of their executory contract or unexpired lease and any Cure Amounts (as defined below) relating thereto.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Bidding Procedures, substantially in the form attached hereto as **Exhibit A**, are hereby approved. The Selling Debtor is authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures.
2. All objections to the relief requested in the Motion relating to the sales process that have not been withdrawn, waived, or settled as announced to the Court at the hearing on the Motion or by stipulation filed with the Court, are overruled except as otherwise set forth herein.
3. The Sale Notice, substantially in the form attached hereto as **Exhibit B**: (a) is hereby approved; and (b) shall be served within five (5) business days of entry of this Order, upon (i) the United States Trustee for the Southern District of New York; (ii) counsel to the Creditors’ Committee; (iii) counsel to the administrative agents for the Debtors’ prepetition secured lenders; (iv) counsel to the ad hoc committee; (v) the indenture trustees pursuant to the Debtors’ secured indentures; (vi) counsel to the Debtors’ postpetition lenders; (vii) all known creditors of the Selling Debtor as identified in Schedules D through G of the Selling Debtor’s Schedules of Assets and Liabilities and any other party that has filed a proof of claim against the Selling Debtor; (viii) the Securities and Exchange Commission; (ix) all taxing authorities having jurisdiction over any of the Acquired Assets or the Purchased Interests, including the Internal Revenue Service and the

Department of Revenue of the State of Washington; (x) any pension fund or multiemployer pension plan to which the Debtors have made contributions; (xi) the United States Department of Justice; (xii) counsel to the Equity Committee; (xiii) all parties that have requested special notice pursuant to Bankruptcy Rule 2002; (xiv) the Purchaser and its counsel; (xv) all persons or entities known or reasonably believed to have asserted a Lien on any of the Acquired Assets or the Purchased Interests; (xvi) the counterparties to each of the Assigned Contracts; (xvii) all persons or entities known or reasonably believed to have expressed an interest in acquiring the Acquired Assets; (xviii) the Attorney General in the State where the Acquired Assets are located; (xix) the United States Environmental Protection Agency; (xx) the Washington Department of Ecology; (xxi) all persons or entities known or reasonably believed to have asserted a claim or interest related to the Additional Real Property or the Additional Real Property Farming Lease; (xxii) all parties in the action Estate of Jones v. Calpine Corp. filed on June 11, 2003 in the United States District Court for the Western District of Washington, including the estates of Darrell Jones and Cynthia Jones; and (xxiii) all parties that have provided credit support on behalf of the Selling Debtor.

4. The Sale Notice shall, among other things (i) identify the potential Assigned Contracts, (ii) specify the Cure Amounts necessary to assume and assign such Assigned Contracts in accordance with the MIPA, and (iii) state that failure to timely object to the proposed assumption and assignment and/or the Cure Amount shall constitute deemed consent to such assumption and assignment and Cure Amount.

5. On or before ten (10) business days of entry of this Order, the Selling Debtor shall publish the Publication Notice, substantially in the form of Exhibit C attached hereto, in the National Edition of The Wall Street Journal and The Seattle Times.

6. As further described in the Bidding Procedures, the Selling Debtor shall conduct the Auction on February 5, 2007, if a Qualifying Bid (as defined in the Bidding Procedures) is timely received.

7. The Break-Up Fee as set forth in the MIPA is hereby approved. If the Purchaser becomes entitled to receive the Break-Up Fee in accordance with the terms of the MIPA, then the Purchaser shall be, and hereby is, granted an allowed administrative claim in the Selling Debtor's chapter 11 case in an amount equal to the Break-Up Fee, under sections 503(b) and 507(a)(2) of the Bankruptcy Code and such Break Up Fee shall be paid upon consummation, and from the proceeds, of the Alternative Transaction.

8. The Break-Up Fee shall be the exclusive remedy of Purchaser and its Affiliates for any termination of the MIPA pursuant to Section 13.5 of the MIPA. In no event shall the Selling Debtor or any of its respective Affiliates or Related Persons have any liability with respect to the Purchaser or any other Person under the MIPA in excess of the Break-Up Fee in the event that the MIPA terminates pursuant to Section 13.5 of the MIPA, and any claim, right or cause of action by the Purchaser or any other Person against the Selling Debtor or their respective Affiliates or Related Persons in excess of the applicable Break-Up Fee shall be deemed, and is hereby, fully waived, released and forever discharged.

9. In no event shall either Party or their respective Affiliates have any liability to the other party or any other Person for any special, consequential or punitive damages, and any such claim, right or cause of action for any damages that are special, consequential or punitive shall be deemed, and is hereby, waived, released and forever discharged.

10. The Selling Debtor is authorized and directed, without further action or order by the Court, to pay the Break-Up Fee in accordance with the terms and conditions of the MIPA and this Order.

11. No person or entity, other than the Purchaser, shall be entitled to any expense reimbursement, break-up fee, “topping,” termination or other similar fee or payment.

12. Any counterparty to an Assigned Contract that wishes to obtain adequate assurance information regarding other bidders that will or may participate at the Auction (other than the Purchaser) must notify the Selling Debtor in writing, c/o Kelly K. Frazier, Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, CA 90017, on or before January 15, 2007 (the “Request for Adequate Assurance”). The Request for Adequate Assurance must include an email and/or address to which a response to such information request can be sent.

13. If a counterparty to an Assigned Contract does not (i) properly object to the applicable Cure Amounts and/or adequate assurance of future performance by the Purchaser on or before January 29, 2007 (the “Cure Objection Deadline”); (ii) set forth a specific default in any executory contract or unexpired lease; and (iii) claim a specific monetary amount that differs from the amount (if any) specified by the Selling Debtor and Calpine in the Sale Notice, the Court shall enter an order deeming the amount set forth in the Sale Notice to be the actual Cure Amount payable under section 365 of the Bankruptcy Code and forever barring such counterparty from objecting to adequate assurance of future performance if the Purchaser is the successful bidder and to the Cure Amounts and from asserting any additional cure or other amounts against the Debtors, their estates, New LLC and the Purchaser with respect to its executory contract(s) or unexpired lease(s).

14. If a counterparty to an Assigned Contract timely submits a Request for Adequate Assurance, the Selling Debtor shall serve such counterparty with any non-confidential information relating to adequate assurance received by the Selling Debtor as provided in the Bidding Procedures by email and/or overnight delivery on January 30, 2007. A counterparty to an Assigned Contract that timely submits a Request for Adequate Assurance shall have until 5:00 pm (prevailing Eastern Time) on February 2, 2007 by which to file an objection to adequate assurance of future performance by other bidders (other than the Purchaser).

15. If the Purchaser is not the successful bidder at the Auction and if a counterparty to an Assigned Contract does not timely submit a Request for Adequate Assurance and does not timely object to adequate assurance of future performance by other bidders on or before February 2, 2007, the Court may enter an order forever barring such counterparty from objecting to adequate assurance of future performance.

16. Except as may otherwise be agreed to by the parties to an Assigned Contract, at or prior to the Closing, the Selling Debtor and Calpine, as applicable (directly or through Purchaser), shall cure those defaults under the Assigned Contracts that need to be cured in accordance with section 365(b) of the Bankruptcy Code, by (a) payment of the undisputed Cure Amounts, and/or (b) reserving amounts with respect to the disputed Cure Amounts.

17. Objections, if any, to the proposed assumption and assignment of the Assigned Contracts, including, but not limited to, objections relating to the Cure Amount and/or adequate assurances of future performance, must (a) be in writing; (b) state with specificity the nature of such objection and the alleged Cure Amount (with appropriate documentation in support thereof); (c) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules of this Court; and (d) be filed with this Court and served upon (so as to be received by) the following

parties (collectively, the “Notice Parties”) on or before 4:00 p.m. (prevailing Eastern time) on January 29, 2007: (a) counsel to the Debtors, Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, CA 90017, Attn.: Bennett L. Spiegel, Kelly K. Frazier; (b) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn.: Paul Schwartzberg, Esq., (c) counsel to the Unofficial Committee of Second Lien Debtholders, Paul Weiss Rifkind Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019-6064, Attn.: Alan W. Kornberg, Andrew N. Rosenberg, Elizabeth R. McColm; (d) counsel to the Official Committee of Unsecured Creditors, Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, New York 10022-2524, Attn.: Michael S. Stamer, Philip C. Dublin, Alexis Freeman; (e) counsel to the Official Committee of Equity Security Holders, Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York 10004, Attn.: Matthew Gluck; and (f) counsel to the Purchaser, LeBoeuf Lamb Greene & MacRae LLP, 125 West 55th Street, New York, New York, Attention: John G. Klauberg.

18. Any party failing to timely file an objection to the Cure Amounts set forth in the Sale Notice or the proposed assumption and assignment of the Assigned Contracts shall be forever barred from objecting to the Cure Amounts and from asserting any additional cure or other amounts against the Debtors, their estates, New LLC and the Purchaser with respect to its executory contract(s) or unexpired lease(s) and will be deemed to consent to the Sale and the proposed assumption and assignment of its executory contract(s) or unexpired lease(s).

19. Where a party to an Assigned Contract files a timely objection asserting a higher cure amount than the Cure Amount and the parties are unable to consensually resolve the dispute prior to the Sale Hearing, the amount to be paid under section 365 of the Bankruptcy Code with

respect to such objection will be determined at the Sale Hearing or such other date and time as may be fixed by this Court. All other objections to the proposed assumption and assignment of the Assigned Contracts will be heard at the Sale Hearing.

