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Registration No. 333-91391

PROSPECTUS

$308,500,000

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AES IRONWOOD, L.L.C.
Offer to Exchange All Outstanding
8.857% Senior Secured Bonds due 2025
For 8.857% Senior Secured Exchange Bonds due 2025

THE NEW BONDS:

- Interest Payments: Interest on the bonds will be payable every three months, on February 28, May 31, August 31 and November 30 of each year, beginning August 31, 1999.
- Security: The new bonds will rank equally with all of our other senior debt secured by a lien on and security interest in shared collateral, which consists of substantially all of our assets. In addition, the indenture accounts, the debt service reserve account and the debt service reserve letter of credit, other than to the extent the provider's right to specific proceeds under the debt service reserve letter of credit, are separate collateral solely for the benefit of the holders of the new bonds.
- Ranking: The new bonds rank equally in right of payment with all other present and future senior debt and senior in right of payment to all subordinated debt.
- Listing: The new bonds will not be listed on any securities exchange or NASDAQ.

THE EXCHANGE OFFER:

- Expiration: 5:00 p.m. New York City time on May 12, 2000, unless otherwise extended.
- Tendered Bonds: All old bonds that are validly tendered and not validly withdrawn at the expiration of the exchange offer will be exchanged for an equal principal amount of new bonds that are registered under the Securities Act of 1933.
- Tax Consequences: The exchange of old bonds for new bonds will not be a taxable event for U.S. federal income tax purposes.
- We are not making this exchange offer in any state or jurisdiction where it is not permitted.

YOU SHOULD CAREFULLY CONSIDER THE "RISK FACTORS" BEGINNING ON PAGE 17 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER OR INVESTING IN THE NEW BONDS ISSUED IN THE EXCHANGE OFFER.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 31, 2000.

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. You should rely only on the information or representations provided in this prospectus. We have not authorized any person to provide information other than that provided in this prospectus. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front page of this prospectus.

Each broker-dealer that receives new bonds for its own account under the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the new bonds. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new bonds received in exchange for old bonds where the old bonds were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date of the exchange offer and ending on the close of business 270 days after the expiration date, we will make this prospectus available to any broker-dealer for use in connection with any resale. See "PLAN OF DISTRIBUTION."

UK SELLING RESTRICTIONS

The new bonds may not be offered or sold in or into the United Kingdom except to persons whose ordinary activities involve acquiring, holding, managing or disposing of investments, as principal or agent, for the purposes of their businesses, or in other circumstances that do not constitute an offer to the public in the United Kingdom for the purposes of the Public Offers of Securities Regulations 1995 or the Financial Services Act 1986, and this prospectus may only be issued or passed on to persons in the United Kingdom if the persons are of a kind described in article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or if the persons are persons to whom this prospectus may otherwise lawfully be issued or passed on.

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PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus but does

not contain all of the information that is important to you. To understand all of the terms of the exchange offer and to attain a more complete understanding of our business and financial situation, you should read carefully this entire prospectus. For an explanation of specific technical terms used in this prospectus, please read "ANNEX A: GLOSSARY OF TECHNICAL TERMS."

SUMMARY OF THE TERMS OF THE NEW BONDS

The exchange offer relates to the exchange of up to $308,500,000 principal amount of new bonds for an equal principal amount of old bonds. The form and terms of the new bonds are substantially identical to the form and terms of the old bonds, except the new bonds will be registered under the Securities Act. Therefore, the new bonds will not bear legends restricting their transfer. The new bonds will evidence the same debt as the old bonds, which they replace, and both the old bonds and the new bonds are governed by the same indenture.

Issuer: AES Ironwood, L.L.C.

Securities Offered: $308,500,000 aggregate principal amount of 8.857% Exchange Senior Secured Bonds due 2025.

Interest: We will pay interest on the bonds every three months, on each February 28, May 31, August 31 and November 30, beginning on the first payment date after the last date to which interest has been paid.

Final Maturity Date: November 30, 2025.

Principal Repayment: We will pay principal on the new bonds in installments quarterly on each February 28, May 31, August 31 and November 30, commencing February 28, 2002 to the registered owners on the immediately preceding record date as described under "DESCRIPTION OF THE NEW BONDS--Payment of Interest and Principal."

Ratings: The new bonds are expected to be rated "BBB-" from Standard & Poor's Rating Group and "Baa3" from Moody's Investors Services, Inc., the same ratings borne by the old bonds. See "DESCRIPTION OF THE NEW BONDS--Ratings."

