

Sidney Pelston, Managing Partner
Energy Innovation Group, LLC



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May 12, 2003

CITY OF REDONDO BEACH

Mr. Sidney Pelston
Managing Partner
Energy Innovation Group, LLC
1545 Wilshire Boulevard, Suite 804
Los Angeles, CA 90017

Dear Mr. Pelston:

As Mayor of the City of Redondo Beach and Chairman of the South Bay Cities Standing Committee on Energy, I wish to express on behalf of the City of Redondo Beach and the South Bay Cities Council of Governments (COG) our appreciation of the benefit Energy Innovation Group (EIG) has brought to our communities through special energy rebate programs and innovative strategies to reduce energy costs.

The COG is comprised of 15 cities in the south bay area of Greater Los Angeles. Although our cities pay substantial monies to fund energy conservation efforts through the State, we have had no say as to how they are spent, nor any assurance of their use to benefit our communities.

In early 2002, EIG and Rita Norton & Associates helped organize our cities in the submission of a proposal to participate in a California Public Utilities Commission rebate program that provided funding to manage a local rebate program. Funding was received for residential and multi-family dwelling (MFD) owners to receive energy rebates and energy efficiency programs exclusively for their communities. The program is called the South Bay Energy Rewards (SBER) program.

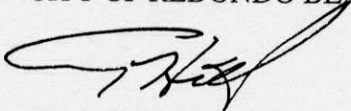
The results have been gratifying and noteworthy. A true partnership formed between the COG, EIG, and Rita Norton & Associates (the SBER Program Administrator). EIG guided our cities to become proactive forces to bring these dollars to our MFD owners and to guide these owners to make their buildings more energy efficient. Each city passed a resolution or otherwise committed to be part of this program. Each city appointed an official to coordinate with EIG on the MFD portion of the SBER program and for information to be presented at city council meetings.

The cities included information in business license renewals and other mailings. Each city mailed breakfast meeting invitations for MFD owners to learn of the opportunity. These breakfasts have been well attended and representatives from the Southern California Edison and Southern California Gas Company have been part of the program. EIG also arranged for trade associations and Chambers of Commerce to support this undertaking. Press events were scheduled and covered by the media. EIG has also organized energy services companies to further expose the program and provide turnkey services to program participants.

The EIG staff coordinates all energy projects for the MFD owners to assure that program participants are satisfied with the services they receive. The South Bay Energy Rewards program has well served the MFD owners of the cities of the COG. There was only a minimal commitment of our resources. In addition to the design and planning of the MFD part of the SBER program, EIG facilitated and handled all MFD program requirements. If any city is looking for innovative ways to benefit their community, we hope this information of our experience may be useful to you.

Sincerely,

CITY OF REDONDO BEACH



GREGORY C. HILL
Mayor