20. The Sale Hearing will be conducted on February 7, 2007 at 10:00 a.m. (prevailing Eastern time). The Selling Debtor will seek the entry of an order of this Court at the Sale Hearing approving and authorizing the Sale to the Purchaser or the highest and best offer at the Auction, as applicable, on terms and conditions consistent with the MIPA, as may be amended and modified. The Sale Hearing may be adjourned or rescheduled without notice other than by an announcement of the adjourned date at the Sale Hearing.

21. Objections, if any, to the relief requested in the Sale Motion must: (a) be in writing and filed with this Court; (b) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules; and (c) be served upon (such as to be **received** by) the Notice Parties **on or before 4:00 p.m. (prevailing Eastern time) on January 29, 2007**. The Committees reserve their rights, and shall hereby be permitted, to file supplemental objections with respect to issues arising from and in connection with the Auction proceedings by no later than 5:00 p.m. (prevailing Eastern time) on February 6, 2007.

22. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

23. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

24. The requirement set forth in Local Rule 9013-1(b) that any motion or other request for relief be accompanied by a memorandum of law is hereby deemed satisfied by the contents of the Motion or otherwise waived.

25. To the extent that this Order is inconsistent with any prior order or pleading with respect to the Motion in these cases, the terms of this Order shall govern.

26. This Court shall retain jurisdiction to resolve any dispute relating to the interpretation of the terms and conditions of the MIPA and this Order. To the extent any provisions of this Order shall be inconsistent with the Motion, the terms of this Order shall control.

DATE: New York, New York
December 6, 2006

/s/Burton R. Lifland
UNITED STATES BANKRUPTCY JUDGE

Exhibit A

Bidding Procedures

BIDDING PROCEDURES

These Bidding Procedures set forth the process by which Goldendale Energy Center, LLC (the "Selling Debtor") is authorized to conduct a sale by auction (the "Auction") of all of the membership interests (the "Purchased Interests") in a limited liability company (the "New LLC") to be wholly owned by the Selling Debtor and which will be formed immediately prior to the closing as contemplated under that certain Membership Interests Purchase Agreement, dated November __, 2006 (the "MIPA"), between the Selling Debtor and Puget Sound Energy, Inc. (the "Proposed Purchaser"). These Bidding Procedures were approved by order dated December [6], 2006 (the "Bidding Procedures Order"), of the United States Bankruptcy Court for the Southern District of New York (the "Court") (in which the Selling Debtor's and certain of its affiliates' jointly administered chapter 11 bankruptcy cases, Case No. 05-60200 (BRL), are pending) pursuant to the motion of the Selling Debtor and Calpine Corporation for an order, among other things: (a) approving bidding procedures and overbid protections in connection with the sale of the Purchased Interests, (b) approving the form and manner of the sale notice and bidding procedures notice, (c) scheduling a sale hearing date, and (d) approving procedures for determining cure amounts in connection with the assumption and assignment of executory contracts and unexpired leases. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the MIPA. Any party desiring to obtain a copy of the MIPA may do so by contacting Selling Debtor's counsel at Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, CA 90017, Attn: Kelly K. Frazier, Esq.

1. Assets to be Sold

The Selling Debtor provides these Bidding Procedures, whereby prospective bidders, if any, may qualify for and participate in the Auction, thereby competing to make the highest and best offer for the Purchased Interests, as identified in further detail in the MIPA, or substantially all of the assets of the Selling Debtor's business (as further identified and defined in the MIPA, the "Acquired Assets").

2. Confidentiality Agreements

Upon execution of a confidentiality agreement, in form and substance satisfactory to the Selling Debtor, any party that wishes to conduct due diligence on the Purchased Interests may be granted access to all material information that has been or will be provided to the Proposed Purchaser and other bidders.

3. Determination of "Qualifying Bidder" Status

In order to participate in the bidding process and be deemed a "Qualifying Bidder," each potential bidder other than the Proposed Purchaser must deliver to the Selling Debtor, with copies to the Official Committee of Unsecured Creditors, the Official Committee of Equity Security Holders and the Unofficial Committee of Second Lien Debtholders (collectively, the "Committees"), a written offer or group of offers so as to be received by no later than 5:00 p.m. (prevailing Eastern time) on January 29, 2007 that:

- (a) states such Qualifying Bidder offers to purchase the Purchased Interests upon the terms and conditions substantially as set forth in the MIPA or pursuant to an

alternative structure that the Selling Debtor determines, after consultation with the Committees, is no less favorable than the terms and conditions of the MIPA;

- (b) states such Qualifying Bidder is prepared to enter into a legally binding purchase and sale agreement or similar agreement for the acquisition of the Purchased Interests or the Acquired Assets on terms and conditions no less favorable to the Selling Debtor than the terms and conditions contained in the MIPA (as determined by the Selling Debtor in its reasonable business judgment in consultation with the Committees), including, without limitation, the purchase of the Purchased Interests or the Acquired Assets and assumption of the Assumed Liabilities;
- (c) be accompanied by a clean and duly executed MIPA (the "Modified MIPA") and a marked Modified MIPA reflecting the variations from the MIPA executed by the Proposed Purchaser;
- (d) states such Qualifying Bidder is financially capable of consummating the transactions contemplated by the Modified MIPA;
- (e) states such Qualifying Bidder's offer is irrevocable until the closing of the purchase of the Purchased Interests if such Qualifying Bidder is the Prevailing Purchaser or the Back-up Bidder (as defined below);
- (f) contains such financial and other information that will allow the Selling Debtor, in consultation with the Committees, to make a reasonable determination as to the Qualifying Bidder's financial and other capabilities to consummate the transactions contemplated by the Modified MIPA, including, without limitation, such financial and other information setting forth adequate assurance of future performance under section 365 of the Bankruptcy Code in a form requested by the Selling Debtor to allow the Selling Debtor to serve within 1 business day after such receipt such information on counter-parties to any contracts or leases being assigned in connection with the proposed sale that have requested, in writing, such information;
- (g) identifies with particularity each and every executory contract and unexpired lease, the assumption and assignment of which is a condition to closing;
- (h) does not request or entitle the bidder to any transaction or break-up fee, expense reimbursement, or similar type of payment;
- (i) fully discloses the identity of each entity that will be bidding for the Purchased Interests or otherwise participating in connection with such bid, and the complete terms of any such participation;
- (j) results in a value to the Selling Debtor, in the Selling Debtor's reasonable judgment after consultation with its financial and legal advisors and the Committees, that is more than the aggregate of the value of the sum of: (A) the

Purchase Price (as defined in the MIPA), plus (B) the amount of the Break-Up Fee; plus (C) \$1,100,000;

- (k) (A) does not contain any due diligence or financing contingencies of any kind; and (B) contains evidence that the bidder has received debt and/or equity funding commitments or has financial resources readily available sufficient in the aggregate to finance the purchase of the Purchased Interests, which evidence is reasonably satisfactory to the Selling Debtor in consultation with the Committees;
- (l) includes evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Modified MIPA; and
- (m) is accompanied by a cash deposit in the amount of \$7,800,000.

A competing bid meeting the above requirements shall constitute a "Qualifying Bid." The Selling Debtor shall make a determination, in consultation with the Committees, regarding whether a bid is a Qualifying Bid and shall notify bidders whether their bids have been determined to be qualified by no later than **5:00 p.m. (prevailing Eastern time) on February 2, 2007**. The Proposed Purchaser is deemed a Qualifying Bidder and the MIPA constitutes a Qualifying Bid for all purposes.

4. Bid Deadline

All Qualified Bids must be submitted to (i) Rick Thomas, Calpine Corporation, 3275 Hopyard Road, Pleasanton, California 94588; (ii) Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, Attention: Adam Phillips; (iii) Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, New York 10022, Attention: Philip C. Dublin; (iv) Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, Attention: Andrew Rosenberg; and (v) Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York 10004, Attention: Gary Kaplan, so as to be received by **no later than 5:00 p.m. (prevailing Eastern time) on or before January 29, 2007** (the "Bid Deadline").

5. Evaluation of Qualifying Bids

Prior to the Auction, the Selling Debtor shall determine, in its reasonable judgment after consultation with the Selling Debtor's financial and legal advisors and the Committees, which of the Qualifying Bids is likely to result in the highest and best value to the Selling Debtor.

6. No Qualifying Bids

If no timely, conforming Qualifying Bids are submitted by the Bid Deadline, the Selling Debtor shall not hold an Auction and instead shall request at the Sale Hearing that the Court approve the MIPA with the Proposed Purchaser.