Summary of Coverage Ratios: You will find projected coverage ratios with respect to the bonds in the projections included in the independent engineer's report, which we have attached as Annex B, and these ratios are subject to the qualifications, limitations and exclusions described in the independent engineer's report. The following ratios reflect the base case assumptions described in the independent engineer's report.

	Full Term of the Bonds	During Power Purchase Agreement Term	Post-Power Purchase Agreement Period
Debt Service Coverage			
Minimum	1.45	1.45	5.77
Average	2.30	1.46	5.81
Interest Coverage			
Minimum	1.58	1.58	18.45
Average	11.13	2.59	47.03

As described in the independent engineer's report, these projections are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated. We cannot assure that these projected coverage ratios will be achieved. See "ANNEX B: INDEPENDENT ENGINEER'S REPORT" and "RISK FACTORS."

Optional Redemption: We may redeem any of the new bonds, in whole or in part, at any time at a redemption price equal to:

- 100% of the principal amount; plus
- accrued interest; plus

- a make-whole premium calculated using a discount rate equal to the interest rate on comparable U.S. Treasury securities plus 50 basis points.

Mandatory Redemption: We must redeem all of the new bonds, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest if:

- we receive casualty proceeds, eminent domain proceeds or specific performance liquidated damages from Siemens Westinghouse under the construction agreement; and
- in each case, specified additional conditions are

satisfied.

We must redeem all of the new bonds, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest if we receive proceeds under the guaranty provided by The Williams Companies, Inc. because we terminated the power purchase agreement as a result of an event of default by Williams Energy. See "DESCRIPTION OF THE NEW BONDS--Mandatory Redemption."

Resale of the New Bonds:

We believe that beneficial interests in the new bonds may be offered for resale, resold and otherwise transferred by most owners of the new bonds without further compliance with the registration and prospectus delivery requirements of the Securities Act so long as:

- you are acquiring the new bonds in the ordinary course of your business;
- you are not participating, and have no arrangement or understanding with any person to participate, in the distribution of the new bonds; and
- you are not an insider or a related party of ours.

This belief is based upon existing interpretations of the staff of the SEC's Division of Corporation Finance described in several no-action letters issued to third parties unrelated to us and subject to important restrictions described in "THE EXCHANGE OFFER--Purpose and Effect of the Exchange Offer." We do not intend to seek our own no-action letter. If our belief is wrong and you transfer a new bond without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from the requirements, you may incur liability under the Securities Act. We do not and will not assume or indemnify you against this liability. There can be no assurance that the staff of the SEC's Division of Corporation Finance would make a similar determination about the new bonds as it has in no-action letters about exchanges of the securities of other companies.

Only broker-dealers that acquired the old bonds as a result of market-making or other trading activities may participate in the exchange offer. Each broker-dealer that receives new bonds for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those new bonds. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with those resales.

Broker-dealers that acquired old bonds directly from us may not rely on the interpretations of the SEC referred to above. Accordingly, in order to sell their bonds, broker-dealers that acquired old bonds directly from us must comply with the registration and prospectus delivery requirements, including being named as a selling security holder in any resale prospectus.

Old bonds that are not tendered for exchange will continue to be subject to existing transfer restrictions and will not have registration rights. Therefore, the market for secondary resales of any old bonds that are not tendered for exchange is likely to be minimal.

Equity Contributions:

We have entered into an equity subscription agreement with AES Ironwood, Inc. under which AES Ironwood, Inc. agreed to contribute up to $50,149,285 in equity to us to fund project costs. AES Ironwood, Inc.'s obligation under the equity subscription agreement will be

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supported by an acceptable letter of credit or an acceptable bond. AES Ironwood, Inc. will fund amounts available under the equity subscription agreement when all funds in the construction account have been used or during the continuation of an event of default under the indenture, whichever occurs first. We have the option of treating a portion or all of the equity contribution as affiliate subordinated debt. Subject to the conditions described in the equity subscription agreement and the collateral agency agreement, including achievement of final completion of our facility, funding of all required amounts and deposits under the collateral agency agreement and absence of any default, any equity which remains committed under the equity subscription agreement but unfunded after the commercial operation date may be canceled. The commercial operation date is the date initial startup testing at our facility has been successfully completed and all necessary approvals, permits, and authorizations have been obtained to allow us to begin selling energy and capacity.

Ranking:	Other than the bonds, which have an aggregate principal balance of $308.5 million, we do not have any outstanding long-term debt. The new bonds will: o rank equally in right of payment with all future senior secured debt; and o rank senior in right of payment to all subordinated debt. Any debt incurred under the debt service reserve letter of credit or the construction period letter of credit will rank equally in right of payment with the new bonds. There are currently no drawings outstanding under those letters of credit.
Collateral:	The new bonds will rank equally with all of our other senior debt by a lien on and security interest in the collateral. o The indenture accounts, the debt service reserve account and the debt service reserve letter of credit, other than to the extent of the letter of credit provider's right to specific proceeds, will constitute separate collateral solely for the benefit of the holders of the bonds. o The collateral for the benefit of holders of senior debt, including holders of the new bonds, will include: o all of our revenues; o the project accounts, other than the debt service reserve account; o all of our real and personal property; o proceeds of insurance, condemnation and liquidated damages payments, if any; o all project contracts; o all ownership interests in our company; and o the equity contribution and all rights under the equity subscription agreement.
Limited Recourse:	All obligations in connection with the new bonds will be solely our obligations. The bondholders will have no claim against or recourse to the holders of our ownership interests or any of our affiliates or any of their incorporators, stockholders, directors, officers or employees for the repayment of the new bonds, except to the extent of their obligations under the transaction documents, including the equity contribution and the pledge of AES Ironwood, Inc.'s ownership interests in our company.
Debt Service Reserve Account:	We will be required to fund or provide for the funding of a debt service reserve account on the commercial operation date, the guaranteed completion date or December 31, 2002, whichever occurs first, in an amount sufficient to pay principal and interest due on the bonds on the next two payment dates plus, if we provide a letter of credit in lieu of funding the debt service reserve account, six months of interest on the maximum amount of the letter of credit. We anticipate satisfying this requirement by providing a letter of credit issued by Dresdner Bank AG, New York Branch or another financial institution rated at least "A" by Standard & Poor's and "A2" by Moody's.

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Change in Control:	While the new bonds are outstanding, the indenture requires The AES Corporation to maintain directly or indirectly at least 51% of both of the voting and economic interests in our company. If The AES Corporation desires to reduce its voting or economic interest in AES Ironwood, L.L.C. below 51%, either we must receive confirmation of the initial ratings of the bonds or the holders of at least two-thirds in aggregate principal amount of the bonds must approve the change in ownership.
Other Principal Covenants:	The indenture contains limitations on, among other actions: o incurring additional indebtedness; o granting liens on our property; o distributing equity and paying subordinated

indebtedness issued by our affiliates;
- entering into transactions with our affiliates;
- amending, terminating or assigning of project contracts; and
- fundamental changes or disposition of assets.

See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Indenture--Negative Covenants."

Form, Denomination and Registration of Bonds: New bonds will be issued in fully registered form without coupons in denominations of U.S.$100,000 and any integral multiple of US$1,000 in excess thereof and will be represented by one or more global bonds, each registered in the name of a nominee of DTC. Beneficial interests in the global bonds will be shown on, and transfers of the beneficial interests will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including the Euroclear Systems and Cedel Bank.

Governing Law: The new bonds, the indenture and the other principal financing documents, other than the mortgage, are governed by the laws of the State of New York. The mortgage is governed by the laws of the Commonwealth of Pennsylvania.

Intercreditor Arrangements: The collateral agency agreement requires the vote of senior creditors holding at least one-third of our debt to direct specified actions of the collateral agent. The collateral agent, who is appointed by the senior creditors to act on their behalf, may be directed to exercise its rights to seek immediate repayment of the bonds or its other rights under the collateral agency agreement following:

- an event of default under the debt service reserve letter of credit and reimbursement agreement under which the letter of credit provider will provide to us the letter of credit to fund the debt service reserve account;

- an event of default under the construction period letter of credit and reimbursement agreement, under which the letter of credit provider has provided to us the letter of credit if the commercial operation date is not achieved;

- an event of default under the indenture; or

- a bankruptcy event with respect to us. The bonds will represent approximately 95%, without giving effect to any construction period letter of credit, of the combined credit exposure, and, in respect of matters voted on by the senior creditors, the trustee under the indenture will vote all bonds according to the votes of a majority of bondholders voting. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Collateral Agency Agreement."