7. Auction

In the event that the Selling Debtor timely receives one or more Qualifying Bids other than the MIPA, the Selling Debtor shall conduct an Auction with respect to the Purchased Interests. The Auction will take place starting at **10:00 a.m. (prevailing Eastern time) on February 5, 2007** at Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611, or at such other place, date and time as may be designated in writing by the Selling Debtor. Subject to paragraph 11 below, the Auction shall be governed by the following procedures:

- (i) Only the Proposed Purchaser and the Qualifying Bidders shall be entitled to make any subsequent bids at the Auction;
- (ii) Each Qualifying Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale;
- (iii) The Proposed Purchaser and the Qualifying Bidders shall appear in person at the Auction, or through a duly authorized representative;
- (iv) Bidding shall commence at the amount of the highest Qualifying Bid submitted by the Qualifying Bidders prior to the Auction;
- (v) Qualifying Bidders may then submit successive bids in increments of at least \$500,000 higher than the bid at which the Auction commenced and then continue in minimum increments of at least \$500,000 higher than the previous bid; provided that the Selling Debtor, in consultation with the Committees, shall retain the right to modify the bid increment requirements at the Auction;
- (vi) The Proposed Purchaser shall be entitled to include as part of any and all of its subsequent bids a credit for the amount of the Break-Up Fee;
- (vii) The Auction will be conducted openly and each bidder will be informed of the terms of the previous bid;
- (viii) All Qualifying Bidders shall have the right to submit additional bids and make additional modifications to the MIPA or Modified MIPA, as applicable, at the Auction, provided that any such modifications to the MIPA, on an aggregate basis and viewed in whole, shall not be less favorable to the Selling Debtor; and
- (ix) The Auction shall continue until there is only one offer that the Selling Debtor determines, in consultation with the Committees and subject to Court approval, is the highest and best offer from among the Qualifying Bidders and the Proposed Purchaser submitted at the Auction (the "Prevailing Bid"). In making this decision, the Selling Debtor, in consultation with the Committees, shall consider, without limitation, the amount of the purchase price, the form of consideration being offered, the

likelihood of the bidder's ability to close a transaction and the timing thereof, the number, type and nature of any changes to the MIPA requested by each bidder, and the net benefit to the Debtors' estates taking into account the Proposed Purchaser's right to the Break-Up Fee. The bidder submitting such Prevailing Bid shall become the "Prevailing Bidder," and shall have such rights and responsibilities of the purchaser, as set forth in the applicable Modified MIPA. Within 1 day after adjournment of the Auction, the Prevailing Bidder shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Prevailing Bid was made. Absent irregularities in the conduct of the Auction, or reasonable and material confusion during the bidding, the results at the close of the Auction shall be final and no additional bids will be accepted after the close of the Auction.

8. Sale Hearing

The Prevailing Bid (or the MIPA, if no Qualifying Bid other than that of the Proposed Purchaser is received or accepted) will be subject to approval by the Bankruptcy Court. Please be advised that the hearing (the "Sale Hearing") to approve the sale of the Purchased Interests or the Acquired Assets, as applicable, to the Prevailing Bidder (or to Proposed Purchaser, if no Qualifying Bid other than that of the Proposed Purchaser is received or accepted) will take place on **February 7, 2007 at 10:00 a.m. (prevailing Eastern time)**, or at such time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing.

9. Failure to Consummate Purchase

If an Auction is conducted, the party with the next highest or otherwise best Qualifying Bid (including for this purpose the Proposed Purchaser), as determined by the Selling Debtor, in consultation with the Committees, in the exercise of its business judgment, at the Auction shall be required to serve as a back-up bidder (the "Back-up Bidder") and keep such bid open and irrevocable until the earlier of 5:00 p.m. (prevailing Eastern time) on the date which is seventy-five (75) days after the date of the Sale Hearing (the "Outside Back-up Date") or the closing of the sale transaction with the Prevailing Purchaser. Following the Sale Hearing, if the Prevailing Purchaser fails to consummate an approved Sale because of a breach or failure to perform on the part of such Prevailing Purchaser, the Back-up Bidder will be deemed to be the new prevailing bid, and the Selling Debtor will be authorized, but not required, to consummate the Sale with the Back-up Bidder without further order of the Bankruptcy Court upon at least 24 hours notice to the Committees, provided, however, that if the Proposed Purchaser is the Back-up Bidder, the Selling Debtor shall be required to consummate the Sale to the Back-up Bidder. In such case, the defaulting Prevailing Purchaser's deposit, if any, shall be forfeited to the Selling Debtor and parties in interest, and the Selling Debtor specifically reserves the right to seek all available damages from the defaulting Prevailing Purchaser.

Except as otherwise provided herein, all deposits shall be returned to each bidder not selected by the Selling Debtor in accordance with the above procedures as the Prevailing Purchaser or the Back-up Bidder by no later than the fifth (5th) business day following the conclusion of the Auction. The deposit of the Back-up Bidder shall be held by the Selling Debtor until the earlier of 24 hours after (a) the closing of the sale transaction with the Prevailing Purchaser and (b) the Outside Back-up Date.

10. Reservation of Rights; Deadline Extension

The Selling Debtor reserves its rights, in the exercise of its fiduciary obligations, in consultation with the Committees, to modify the Bidding Procedures or impose, at or prior to the Auction, additional customary terms and conditions on the sale of the Purchased Interests, including, without limitation, extending the deadlines set forth in the Auction procedures, modifying bidding increments, adjourning the Auction at the Auction and/or adjourning the Sale Hearing in open court without further notice, withdrawing from the Auction the Purchased Interests at any time prior to or during the Auction or canceling the Auction, and rejecting all Qualifying Bids if, in the Selling Debtor's business judgment, no such bid is for a fair and adequate price. Each of the foregoing actions shall be made in consultation with the Committees. Notwithstanding the foregoing, (a) the Selling Debtor may not impair or modify the Proposed Purchaser's rights and obligations under the MIPA or the Proposed Purchaser's right to credit the Break-Up Fee as part of any subsequent bids or, (b) in the event the Selling Debtor elects to withdraw from the Auction the Purchased Interests, or to cancel the Auction or reject all Qualifying Bids, the Selling Debtor shall be obligated to request at the Sale Hearing that the Court approve the MIPA with the Proposed Purchaser.

Dated: December __, 2007

KIRKLAND & ELLIS LLP
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Counsel for the Debtors
and Debtors in Possession

Exhibit B

Sale Notice

Hearing Date: February 7, 2007 at 10:00 a.m. (EST)
Objection Deadline: January 29, 2007 at 4:00 p.m. (EST)

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Citigroup Center
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Bennett L. Spiegel (BS 7153)
Kelly K. Frazier (*admitted pro hac vice*)

Counsel for the Debtors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

Calpine Corporation, et al.,

Debtors.

)
)
) Chapter 11
)
)

) Case No. 05-60200 (BRL)
) Jointly Administered
)

NOTICE OF MOTION FOR ENTRY OF: (I) AN ORDER (A) APPROVING BIDDING PROCEDURES AND OVERBID PROTECTIONS IN CONNECTION WITH THE SALE OF THE GOLDENDALE PROJECT, (B) APPROVING THE FORM AND MANNER OF NOTICE; (C) SCHEDULING AN AUCTION AND SALE HEARING; AND (D) APPROVING PROCEDURES FOR DETERMINING CURE AMOUNTS; AND (II) AN ORDER (A) AUTHORIZING FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS (1) THE TRANSFER BY CALPINE CORPORATION TO GOLDENDALE ENERGY CENTER, LLC OF CERTAIN ASSETS RELATING TO THE GOLDENDALE PROJECT, (2) THE CONTRIBUTION OF SUBSTANTIALLY ALL OF THE ASSETS OF GOLDENDALE ENERGY CENTER LLC TO A NEWLY FORMED LIMITED LIABILITY COMPANY, (3) THE SALE OF ALL OF THE MEMBERSHIP INTERESTS IN THE NEWLY FORMED LIMITED LIABILITY COMPANY TO PUGET SOUND ENERGY, INC. OR SUCH OTHER SUCCESSFUL BIDDER AT THE AUCTION, (4) THE ASSUMPTION AND

**ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED
LEASES IN CONNECTION THEREWITH; AND (B) GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE that at 10:00 a.m. (E.S.T.) on February 7, 2007, Debtors, by their counsel, shall appear before the Honorable Judge Burton R. Lifland, at the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408, Room 623, or as soon thereafter as counsel may be heard, and present the *Motion For Entry Of: (I) An Order (A) Approving Bidding Procedures And Overbid Protections In Connection With The Sale Of The Goldendale Project, (B) Approving The Form And Manner Of Notice; (C) Scheduling An Auction And Sale Hearing; And (D) Approving Procedures For Determining Cure Amounts; And (II) An Order (A) Authorizing Free And Clear Of All Liens, Claims, Encumbrances And Other Interests (1) The Transfer By Calpine Corporation To Goldendale Energy Center, LLC Of Certain Assets Relating To The Goldendale Project, (2) The Contribution Of Substantially All Of The Assets Of Goldendale Energy Center, LLC To A Newly Formed Limited Liability Company, (3) The Sale Of All Of The Membership Interests In The Newly Formed Limited Liability Company To Puget Sound Energy, Inc. Or Such Other Successful Bidder At The Auction, (4) The Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases In Connection Therewith; And (B) Granting Related Relief* [Docket No. ____] (the "Sale Motion").

PLEASE TAKE FURTHER NOTICE that on November __, 2006, Calpine Corporation ("Calpine") and Goldendale Energy Center, LLC (the "Selling Debtor"), as debtors and debtors in possession, filed the Sale Motion, which seeks, among other things, entry of an order by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"):

- approving the Membership Interests Purchase Agreement (the “MIPA”),¹ dated November 3, 2006 between the Selling Debtor and Puget Sound Energy, Inc. (the “Purchaser”) and the Transfer and Contribution Agreement (the “TCA”), substantially in the forms attached hereto as Exhibit 1 and Exhibit 2, or such other forms of purchase agreements between the Selling Debtor and the successful bidder at the Auction;
- authorizing the following transfers (collectively, the “Transfers”) under the TCA free and clear of all liens, claims, encumbrances, and other interests (collectively, the “Liens”), other than any Permitted Liens and Assumed Liabilities: (1) the transfer by Calpine to the Selling Debtor of the Additional Real Property, the Additional Real Property Entitlements and the Additional Real Property Farming Lease,² and (2) the contribution of the Acquired Assets (including the Additional Real Property, the Additional Real Property Entitlements and the Additional Real Property Farming Lease) comprising the 250 megawatt natural gas-fired, combined cycle generating facility in Goldendale, Washington (the “Goldendale Project”) by the Selling Debtor to a limited liability company that will be formed immediately prior to the consummation of the transactions contemplated by the MIPA and that will be wholly owned by the Selling Debtor (the “New LLC”);

¹ Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the MIPA.

² The Additional Real Property consists of approximately 138 acres of real property that is adjacent to the Goldendale Project (as defined herein), together with all of the Additional Real Property Entitlements that consist of Calpine’s rights under the easements, rights of way, real property licenses and other real property entitlements related to the Additional Real Property. Calpine, as lessor, also currently leases the Additional Real Property to certain parties pursuant to the Additional Real Property Farming Lease, which lease will be assigned to the Selling Debtor, and subsequently to the New LLC (as defined herein), pursuant to the TCA.

- authorizing at Closing the sale (the “Sale”) of all of the Selling Debtor’s membership interests in the New LLC to the Purchaser or such other successful bidder at the Auction free and clear of all Liens, other than any Permitted Liens and Assumed Liabilities;
- authorizing the assumption and assignment and sale of the Assigned Contracts to the Selling Debtor and the New LLC, as applicable; and
- granting other related relief, including (1) authority to pay in full from the sale proceeds the claims of the State of Washington, Department of Revenue (the “Washington DOR”) in the aggregate amount of \$373,680, as set forth in the proofs of claim numbers 1229 and 1230 filed against the Selling Debtor (the “Proofs of Claim”), with such Proofs of Claim to be deemed disallowed and expunged in their entirety upon such payment in full; and (2) authorization to offer, and if accepted, to disburse the net sale proceeds from the Sale of the Purchased Interests to the CalGen Lenders in accordance with the Cash Collateral Order (as those terms are defined in the Sale Motion).

PLEASE TAKE FURTHER NOTICE that the terms and conditions of the proposed Transfers of the Acquired Assets and the Sale of the Purchased Interests are set forth in the MIPA attached hereto as Exhibit 1.³ The MIPA represents the results of extensive marketing efforts conducted by the Selling Debtor to obtain the highest and best offer for the Acquired Assets and the Purchased Interests. As set forth in the MIPA, the Selling Debtor seeks to transfer the Acquired Assets to the New LLC and then sell all of the membership interests in the

³ Certain of the exhibits to the APA contain proprietary and confidential information (the “Confidential Exhibits”). The Confidential Exhibits will be made available upon request to parties interested in participating in the Auction, subject to the execution and delivery of a confidentiality agreement in form and substance satisfactory to the Selling Debtor.

New LLC to the Purchaser for approximately \$100 million. In addition, the Purchaser has committed to take the Assumed Liabilities, as identified in further detail below and in the MIPA.

A summary of the key provisions of the MIPA is as follows:⁴

Selling Debtor	Goldendale Energy Center, LLC
Purchaser	Puget Sound Energy, Inc.
Consideration (§§ 2.1, 7.4)	The aggregate consideration for the sale and transfer of the Purchased Interests shall be (a) One Hundred Million Dollars (\$100,000,000) in cash (the " <u>Purchase Price</u> "), which price is payable and deliverable at the Closing in accordance with Section 3.3 of the MIPA and (b) the assumption by the Purchaser of the Assumed Liabilities.
Transfer of the Purchased Interests (§ 1.1)	At the Closing, and upon the terms and conditions set forth in the MIPA, the Selling Debtor shall sell to the Purchaser, and the Purchaser shall acquire from the Selling Debtor, all of the Selling Debtor's right, title and interest in, to and under one hundred percent (100%) of the membership interests (the " <u>Purchased Interests</u> ") in the New LLC, free and clear of Liens, claims and other interests (except for Permitted Liens and Assumed Liabilities) pursuant to sections 105, 363 and 365 of the Bankruptcy Code, after the Selling Debtor has, immediately prior to the Closing, organized New LLC and contributed, conveyed, assigned and transferred to New LLC pursuant to the terms of the TCA in the form attached to the MIPA as <u>Exhibit D</u> , all of the Selling Debtor's right, title and interest in, to and under the Acquired Assets free and clear of Liens, claims and other interests (except for Permitted Liens and Assumed Liabilities) pursuant to sections 105, 363 and 365 of the Bankruptcy Code.
Acquired Assets (§ 1.1)	The Acquired Assets consist solely of: (a) all real property owned or to be owned (as contemplated by Section 6.10 of the MIPA) by the Selling Debtor and listed on Schedule 1.1(a) of the disclosure schedules accompanying the MIPA (the " <u>Disclosure Schedules</u> "), together with all improvements, structures and fixtures thereon (the " <u>Owned Real Property</u> "); (b) all of the Selling Debtor's rights (including the Additional Real Property Entitlements to be transferred to the Selling Debtor as contemplated by Section 6.10 of the MIPA) under the easements, rights of way, real property licenses, and other real property entitlements related to its Owned Real Property (the " <u>Entitled Real Property</u> " and, together with the Owned Real Property, the " <u>Real Property</u> "); (c) all of (i) the Selling Debtor's owned equipment, spare parts, machinery, furniture, fixtures, and other personal property that is either

⁴ To the extent of any inconsistencies between this summary and the terms of the MIPA, the MIPA shall control.

(A) used exclusively or substantially on an exclusive basis in the Business and not listed on Schedule 1.2(q) of the Disclosure Schedules, (B) located on, or in transit to, the Real Property or (C) listed on Schedule 1.1(c) of the Disclosure Schedules (the "Equipment"); and (ii) any rights of the Selling Debtor to the warranties and licenses received from manufacturers and sellers of the Equipment or otherwise relating to the Power Plant; (d) all of the Selling Debtor's rights under sales orders, service agreements, customer contracts or other similar Contracts entered into by the Selling Debtor with the customers that are listed on Schedule 1.1(d) of the Disclosure Schedules or pursuant to Contracts otherwise listed on Schedule 1.1(d) of the Disclosure Schedules ("Customer Contracts"); (e) all of the Selling Debtor's rights under outstanding purchase orders, service agreements, transmission agreements, leases of personal property or other similar Contracts to the extent pertaining to the Business ("Supplier Contracts"), including those entered into by the Selling Debtor with any supplier that are listed on Schedule 1.1(e) of the Disclosure Schedules; (f) all of Selling Debtor's rights under the Contracts that are listed on Schedule 1.1(f) of the Disclosure Schedules, including the Additional Real Property Farming Lease to be transferred by Calpine to the Selling Debtor as contemplated by Section 6.10 of the MIPA (the "Other Contracts" and, together with the Customer Contracts, the Supplier Contracts and any licenses transferred pursuant to Section 1.1(l) of the MIPA, the "Assigned Contracts"); (g) all inventories of fuel, chemical and gas inventories, supplies and materials located at or in transit to the Real Property and owned by the Selling Debtor on the Closing Date (the "Inventory"); (h) any rights of the Selling Debtor to the warranties received from third parties with respect to any Acquired Assets, including Equipment, Intangible Property and Inventory; (i) to the extent transferable under applicable Law, all rights of the Selling Debtor under the permits, authorizations, approvals, registrations, Emission Allowances and licenses (and pending applications for the foregoing) issued by any Government and related to the Business or the Power Plant (collectively, the "Permits"), including those listed on Schedule 1.1(i) of the Disclosure Schedules; (j) copies of all Business Records; (k) all of the Selling Debtor's right, title and interest in and to the Power Plant; (l) any computer software or systems, inventions, proprietary processes, patents and patent rights, copyrights and copyright rights, trade secrets, know-how, source and object codes and all other intellectual property and intellectual property rights owned or licensed by the Selling Debtor and used exclusively or substantially on an exclusive basis in the Business, including (A) computer data relating to the operation and maintenance of the Power Plant, (B) rights to, and goodwill represented by, the names "Goldendale Energy Center," "Goldendale Power" and "Goldendale Power Project" and (C) subject to Section 6.11 of the MIPA, all of the software listed on Schedule 1.1(l) of the Disclosure Schedules (collectively, the "Intangible Property"); provided, that nothing in Section 1.1(l) of the MIPA will give the Purchaser any rights to any name that includes a Calpine Mark; and (m) except as set forth in Section 1.2(g) of the