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Accounts and Flows of Funds: Following the commercial operation date, project revenues will be deposited in accounts established under the financing documents and held by the trustee and the collateral agent. In most circumstances, operating revenues will be applied in the following order:

- operating and maintenance costs, including any working capital loans;
- fees, costs and expenses of the trustee, collateral agent, debt service reserve letter of credit provider and any construction period letter of credit provider;
- interest payments on the bonds, debt service reserve letter of credit loans and any construction period letter of credit loans;
- principal payments on the bonds and any construction period letter of credit loans;
- replenishment of the debt service reserve account and principal payments on debt service reserve letter of credit loans;
- required deposits in the major maintenance reserve account;
- non-dispatch payments to Williams Energy;
- fuel conversion volume rebate payments to Williams Energy;
- subordinated bonuses to Siemens Westinghouse, if any;
- repayment of third-party subordinated debt; and
- subject to the restricted payments test, permitted distributions to persons holding ownership interests in our company.

Under circumstances involving a termination or non-renewal of the debt service reserve letter of credit or specified delays in repayment of the principal amount of debt service reserve letter of credit loans, principal repayments of drawings on the debt service reserve letter of credit will be made at the same priority as principal on the new bonds. Under certain circumstances, if no default or event of default under the indenture is continuing, we may from time to time withdraw funds then deposited in specified accounts established under the financing documents so long as we provide to the collateral agent acceptable credit support to ensure repayment of the withdrawn funds. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Collateral Agency Agreement--Payments During Operating Period" and "--Advances."

Independent Engineer: Stone & Webster Management Consultants, Inc., as the independent engineer, is responsible for confirming the reasonableness of specific statements and projections made in specified certificates required to be provided, including with respect to:

- satisfaction of specific requirements under the construction agreement;
- the cost of and occurrence of the completion of rebuilding, repairing or restoring our facility following an event of loss or event of eminent domain;
- under specified circumstances, the calculation of debt service coverage ratios and the consistency of assumptions made in connection therewith;
- whether any termination, amendment or modification of any project contract would reasonably be expected to have a material adverse effect; and
- specified tests required for the issuance of additional debt.

SUMMARY OF THE EXCHANGE OFFER

We summarize the terms of the exchange offer below. You should read the discussion under the heading "THE EXCHANGE OFFER" beginning on page 26 for further information regarding the exchange offer and resale of the new bonds.

The Exchange Offer: We are offering to exchange up to $308,500,000 aggregate principal amount of new bonds, which have been registered under the Securities Act, for up to $308,500,000 aggregate principal amount of old bonds, which we issued on June 25, 1999 in a private offering. In order for your old bonds to be exchanged, you must properly tender them prior to the expiration of the exchange offer. All old bonds that are validly tendered and not validly withdrawn will be exchanged. We will issue new bonds on or promptly after the expiration of the exchange offer. Old bonds may be exchanged for new bonds only in integral multiples of $1,000.

Registration Rights Agreement: We sold the old bonds on June 25, 1999 to the initial purchasers of the old bonds. Simultaneously with that sale we signed a registration rights agreement with the initial purchasers which requires us to conduct this exchange offer.

You have the right pursuant to the registration rights agreement to exchange your old bonds for new bonds with substantially identical terms. This exchange offer is intended to satisfy this right. After the exchange offer is complete, you will no longer be entitled to any exchange or registration rights with respect to old bonds you do not tender for exchange.

Consequences of Failure to Exchange Your Old Bonds: If you do not exchange your old bonds for new bonds pursuant to the exchange offer, you will continue to be subject to the restrictions on transfer provided in the old bonds and the indenture. In general, the old bonds may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently plan to register the old bonds under the Securities Act. To the extent that old bonds are tendered and accepted

in the exchange offer, the trading market for untendered old bonds and tendered but unaccepted old bonds will be adversely affected.

Expiration Date: The exchange offer will expire at 5:00 p.m., New York City time, on May 12, 2000, or a later date and time to which we may extend it, in which case the term "expiration date" will mean the latest date and time to which the exchange offer is extended. Notwithstanding the preceding sentence, we will not extend the expiration date beyond September 30, 2000.

Withdrawal of Tenders: You may withdraw your tender of old bonds at any time prior to the expiration date by delivering written notice of your withdrawal to the exchange agent in accordance with the withdrawal procedures described in this prospectus. We will return to you, without charge, promptly after the expiration or termination of the exchange offer any old bonds that you tendered but that were not accepted for exchange. The new bonds will be issued on or promptly after the expiration date.