	MIPA, all rights to Claims, refunds or adjustments, and all rights to insurance proceeds or other insurance recoveries, of the Selling Debtor or any Affiliate of the Selling Debtor with respect to the Acquired Assets, to the extent relating to the Assumed Liabilities.
Transfer of Certain Acquired Assets from Calpine to the Selling Debtor (§ 6.10)	Pursuant to the transactions contemplated by the TCA, the Selling Debtor shall cause Calpine to (i) transfer to the Selling Debtor title to the real property identified on Schedule 1.1(a) of the Disclosure Schedules as being owned by Calpine as of the Execution Date (the " <u>Additional Real Property</u> "), (ii) transfer to the Selling Debtor all of Calpine's rights under the easements, rights of way, real property licenses, and other real property entitlements related to the Additional Real Property (the " <u>Additional Real Property Entitlements</u> ") and (iii) assume and assign to the Selling Debtor, in accordance with the provisions of section 365 of the Bankruptcy Code, all rights and obligations as lessor under that certain farming lease identified on Schedule 1.1(f) of the Disclosure Schedules relating to the Additional Real Property (the " <u>Additional Real Property Farming Lease</u> "), such that the Additional Real Property shall be included in the Owned Real Property, the Additional Real Property Entitlements shall be included in the Entitled Real Property and the Additional Real Property Farming Lease shall be included in the Other Contracts, respectively, and thereby included in the Acquired Assets transferred to New LLC pursuant to the TCA.
Excluded Assets (§ 1.2)	The Acquired Assets do not include any right, title or interest of any Person other than the Selling Debtor in any property or asset (except for the Additional Real Property and the Additional Real Property Farming Lease to be transferred by Calpine to the Selling Debtor as contemplated by Section 6.10 of the MIPA) and the following properties and assets of the Selling Debtor: (a) all of the Selling Debtor's cash and cash equivalents, marketable securities, prepaid expenses, advance payments, surety accounts, deposits and other similar prepaid items (including for the purchase of natural gas), checks in transit and undeposited checks; (b) all of the Selling Debtor's accounts and notes receivable as of 11:59 p.m. on the Closing Date (the " <u>Accounts Receivable</u> "); (c) assets, property and other rights held or owned by Calpine and its Affiliates not used exclusively or substantially on an exclusive basis by the Selling Debtor in the operation of the Business, except to the extent included in the Acquired Assets pursuant to Section 1.1 of the MIPA; (d) forecasts, financial information or financial statements and proprietary manuals (except rights to use manuals specific to and necessary for the operation of the Business) prepared by or used by the Selling Debtor or its Affiliates to the extent not relating exclusively to the Business; (e) all of the Selling Debtor's rights under Contracts that are not Assigned Contracts, including the Intracompany Service Contracts; (f) all assets to be retained by the Selling Debtor pursuant to Article 9 of the MIPA; (g) all rights to (i) Claims, refunds or adjustments with respect to the Excluded Assets relating to any proceeding before any Government and (ii) insurance proceeds or other insurance recoveries (A) that relate to, or are

	<p>reimbursement for, the Selling Debtor's or the Selling Debtor's Affiliate's expenditures made prior to the Closing Date for which insurance proceeds are available or due to the Selling Debtor or the Selling Debtor's Affiliates or (B) to the extent relating to Excluded Assets or Excluded Liabilities; (h) any asset of the Selling Debtor that would constitute an Acquired Asset (if owned by the Selling Debtor on the Closing Date) that is conveyed or otherwise disposed of during the period from the date of the MIPA until the Closing Date as permitted by the terms of the MIPA; (i) all losses, loss carry forwards and rights to receive refunds, credits and loss carry forwards with respect to any and all Taxes of the Selling Debtor incurred or accrued on or prior to the Closing Date, including interest receivable with respect thereto; (j) any and all rights, demands, claims, credits, allowances, rebates, causes of action, known or unknown, pending or threatened (including all causes of action arising under sections 510, 544 through 551 and 553 of the Bankruptcy Code or under similar state Laws including fraudulent conveyance claims, and all other causes of action of a trustee and debtor-in-possession under the Bankruptcy Code) or rights of set-off (collectively, "<u>Claims</u>"), of the Selling Debtor or any Affiliate of the Selling Debtor arising out of or relating to events prior to the Closing Date (except to the extent relating to the Assumed Liabilities) or arising out of or relating in any way to the Chapter 11 Case or any of the transactions contemplated thereby or entered into as a consequence thereof, including any claims (as defined in section 101(5) of the Bankruptcy Code) filed, scheduled or otherwise arising in the Chapter 11 Case; (k) except for the Purchased Interests, all shares of capital stock, partnership interests or other equity interests of the Selling Debtor and all Affiliates of the Selling Debtor; (l) all rights of the Selling Debtor arising under the MIPA and under any other agreement between the Selling Debtor and the Purchaser entered into in connection with the MIPA; (m) all rights to or goodwill represented by or pertaining to all names, marks, trade names, trademarks and service marks incorporating the name Calpine or any other name set forth on Schedule 1.2(m) of the Disclosure Schedules (the "<u>Calpine Marks</u>") and any brand names or derivatives thereof no matter how used, whether as a corporate name, domain name or otherwise and including the corporate design logo associated with any Calpine Mark or variant of any Calpine Mark other than the Goldendale Energy Center, Goldendale Power or Goldendale Power Project; (n) all Retained Books and Records; (o) all of the Selling Debtor's rights to recovery of collateral given to obtain letters of credit and rights to recover amounts drawn or paid on letters of credit; (p) all accounts receivable and other amounts due to the Selling Debtor from any Affiliate of the Selling Debtor and all rights and Claims of the Selling Debtor against any Affiliate of the Selling Debtor, including all Claims of the Selling Debtor against Calpine; and (q) any assets set forth on Schedule 1.2(q) of the Disclosure Schedules.</p>
Assigned Contracts	<p>The Selling Debtor shall assume and assign and sell to the Purchaser all of its rights under the Contracts that are listed on Schedule 1.1(d), (e) and (f) of the</p>

(§§ 1.1, 6.10)	MIPA, including the Additional Real Property Farming Lease to be transferred by Calpine to the Selling Debtor as contemplated in Section 6.10 of the MIPA.
Assumed Liabilities (§ 1.3)	<p>Effective immediately prior to the Closing, the New LLC shall assume, and shall thereafter pay, perform and discharge when due, the following liabilities and obligations of the Selling Debtor: (a) all liabilities and obligations of the Selling Debtor under the Assigned Contracts arising after Closing; (b) all liabilities and obligations of the Selling Debtor under the Permits; (c) to the extent provided in Article 11 of the MIPA, all liabilities and obligations for real and personal property Taxes and assessments that are not yet due and payable and all liabilities and obligations for any Taxes relating to the Acquired Assets for periods after the Closing Date; (d) all liabilities and obligations of the Selling Debtor arising under any Environmental Law, to the extent, and only to the extent, relating to the ownership or operation of the Acquired Assets prior to the Closing; and (e) all liabilities and obligations relating to or arising from the operation of the Business or the ownership of the Purchased Interests and the Acquired Assets after the Closing Date.</p> <p>At the Closing, as a result of the purchase by the Purchaser of the Purchased Interests, the Purchaser shall assume, and the Purchaser shall thereafter pay, perform and discharge, or cause to be paid, performed and discharged, when due, the Assumed Liabilities.</p>
Excluded Liabilities (§ 1.4)	<p>The Selling Debtor shall retain all liabilities and obligations not expressly identified in the MIPA as Assumed Liabilities (the “<u>Excluded Liabilities</u>”), including the following liabilities and obligations: (a) except as specifically provided in Section 1.3 of the MIPA, all liabilities and obligations relating to the operation of the Business or the ownership of the Purchased Interests and the Acquired Assets and arising on or prior to the Closing Date, including all liabilities and obligations with respect to accounts payable arising in connection with the Business or the Acquired Assets on or prior to the Closing Date (which shall include, for the avoidance of doubt, invoiced accounts payable and accrued expenses for which an invoice has not yet been rendered) (the “<u>Accounts Payable</u>”); (b) liabilities and obligations related to the Excluded Assets; (c) any liability or obligation for Taxes relating to the transactions contemplated by the MIPA, including (i) Transaction Taxes (except to the extent the Purchaser is responsible to reimburse the Selling Debtor for fifty percent (50%) of the REET imposed as a result of the transactions contemplated by the MIPA pursuant to Section 11.1) and (ii) Taxes of a Related Person imposed on the Selling Debtor; (d) all liabilities and obligations with respect to all Employee Benefit Plans of the Selling Debtor or any of its ERISA Affiliates; (e) all liabilities and obligations under any employment agreement that is in effect with respect to any Business Employee; (f) reimbursement liabilities and obligations in respect of credit support furnished by or on behalf of the Selling Debtor or its Affiliates</p>

	relating to the Acquired Assets, except to the extent the Purchaser is obligated to indemnify the Selling Debtor for certain liabilities arising post-Closing in connection with the credit support obligations specified in Schedule 7.5 of the Disclosure Schedules, as contemplated by Section 7.5 of the MIPA; and (g) those liabilities and obligations listed on Schedule 1.4 of the Disclosure Schedules.
Deposit (§ 2.2)	No later than one (1) Business Day after the date of the MIPA the Purchaser shall deposit with the Escrow Agent Three Million Seven Hundred Fifty Thousand Dollars (\$3,750,000) (the " <u>Initial Deposit</u> "). No later than five (5) Business Days following the Bankruptcy Court's entry of the Sale Order or, if a qualifying bid (including a deposit) has been received in accordance with the Bidding Procedures, no later than the Business Day prior to the Auction, the Purchaser shall deposit with the Escrow Agent an additional Three Million Seven Hundred Fifty Thousand Dollars (\$3,750,000) (the " <u>Additional Deposit</u> ," and together with the Initial Deposit, and interest thereon, the " <u>Deposits</u> "). The Deposits shall be held and disbursed pursuant to the terms of the Master Escrow Agreement, the Purchase Notice and the MIPA.
Representations and Warranties; Covenants (Articles 4 through 7)	The representations and warranties and covenants are customary for a transaction of this type, including, without limitation, representations and warranties regarding (a) organization of the Selling Debtor, (b) authorization to enter into and the validity of the transactions contemplated by the MIPA, (c) no conflicts or violations, (d) consents, approvals and notifications of the transactions contemplated by the MIPA, (e) compliance with law, (f) litigation, (g) material contracts, (h) permits, (i) environmental matters, (j) employee benefits, (k) ownership of real property and personal property; (l) regulatory status; (m) taxes, (n) condition of the Acquired Assets, and (o) matters relating to the New LLC, including capitalization; and covenants regarding (a) actions before closing, (b) conduct of the Business in the pre-Closing period, (c) approval of the Sale Order and Bidding Procedures Order, (d) consents and approvals, (e) access to properties and records, (f) rejection of Assigned Contracts, (g) further assurances, (h) cure costs and cure of non-monetary defaults under the Assigned Contracts, (i) notices, (j) transfer of the Additional Real Property, (k) transfer of software, and (l) revocation of a certain contract.
Bidding Procedures (§ 8.2)	The MIPA contemplates the approval of bidding procedures to govern the Auction process.
Break-Up Fee (§ 13.5(c))	If the MIPA is terminated pursuant to Section 13.5(a), the Selling Debtor shall pay to the Purchaser in immediately available funds a fee equal to 2.5% of the Purchase Price (the " <u>Break-Up Fee</u> "), such fee to be paid upon the closing of the Alternative Transaction and from the sale proceeds of such Alternative Transaction. The Selling Debtor's obligation to pay the Break-

	<p>Up Fee pursuant to Section 13.5(c) of the MIPA shall survive termination of the MIPA and shall constitute an allowed administrative expense of the Selling Debtor under sections 503(b) and 507(a)(2) of the Bankruptcy Code without further Order of the Bankruptcy Court.</p> <p>The Break-Up Fee, payable under the circumstances provided in Section 13.5(c)(i) of the MIPA shall be the exclusive remedy of the Purchaser and its Affiliates for any termination of the MIPA pursuant to Section 13.5.</p>
Closing Date (§ 3.1)	<p>The Closing Date shall be the 3rd Business Day following the satisfaction or waiver by the appropriate Party of all the conditions contained in Article 12 of the MIPA or such other date as may be agreed to by the Parties.</p>
Closing Conditions (Article 12)	<p>The respective obligations of the Selling Debtor and the Purchaser to consummate the transactions contemplated by the MIPA are subject to the satisfaction or waiver (other than the condition relating to entry of the Sale Order contained in Section 12.1(a), the satisfaction of which cannot be waived), on or prior to the Closing Date, of the following conditions:</p> <ul style="list-style-type: none"> (a) <u>Bankruptcy Matters.</u> The Bidding Procedures Order and the Sale Order, substantially in the forms attached to the MIPA (which includes a finding of good faith under section 363 of the Bankruptcy Code and which may include non-substantive changes necessary to comply with General Order M-331), shall have been entered by the Bankruptcy Court and shall have become Final Orders. On the Closing Date, the Bidding Procedures Order and the Sale Order shall each be in effect, and shall not have been reversed, stayed, modified or amended without the prior written consent of the Purchaser. (b) <u>Antitrust Approvals.</u> The applicable waiting periods for the transactions contemplated under the MIPA under the HSR Act, and any other Antitrust Law shall have expired or terminated. (c) <u>Consents, Approvals and Notifications.</u> The Consents, approvals and notifications set forth on Schedules 4.4 and 5.4 of the Disclosure Schedules shall have been obtained or made, as appropriate, and each such Consent, approval and notification shall be in form and substance reasonably satisfactory to the Parties, including without the imposition of any conditions that would reasonably be expected to materially and adversely impact the applicable Party. (d) <u>No Violation of Orders.</u> No preliminary or permanent injunction or other Order that declares the MIPA, the Purchase Notice or the Master Escrow Agreement invalid or unenforceable in any respect or that would prevent the consummation of the transactions contemplated thereby shall be in effect.

- (e) Washington Tax Ruling. The Washington Tax Ruling shall be in full force and effect and shall not have been reversed, stayed, modified or amended.

The obligations of the Selling Debtor to consummate the transactions contemplated by the MIPA are subject to the satisfaction, on or before the Closing Date, of the following conditions, any one or more of which may be waived by the Selling Debtor in its sole discretion:

- (a) Representations and Warranties of the Purchaser. All representations and warranties made by the Purchaser in the MIPA shall be true and correct in all material respects on and as of the Closing Date as if again made by the Purchaser on and as of such date (or, if made as of a specific date, at and as of such date), except that those representations and warranties made by the Purchaser that contain materiality, Material Adverse Effect or other similar qualifiers shall be true and correct in all respects, and the Selling Debtor shall have received a certificate dated as of the Closing Date and signed by the President or a Vice President of the Purchaser to that effect.
- (b) Performance of the Obligations of the Purchaser. The Purchaser shall have performed in all material respects all obligations required under the MIPA to be performed by it on or before the Closing Date (except with respect to the obligation to pay the Purchase Price in accordance with the terms of the MIPA, which obligation shall be performed in all respects as required under the MIPA), and the Selling Debtor shall have received a certificate dated the Closing Date and signed by the President or a Vice President of the Purchaser to that effect.
- (c) Assurance of Future Performance. The Purchaser shall, on or prior to the Closing, have provided all assurances of future performance required to be provided under Section 365 of the Bankruptcy Code so that, assuming the performance by the Selling Debtor of its obligations under Section 6.8 of the MIPA, the Assigned Contracts may be assumed by the Selling Debtor and assigned to the New LLC in accordance with the provisions of Section 365 of the Bankruptcy Code.
- (d) Cure Costs Other than the Selling Debtor's Cure Costs. The Purchaser shall, on or prior to the Closing, have paid any and all cure costs related to the Assigned Contracts (other than the Selling Debtor's Cure Costs, which shall be the Selling Debtor's responsibility as set forth in Section 6.8 of the MIPA) that are required to be paid under Section 365 of the Bankruptcy Code so that, assuming the performance by the Selling Debtor of its obligations under Section 6.8 of the MIPA, the Assigned Contracts

may be assumed by the Selling Debtor and assigned to the New LLC in accordance with the provisions of Section 365 of the Bankruptcy Code.

- (e) The Purchaser's Deliveries. The Purchaser shall have delivered, and the Selling Debtor shall have received, all of the items set forth in Section 3.3 of the MIPA.

The obligations of the Purchaser to consummate the transactions contemplated by the MIPA are subject to the satisfaction, on or before the Closing Date, of the following conditions, any one or more of which may be waived by the Purchaser in its sole discretion:

- (a) Representations and Warranties of the Selling Debtor. The representations and warranties made by the Selling Debtor in Article 4 of the MIPA shall be true and correct in all material respects as of the Closing, in each case as though made at and as of such time (or, if made as of a specific date, at and as of such date), except that those representations and warranties made by the Selling Debtor that contain materiality, Material Adverse Effect or other similar qualifiers shall be true and correct in all respects and the Purchaser shall have received a certificate dated the Closing Date and signed by the President or a Vice President of the Selling Debtor to that effect.
- (b) Performance of the Obligations of the Selling Debtor. The Selling Debtor shall have performed in all respects all obligations required under the MIPA to be performed by it on or before the Closing Date, except for such failures to perform that do not constitute a Material Adverse Effect, and the Purchaser shall have received a certificate dated the Closing Date and signed by the President or a Vice President of the Selling Debtor to that effect.
- (c) The Selling Debtor's Cure Costs; Cure of Non-Monetary Defaults. The Selling Debtor shall, on or prior to the Closing, have (i) paid any and all the Selling Debtor's Cure Costs in respect of the Assigned Contracts or otherwise have reserved sufficient funds necessary to satisfy any such cure obligations in respect of the Selling Debtor's Cure Costs and (ii) cured any and all defaults under the Assigned Contracts that cannot be cured through the payment of money, in each case so that, assuming the performance by the Purchaser of its obligations under Section 7.4 of the MIPA, the Assigned Contracts may be assumed by the Selling Debtor and assigned to the New LLC in accordance with the provisions of section 365 of the Bankruptcy Code.
- (d) Excess Cure Costs Other than the Selling Debtor's Cure Costs. The

aggregate amount required to be paid by the Purchaser pursuant to Section 7.4 of the MIPA or otherwise to overcome any objections to the assignment and assumption of the Assigned Contracts, after taking into account any reduction to the Purchase Price contemplated by Section 6.8 of the MIPA, shall not exceed the aggregate amount of the cure costs set forth on Schedule 4.7 of the Disclosure Schedules (not including the Selling Debtor's Cure Costs) by greater than One Hundred and Fifty Thousand Dollars (\$150,000).

- (e) Assigned Contracts. The Bankruptcy Court shall have entered an Order on the docket (which may be the Sale Order) approving the assumption of the Assigned Contracts by the Selling Debtor and the assignment of such Assigned Contracts to the New LLC, and no Order staying, reversing, modifying or amending such Order shall be in effect on the Closing Date.
- (f) FERC Approvals. The Purchaser shall have received all authorizations, in form and substance reasonably satisfactory to the Purchaser, as contemplated by Section 12.1(c) of the MIPA, from the FERC under the FPA to acquire, own and operate the Acquired Assets.
- (g) Material Adverse Effect. No Material Adverse Effect shall have occurred and be continuing.
- (h) Title Commitment. The Selling Debtor shall have furnished the Purchaser with a preliminary commitment from the Title Company to issue the Title Policy, which shall be in form and substance reasonably satisfactory to the Purchaser.
- (i) Additional Real Property. Calpine shall have transferred title to the Additional Real Property to the Selling Debtor, such that the Additional Real Property shall be included in the Real Property and transferred to the New LLC pursuant to the TCA.
- (j) Additional Real Property Survey. The Selling Debtor shall have furnished the Purchaser with the Additional Real Property Survey, which shall be in form and substance reasonably satisfactory to the Purchaser.
- (k) Termination of Existing Intracompany Service Contracts. Effective no later than the Closing, the Selling Debtor shall have terminated, in so far as they relate to the Power Plant and without liability to the Purchaser in any manner, (i) that certain Master Maintenance Services Agreement Base Contract, dated March 23, 2004, between the Selling Debtor and certain of its Affiliates and Calpine Operating Services Company, Inc., (ii) that certain Master Administrative