Conditions to the Exchange Offer: We will not be required to accept old bonds for exchange if the exchange offer would violate applicable law or any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. The exchange offer is not conditioned upon any minimum aggregate principal amount of old bonds being tendered. We reserve the right to terminate the exchange offer if certain specified conditions have not been satisfied and to waive any condition or otherwise amend the terms of the exchange offer in any respect. Please read the section "THE EXCHANGE OFFER--Conditions to the Exchange Offer" on page 29 for more information regarding the conditions to the exchange offer.

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Procedures for Tendering Old Bonds and Representations: If your old bonds are held through The Depository Trust Company and you wish to participate in the exchange offer, you may do so through one of the following methods:

- Delivery of a Letter of Transmittal. You must complete and sign a letter of transmittal in accordance with the instructions contained in the letter of transmittal and forward the letter of transmittal by mail, facsimile transmission or hand delivery, together with any other required documents, to the exchange agent, either with the old bonds to be tendered or in compliance with the specified procedures for guaranteed delivery of the old bonds; or

- Automated Tender Offer Program of The Depository Trust Company. If you tender under this program, you will agree to be bound by the letter of transmittal that we are providing with this prospectus as though you had signed the letter of transmittal.

Under both methods, by signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any new bonds that you receive are being acquired in the ordinary course of your business;

- you have no arrangement or understanding with any person or entity to participate in any distribution of the new bonds;

- you are not engaged in and do not intend to engage in any distribution of the new bonds;

- if you are a broker-dealer that will receive new bonds for your own account in exchange for old bonds, you acquired those bonds as a result of

market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of the new bonds; and

- you are not our "affiliate," as defined in Rule 405 of the Securities Act.

Please do not send your letter of transmittal or certificates representing your old bonds to us. Those documents should only be sent to the exchange agent. Questions regarding how to tender and requests for information should be directed to the exchange agent.

Special Procedures for Beneficial Owners: If you own a beneficial interest in old bonds that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender the old bonds in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf.

Consequences of Not Complying with Exchange Offer Procedures: You are responsible for complying with all exchange offer procedures. You will only receive new bonds in exchange for your old bonds if, prior to the expiration date, you deliver to the exchange agent (1) the letter of transmittal, properly completed and duly executed, (2) any other documents or signature guarantees required by the letter of transmittal certificates for the old bonds or a book-entry confirmation of a book-entry transfer of the old and (3) bonds into the exchange agent's account at DTC.

Any old bonds you hold and do not tender, or which you tender but which are not accepted for exchange, will remain outstanding. You will not have any appraisal or dissenters' rights in connection with the exchange offer.

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You should allow sufficient time to ensure that the exchange agent receives all required documents before the expiration of the exchange offer. Neither we nor the exchange agent has any duty to inform you of defects or irregularities with respect to your tender of old bonds for exchange.

Guaranteed Delivery Procedures: If you wish to tender your old bonds and cannot comply, prior to the expiration date, with the applicable procedures for tendering old bonds described above and under "THE EXCHANGE OFFER--Procedures for Tendering", you must tender your old bonds according to the guaranteed delivery procedures described in "THE EXCHANGE OFFER--Guaranteed Delivery Procedures" beginning on page 31.

U.S. Federal Income Tax Consideration: The exchange of old bonds for new bonds in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read "UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS" on page 107.

Use of Proceeds: We will not receive any cash proceeds from the issuance of new bonds. We intend to use the net proceeds from the sale of the old bonds, together with an approximately $50 million equity contribution, to:

- fund the engineering, procurement, construction, testing and commissioning of our facility;

- pay legal, accounting and other related fees and expenses in connection with the financing and development of our project; and

- pay project costs, including interest on the bonds.

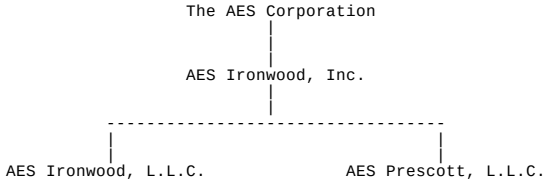
The Exchange Agent

We have appointed The Bank of New York as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows: The Bank of New York, 101 Barclay Street, 7E, New York, New York 10286; (212) 815-5988. Eligible institutions may make requests by facsimile at (212) 815-6339.

AES Ironwood, L.L.C.