	<p>Services Agreement, dated March 23, 2004, between the Selling Debtor and certain of its Affiliates and Calpine Administrative Services Company, Inc., (iii) that certain Master Operation and Maintenance Agreement, dated March 23, 2004, between the Selling Debtor and certain of its Affiliates and Calpine Operating Services Company, Inc., (iv) that certain Master Construction Management Agreement, dated March 23, 2004, among the Selling Debtor and certain of its Affiliates, Calpine Generating Company and Calpine Construction Management Company, Inc. and (v) that certain Index Based Gas Sale and Power Purchase Agreement, dated March 23, 2004, among Calpine Energy Services, L.P., Calpine Generating Company, LLC and certain of its Affiliates, including the Selling Debtor (collectively, the "<u>Intracompany Service Contracts</u>").</p>
<p>Termination Provisions (Article 13)</p>	<p>The MIPA may be terminated at any time before Closing:</p> <ul style="list-style-type: none"> (a) by mutual written consent of the Selling Debtor and the Purchaser; (b) by the Purchaser if the Bidding Procedures Order has not been entered and become a Final Order within sixty (60) days of the Execution Date; (c) by the Purchaser if a Sale Order has not been entered and become a Final Order within ninety (90) days of the entry of the Bidding Procedures Order; (d) by the Purchaser, on any date that is more than 270 days after the date of the MIPA (the "<u>Termination Date</u>"), if any condition contained in Section 12.1 has not been satisfied or waived as of such time; <u>provided, however</u>, that the Purchaser shall not have the right to terminate the MIPA under Section 13.2(a)(iv) if the Purchaser's failure to fulfill any of its obligations under the MIPA is the reason that the Closing has not occurred on or before said date; <u>provided, further</u>, however, that if the Closing shall not have occurred on or before the Termination Date due to the failure to obtain the FERC approval under the FPA and (x) FERC has not denied or terminated its review of the Section 203 application, and (y) all other conditions to the respective obligations of the Parties to close that are capable of being fulfilled by the Termination Date shall have been so fulfilled or waived (other than those conditions that, by their terms, cannot be satisfied until the Closing), then the Termination Date shall be automatically extended for an additional ninety (90) days or such earlier date as FERC denies or terminates its review of the Section 203 application. (e) by the Selling Debtor, on any date that is after the Termination Date, if any condition contained in Section 12.1 of the MIPA has not been

satisfied or waived as of such time; provided, however, that the Selling Debtor shall not have the right to terminate the MIPA under Section 13.2(a)(v) if the Selling Debtor's failure to fulfill any of its obligations under the MIPA is the reason that the Closing has not occurred on or before said date; provided, further, however, that if the Closing shall not have occurred on or before the Termination Date due to the failure to obtain the FERC approval under the FPA and (x) FERC has not denied or terminated its review of the Section 203 application, and (y) all other conditions to the respective obligations of the parties to close that are capable of being fulfilled by the Termination Date shall have been so fulfilled or waived (other than those conditions that, by their terms, cannot be satisfied until the Closing), then the Termination Date shall be automatically extended for an additional ninety (90) days or such earlier date as FERC denies or terminates its review of the Section 203 application.

- (f) by either the Purchaser or the Selling Debtor, immediately upon an Order becoming final and non-appealable that declares the MIPA, the Purchase Notice or the Master Escrow Agreement invalid or unenforceable in any material respect or that would prevent the consummation of the transactions contemplated thereby (a "Termination Order"); provided, however, that neither the Selling Debtor nor the Purchaser shall have the right to terminate the MIPA pursuant to Section 13.2(a)(vi) if such Party or any of its Affiliates has sought entry of, or has failed to use all commercially reasonable efforts to oppose entry of, such Termination Order;
- (g) by the Purchaser, if there shall be a breach by the Selling Debtor of any representation, warranty, covenant or agreement contained in the MIPA, which would result in a failure of a condition set forth in Sections 12.1 or 12.3 and which breach is not reasonably capable of being cured such that the applicable condition is not capable of being satisfied prior to the Termination Date;
- (h) by the Selling Debtor, if there shall be a breach by the Purchaser of any representation, warranty, covenant or agreement contained in the MIPA, which would result in a failure of a condition set forth in Sections 12.1 or 12.2 and which breach is not reasonably capable of being cured such that the applicable condition is not capable of being satisfied prior to the Termination Date;
- (i) by the Purchaser at any time after the Bankruptcy Court approves an Alternative Transaction, unless the Purchaser is a Back-Up Bidder (as that term is defined in the Bidding Procedures attached to the Bidding Procedures Order), in which case the Purchaser may terminate the MIPA only in accordance with the Bidding Procedures

	<p>Order;</p> <p>(j) the Selling Debtor may terminate the MIPA at any time after the Termination Date and before Closing if any condition contained in Sections 12.2(a) or 12.2(b) has not been satisfied or waived by the Selling Debtor as of such time; <u>provided, however</u>, that the Selling Debtor shall not have the right to terminate the MIPA under Section 13.3 if the Selling Debtor's failure to fulfill any of its obligations under the MIPA has been the reason that the Closing has not been consummated on or before such date;</p> <p>(h) the Purchaser may terminate the MIPA at any time after the Termination Date and before Closing if any condition contained in Section 12.3 has not been satisfied or waived as of such time; <u>provided, however</u>, that the Purchaser shall not have the right to terminate the MIPA under Section 13.4 if the Purchaser's failure to fulfill any of its obligations under the MIPA has been the reason that the Closing has not been consummated on or before said date; and</p> <p>(k) by either the Purchaser or the Selling Debtor, upon the Selling Debtor's entering into any Alternative Transaction.</p>
No Survival of Representations and Warranties (§ 14.7)	None of the representations or warranties of the Selling Debtor set forth in the MIPA or in any certificate delivered pursuant to Section 12.3(a) or Section 12.3(b) of the MIPA shall survive the Closing.

PLEASE TAKE FURTHER NOTICE that the Sale Motion also seeks entry of an order (i) approving bidding procedures and overbid protections, including a break-up fee; (ii) approving the form and manner of notice; (iii) scheduling an auction and sale hearing; and (iv) approving procedures for determining cure amounts (the "Bidding Procedures Relief"). A hearing on the Bidding Procedures Relief was held before the Bankruptcy Court on December 6, 2006, at which time the Court entered an order approving the Bidding Procedures Relief [Docket No. ____] (the "Bidding Procedures Order").

PLEASE TAKE FURTHER NOTICE that a copy of the Bidding Procedures Order is being served on you concurrently with this Notice. The Bidding Procedures Order establishes

bidding procedures (the "Bidding Procedures") that govern the manner in which the Acquired Assets and the Purchased Interests are to be sold.

PLEASE TAKE FURTHER NOTICE that a copy of the Sale Motion may be obtained by written request made to counsel to the Debtors, Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, California 90017, Attn.: Kelly K. Frazier, Esq., Telephone: (213) 680-8230, Facsimile: (213) 680-8500. The Sale Motion also may be viewed by accessing the website of the Selling Debtor's claims agent, Kurtzman Carson Consultants, Inc., at www.kccllc.net/calpine.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Sale Motion and section 365 of the Bankruptcy Code, Calpine and the Selling Debtor request authority to assume and assign the Assigned Contracts to the Selling Debtor and the New LLC, as applicable, and that upon such assumption and assignment Calpine and the Selling Debtor, as applicable, shall be relieved of any liability under the Assigned Contracts arising after the Closing. Attached hereto as Exhibit 3 is a schedule of the Assigned Contracts that may be assumed and assigned under the MIPA, together with the proposed cure amount relating to each Assigned Contract.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Sale Motion, Calpine and the Selling Debtor seek authority to pay in full from the sale proceeds the Proofs of Claim of the Washington DOR in the aggregate amount of \$373,680. Upon such payment in full, if authorized, such Proofs of Claim shall be deemed disallowed and expunged in their entirety.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Sale Motion, Calpine and the Selling Debtor also seek authority to offer, and if accepted, to disburse the net sale proceeds from the Sale of the Purchased Interests to the CalGen Lenders in accordance with the Cash Collateral Order.

PLEASE TAKE FURTHER NOTICE that, in accordance with the terms of the Bidding Procedures Order, the Auction will be conducted at Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611, or at another location as may be timely disclosed by the Selling Debtor to Qualifying Bidders (as that term is defined in the Bidding Procedures attached to the Bidding Procedures Order), **on February 5, 2007 at 10:00 a.m. (prevailing Eastern time) (the "Auction Date")**. Only parties that have submitted a Qualifying Bid **by no later than January 29, 2007 at 5:00 p.m. (prevailing Eastern time)** will be permitted to participate in and/or make any statements on the record at the Auction.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to confirm the results of the Auction, approve the Transfers of the Acquired Assets and the Sale of the Purchased Interests to the Purchaser or the Successful Bidder, and approve the other relief requested in the Sale Motion (the "Sale Hearing") before the Honorable Burton R. Lifland, United States Bankruptcy Judge, in the Bankruptcy Court, One Bowling Green, New York, NY, 10022, Room 623 on **February 7, 2007 at 10:00 a.m. (prevailing Eastern time)**, or at such time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that any counterparty to an Assigned Contract that wishes to obtain adequate assurance information regarding other bidders that will or may participate at the Auction (other than the Purchaser) must notify the Selling Debtor in writing, c/o Kelly K. Frazier, Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, California 90017, on or before January 15, 2007 (the "Request for Adequate Assurance"). The Request for

Adequate Assurance must include an email and/or address to which a response to such information request can be sent.