AES Ironwood, L.L.C was formed to develop, construct, own, operate and maintain a gas-fired electric generating power plant in Lebanon County, Pennsylvania. We are in the developmental stage and currently have no operating revenues. All of the equity interests in our company are owned by AES Ironwood, Inc., a wholly-owned subsidiary of The AES Corporation. The AES Corporation will provide funds to AES Ironwood, Inc. so that AES Ironwood, Inc. can make an equity contribution to us to fund project costs. AES Ironwood, Inc. currently has no operations outside of its activities in connection with our project and does not anticipate undertaking any operations not associated with our project. AES Ironwood, Inc. has no assets other than its membership interests in us and AES Prescott, L.L.C., which will provide development, construction management and operations and maintenance services to us. AES Prescott has no operations outside of its activities in connection with our project. The AES Corporation will supply AES Prescott with personnel and services necessary to carry out its obligations to us. The AES Corporation is a public company and is subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, files reports, proxy statements and other information, including financial reports, with the SEC. See "WHERE YOU CAN FIND MORE INFORMATION."

The following organizational chart illustrates the relationship among our company, AES Ironwood, Inc., AES Prescott and The AES Corporation:



Our Facility

Our facility, which is still under construction, consists of a 705 megawatt (net) gas-fired combined cycle electric generating facility with oil-firing capability. We expect our facility to become operational by approximately June 30, 2001. We will not receive any revenues from the power purchase agreement or otherwise before our facility becomes operational, at which time we will begin to receive revenues under the power purchase agreement. We will sell all of our facility's capacity, and provide fuel conversion and ancillary services, to Williams Energy under a long-term power purchase agreement. After the expiration of the 20-year term of the power purchase agreement, we will enter into other power purchase agreements or operate our facility as a merchant plant (i.e., an electric generation facility with no dedicated long-term power purchase agreement).

Our facility will be located in South Lebanon Township, Lebanon County, Pennsylvania on property owned by us. Our facility will be designed, engineered, procured and constructed for us by Siemens Westinghouse Power

Corporation under a fixed-price construction agreement. Among other components, our facility will use two Siemens Westinghouse model 501G combustion turbines with hydrogen-cooled generators, two unfired heat recovery steam generators and one multicylinder steam turbine with a hydrogen-cooled generator. Siemens Westinghouse will provide us with specific combustion turbine maintenance

services and spare parts for an initial term of between eight and 10 years, depending on the timing of scheduled outages, under a maintenance services agreement. Under the power purchase agreement, Williams Energy or its affiliates will supply fuel necessary to allow us to provide capacity, fuel conversion and ancillary services to Williams Energy. AES Prescott, the operator, will provide development, construction management and operations and maintenance services for our facility under an operations agreement. We will provide installation, operation and maintenance of facilities necessary to interconnect our facility to the transmission system of Metropolitan Edison Company, under an interconnection agreement.

AES Ironwood, L.L.C. is a Delaware limited liability company with principal executive offices located at 305 Prescott Road, Lebanon, Pennsylvania 17042. Our telephone number is (717) 228-1328.

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SUMMARY OF RISK FACTORS

You should read the "Risk Factors" section of this prospectus as well as the other cautionary statements contained in this prospectus before tendering your old bonds for new bonds or making an investment in the new bonds. The following is a summary of the risks that are discussed in detail in this prospectus:

Our cash flow and our ability to service the bonds will be adversely impacted if:

- the commercial operations of our facility are significantly delayed or are otherwise unable to general sufficient cash flow;
- the financial condition of parties that we depend on deteriorates and cannot be replaced or they breach their obligations to us;
- we encounter significant construction delays and any liquidated damages, contingency funds, or insurance proceeds available to us are likely to be insufficient to cover our financial needs;
- the insurance we have obtained is inadequate in the event of a total loss or taking of our facility;
- unexpected events increase our expenses or reduce our projected revenues once we are operational;
- compliance with environmental and other regulatory matters cause significant delays or expenses; and
- we incur additional indebtedness as permitted under the indenture or make drawings under letters of credit.

In the event of a default, you may have limited or no recourse because:

- we are the sole legally responsible party in the event that the proceeds from the bonds, the equity contribution and the liquidation of the collateral are exhausted; and
- the collateral agency agreement contains provisions that may limit the remedies that could be exercised in respect of the events of default, other than a bankruptcy event of default, unless and until the required senior parties have directed the collateral agent to do so.

The success of our project and future operations may be impaired because:

- the combustion turbine to be used in our facility has no significant operating experience, and we may incur problems relating to start-up, commissioning and performance; and

- following the expiration of the power purchase agreement, our facility is expected to become a merchant facility and we don't know if we will be able to find adequate purchasers or otherwise compete effectively in the merchant market.

Undue reliance should not be placed on projections and forward-looking statements because:

- projections and their underlying assumptions are subject to significant uncertainties and actual results often differ, perhaps materially, from those projected; and

- forward-looking statements are based on current expectations and our knowledge of facts as of the date of this prospectus and are subject to various risks and uncertainties that are outside of our control.

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SUMMARY OF INDEPENDENT ENGINEER'S REPORT

Stone & Webster, with the assistance of Stone & Webster Engineering Corporation, has prepared the independent engineer's report concerning specific technical, environmental and economic aspects of our facility. We have attached the independent engineer's report as Annex B to this prospectus. The independent engineer's report includes, among other things, a conceptual design review of our facility, a review of the significant project contracts and a review of financial projections, including annual revenues, expenses and debt service coverage for our facility during the period the bonds are scheduled to remain outstanding. We retained Stone & Webster to prepare the independent engineer's report because it is a leading consulting engineering firm which devotes a substantial portion of its resources to providing services related to the technical, environmental and economic aspects of power projects. Neither we, nor any of our affiliates, is affiliated with Stone & Webster. We do not intend to update the economic projections in the independent engineer's report from June 18, 1999, the date it was prepared.

For purposes of reviewing the projected operating results, Stone & Webster relied on specific assumptions regarding material contingencies and other matters that are not within our control or that of Stone & Webster or any other person. Each of these assumptions is described in the independent engineer's report. These assumptions are inherently subject to significant uncertainties, and actual results will differ, perhaps materially, from those projected. See "RISK FACTORS."

Subject to the information contained, and the assumptions and qualifications made, in Stone & Webster's report, Stone & Webster expressed the following opinions:

1. The facility design, as specified in the construction agreement, is in accordance with standard industry practice. Siemens Westinghouse possesses the organization and personnel to execute its obligations under the construction agreement and the maintenance services agreement, and is familiar with the construction and maintenance of large electrical generation facilities. Our project construction schedule proposed by Siemens Westinghouse is achievable and is consistent with the terms of the power purchase agreement.

2. Stone & Webster views the 501G combustion turbine as an advancement in high-temperature advanced technology combustion turbines for Siemens Westinghouse and is typical of the normal design evolution for manufacturers. Many of the design concepts incorporated in the 501G are rooted firmly in the 501 series and are complemented by improvements which have been tested in the 501F series or predicted by extensive modeling or full scale testing. The first 501G unit is expected to begin commercial operation later in 1999. The various 501G components and designs have been individually shop tested and computer analyzed. Siemens Westinghouse's 501G is gaining commercial acceptance as demonstrated by the fact that 17 of Siemens Westinghouse's 501Gs have been sold to date in the United States.

3. The combustion turbines for our project are scheduled to become the third and fourth 501Gs in operation. As a result, our project will benefit from approximately 25 months of facility start-up, extensive testing and operating experience of the first installation of 501Gs (McIntosh Project) and approximately nine months of operating experience from the second installation of 501Gs (Millenium Project). Because the 501G has no commercial operating experience, the initial unit availability of the 501G may be lower in the early years of operation than is the case with combustion turbine units currently in operation that use mature technology. Lower initial unit availability has been reflected in the base case and a sensitivity case has been included in the projected operating results utilizing lower availability than that described in the base case.

4. A sustained period of commercial operation at full load conditions followed by an inspection of the combustion turbine is necessary to predict with any certainty the types of start-up and operational problems, if any, that the 501G may encounter. However, our project will benefit from the start-up testing and inspection programs implemented by Siemens Westinghouse at the McIntosh and Millenium units. Siemens Westinghouse has also invested in, and has stated that it will make available to our project, a complete set of risk parts for the entire combustion turbine gas path. In addition, under the maintenance services agreement, Siemens Westinghouse will provide combustion turbine spare parts to our project. This full set of gas path risk parts to be made available by Siemens Westinghouse and the maintenance services agreement long term spare parts program will minimize the duration of any unscheduled combustion turbine-related outages that require the replacement of parts by having the most commonly replaced parts readily available. In addition, Siemens Westinghouse has

the resources and capabilities to resolve any problem that may arise with the 501Gs.