PLEASE TAKE FURTHER NOTICE that if a counterparty to an Assigned Contract timely submits a Request for Adequate Assurance, the Selling Debtor shall serve such party with any non-confidential information relating to adequate assurance received by the Selling Debtor as provided in the Bidding Procedures by email and/or overnight delivery on or before January 30, 2007. A counterparty to an Assigned Contract that timely submits a Request for Adequate Assurance shall have until **5:00 pm (prevailing Eastern Time) on February 2, 2007** by which to file an objection to adequate assurance of future performance by other bidders (other than the Purchaser). If the Purchaser is not the Successful Bidder and if a counterparty to an Assigned Contract does not timely submit a Request for Adequate Assurance and does not timely object to adequate assurance of future performance by other bidders on or before February 2, 2007, the Court may enter an order forever barring such counterparty to an Assigned Contract from objecting to adequate assurance of future performance.

PLEASE TAKE FURTHER NOTICE that objections to the Sale Motion, if any, including any objections to the proposed assumption and assignment of the Assigned Contracts, and objections relating to Cure Amounts and/or adequate assurances of future performance by the Purchaser, must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court and shall be filed with the Bankruptcy Court electronically by registered users of the Bankruptcy Court's case filing system (the User's Manual for the Electronic Case Filing System can be found at <http://www.nysb.uscourts.gov>, the official website for the Bankruptcy Court) and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word

processing format (in either case, with a hard copy delivered directly to Chambers) and shall be served upon: (a) counsel to the Debtors, Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, California 90017, Attn.: Bennett L. Spiegel, Esq., Kelly K. Frazier, Esq.; (b) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn.: Paul Schwartzberg, Esq.; (c) counsel to the Unofficial Committee of Second Lien Debtholders, Paul Weiss Rifkind Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019-6064, Attn.: Alan W. Kornberg, Esq., Andrew N. Rosenberg, Esq., Elizabeth R. McColm, Esq.; (d) counsel to the Official Committee of Unsecured Creditors, Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, New York 10022-2524, Attn.: Michael S. Stamer, Esq., Philip C. Dublin, Esq., Alexis Freeman, Esq.; (e) counsel to the Official Committee of Equity Security Holders, Fried Frank Harris Shriver & Jacobson LLP, One New York Plaza, New York, New York, 10004, Attn.: Gary L. Kaplan, Esq.; and (f) counsel to the Purchaser, LeBoeuf Lamb Greene & MacRae LLP, 125 West 55th Street, New York, New York, Attention: John G. Klauberg, Esq., so as to be received by no later than January 29, 2007 at 4:00 p.m. (prevailing Eastern time) (the "Objection Deadline").

PLEASE TAKE FURTHER NOTICE that failure of the non-debtor parties to the Assigned Contracts to object to the assumption and assignment of the applicable Assigned Contracts, including any objections to their proposed Cure Amount or adequate assurance of future performance by the Purchaser prior to the Objection Deadline (or to such other Successful Bidder other than the Purchaser in accordance with the procedures and deadlines set forth above) with respect to the Sale Motion shall constitute deemed acceptance of the relief requested in the Sale Motion with respect to such Assigned Contracts.

PLEASE TAKE FURTHER NOTICE that the failure of any person or entity to file an objection on or before the Objection Deadline shall be deemed a consent to the Transfers of the Acquired Assets and the Sale of the Purchased Interests to the Purchaser or the Successful Bidder and the other relief requested in the Sale Motion, and be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Sale Motion, the Auction, the Transfers of the Acquired Assets, the Sale of the Purchased Interests or Calpine's and the Selling Debtor's consummation and performance of the MIPA and TCA (including, without limitation, the transfer of the Acquired Assets, Purchased Interests and Assigned Contracts free and clear of all Liens), if authorized by the Bankruptcy Court.

PLEASE TAKE FURTHER NOTICE that this Notice of the Auction and Sale Hearing is subject to the full terms and conditions of the Sale Motion, the Bidding Procedures Order and the Bidding Procedures, which shall control in the event of any conflict, and Calpine and the Selling Debtor encourages parties in interest to review such documents in their entirety.

Dated: December __, 2006

Respectfully submitted,

Bennett L. Spiegel (BS 7153)
Kelly K. Frazier (*admitted pro hac vice*)
KIRKLAND & ELLIS LLP
777 South Figueroa Street
Los Angeles, California 90017
Telephone: (213) 680-8400
Facsimile: (213) 680-8500

Counsel for the Debtors

Exhibit C

Publication Notice

IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

Calpine Corporation, et al.,

Debtors.

)
)
) Chapter 11

)
) Case No. 05-60200 (BRL)

)
) Jointly Administered

NOTICE OF PUBLIC AUCTION AND SALE HEARING

PLEASE TAKE NOTICE that on November __, 2006, Goldendale Energy Center, LLC (the "Selling Debtor"), one of the above-captioned debtors and debtors in possession (collectively, the "Debtors") entered into a Membership Interests Purchase Agreement (the "MIPA") with Puget Sound Energy, Inc. (the "Proposed Purchaser"), as more fully set forth in that motion for approval of the MIPA (together with certain related agreements) and bidding procedures filed with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") on November __, 2006 [Docket No. ____] (the "Sale Motion"). The Selling Debtor, together with one of the Debtors, Calpine Corporation ("Calpine") seek to sell substantially all of the property and assets comprising the 250 megawatt natural gas-fired, combined cycle generating facility in Goldendale, Washington (the "Goldendale Project").

PLEASE TAKE FURTHER NOTICE that as set forth in the Sale Motion and the MIPA: (i) Calpine seeks to transfer certain assets relating to its interests in real property that is adjacent to the Goldendale Project to the Selling Debtor (including the assumption and assignment of an unexpired lease relating to such property pursuant to section 365 of the Bankruptcy Code); and (ii) the Selling Debtor seeks to contribute substantially all of the assets comprising the Goldendale Project, including the assets relating to Calpine's interest in such real property and the assumption and assignment of certain executory contracts and unexpired leases relating to the Goldendale Project pursuant to section 365 of the Bankruptcy Code (collectively, the "Acquired Assets") to a limited liability company that will be formed immediately prior to the consummation of the transactions contemplated by the MIPA and that will be wholly owned by the Selling Debtor (the "New LLC"). The Selling Debtor will then sell all of its membership interests in the New LLC (the "Purchased Interests") to the Proposed Purchaser for approximately \$100 million, plus the assumption by the Proposed Purchaser of certain Assumed Liabilities, subject to an auction process and approval by the Bankruptcy Court. The transfers of the Acquired Assets and the sale of the Purchased Interests shall be free and clear of all liens, claims, encumbrances and other interests pursuant to section 363 of the Bankruptcy Code

PLEASE TAKE FURTHER NOTICE that the terms and conditions of the proposed sale to the Proposed Purchaser are set forth in the MIPA attached to the Sale Motion. The MIPA represents the results of extensive marketing efforts conducted by the Selling Debtor and Calpine to obtain the highest and best offer for the Acquired Assets and the Purchased Interests.

PLEASE TAKE FURTHER NOTICE that on December __, 2006, the Bankruptcy Court entered an order [Docket No. ____] (the "Bidding Procedures Order") approving the bidding procedures (the "Bidding Procedures"), which set the key dates and times related to the transfers of the Acquired Assets and the sale of the Purchased Interests under the MIPA. ***All interested bidders should carefully read the Bidding Procedures.*** To the extent that there are any inconsistencies between the Bidding Procedures and the summary description of its terms and conditions contained in this Notice, the terms of the Bidding Procedures shall control.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bidding Procedures Order, an auction (the "Auction") to sell the Acquired Assets and the Purchased Interests will be conducted at Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611, or at another location as may be timely disclosed by the Debtors to Qualifying Bidders (as defined in the Bidding Procedures), on February 5, 2007 at 10:00 a.m. (prevailing Eastern time). Only parties and their advisors that have submitted a Qualifying Bid (as defined in the Bidding Procedures Order) by no later than January 29, 2007 at 5:00 p.m. (prevailing Eastern time), as

well as other parties specified in the Bidding Procedures Order, will be permitted to participate in and/or make any statements on the record at the Auction.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to confirm the results of the Auction and approve the sale transactions contemplated in the MIPA to the Proposed Purchaser or such other successful bidder(s) at the Auction (the "Sale Hearing") before the Honorable Burton R. Lifland, United States Bankruptcy Judge, in the United States Bankruptcy Court, One Bowling Green, New York, NY, 10022, Room 623 on February 7, 2007 at 10:00 a.m. (prevailing Eastern time), or at such time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that this Notice of the Auction and Sale Hearing is subject to the full terms and conditions of the Sale Motion, the Bidding Procedures Order and the Bidding Procedures which shall control in the event of any conflict and the Selling Debtor and Calpine encourage parties in interest to review such documents in their entirety. A copy of the Sale Motion, the MIPA, the Bidding Procedures and/or the Bidding Procedures Order may be obtained by written request made to counsel to the Debtors at the address below. The documents may also be viewed by accessing the website of the Debtors' claims agent, Kurtzman Carson Consultants, Inc., at www.kccllc.net/calpine.

KIRKLAND & ELLIS LLP
777 South Figueroa Street
Los Angeles, California 90017
Telephone: (213) 680-8400
Facsimile: (213) 680-8500
Bennett L. Spiegel
Kelly K. Frazier

Counsel to the Debtors