5. The steam turbine and electrical generator designs are acceptable and in accordance with standard industry practice.

6. If designed and constructed in accordance with the construction agreement and operated and maintained in accordance with the maintenance services agreement and the operations agreement, our facility should be capable of meeting the net output contract requirements specified in our projected operating results.

7. The liquidated damages provisions of the construction agreement are reasonable. The one-year warranty period is acceptable based on the commercial terms of the construction agreement in conjunction with the one-year warranty in the maintenance services agreement. These two agreements, although independent, are complementary and afford our project a greater degree of protection than is available from the construction agreement alone. Under both agreements, Siemens Westinghouse is obligated to notify AES Ironwood, L.L.C. of any engineering or design defects that may be manifested in any of Siemens Westinghouse's fleet of 501Gs. In addition, the risk of a component failure occurring after the one year construction agreement warranty is mitigated because the projected operating results indicate our project will have adequate revenues to insure the purchase of components that can be reasonably assumed to require replacement. Component failures associated with casualty events are generally covered by insurance policies. The performance testing plan, as specified in the construction agreement, is acceptable, customary and should adequately demonstrate our project's performance.

8. Williams Energy possesses the organization and personnel to execute its obligations under the power purchase agreement and is familiar with the provision of fuel to, and purchase of electricity from, large electrical generation facilities.

9. Williams Energy has executed specific agreements with Texas Eastern Transmission Corporation to provide natural gas delivery services to AES Ironwood, L.L.C. These agreements require Texas Eastern to construct, own and operate an approximate three-mile pipeline from its mainline to our facility. Stone & Webster has not, however, independently verified the design of the natural gas pipeline which will interconnect our facility to the interstate gas pipeline that will serve our facility nor its proposed construction schedule.

10. Our facility can feasibly be electrically integrated into the Pennsylvania/New Jersey/Maryland (or "PJM") power pool market, and no known transmission limitations will inhibit the feasible evacuation of our facility's full net capacity both under summer and winter conditions.

11. Stone & Webster will independently verify the design of the make-up water supply pipeline when it becomes available. The proposed pipeline construction schedule appears reasonable and achievable. Stone & Webster does not know of any reason why the City of Lebanon Authority should be unable to perform its obligations under the effluent supply agreement.

12. AES Prescott, as an affiliate of The AES Corporation and with the assistance of Siemens Westinghouse under the terms of the maintenance services agreement, should be capable of operating and maintaining our facility in accordance with standard industry practices.

13. The technical requirements described in the project contracts are comprehensive, reasonable and achievable as well as consistent within and between the various documents.

14. The Phase I environmental site assessments conducted by an independent environmental consultant which indicated no significant environmental issues were performed in accordance with standard industry practice and their results appear reasonable.

15. A majority of our project's required permits have been acquired and our project's permit acquisition plan for those permits not yet required is reasonable.

16. AES Ironwood, L.L.C. has received a determination that our facility is an exempt wholesale generator under the applicable rules of the Federal Energy Regulatory Commission.

17. Assuming our facility is constructed, operated and maintained in accordance with the terms of the construction agreement, the power purchase agreement, the operations agreement and the maintenance services agreement, then it is reasonable to assume that our facility will be able to operate in a manner consistent with applicable permit limits for a period at least equal to the term of the bonds.

18. The construction agreement price is competitive relative to similar facilities and our project's proposed operating and maintenance expenses are consistent with other comparable projects.

19. The technical assumptions utilized in the independent power consultant's report by Hagler Bailly are reasonable.

20. Stone & Webster reviewed the technical and commercial assumptions and the calculation methodology of our project's financial pro forma model. The technical assumptions assumed in the projected operating results are reasonable and are consistent with the project contracts. The financial pro forma model fairly presents, in Stone & Webster's judgment, projected revenues and projected expenses under the base case assumptions. Therefore, the projected operating results are a reasonable forecast of AES Ironwood, L.L.C.'s financial results

under the base case assumptions.

21. The principal amount of the bonds, when combined with the equity contributions and interest earned during the construction period, should be sufficient to pay the costs of constructing our project and interest on the bonds through the end of the construction period.

22. The projected revenues from the sale of capacity are more than adequate to pay the annual operating and maintenance expenses, including provisions for major maintenance, other operating expenses and debt service based on Stone & Webster's studies and analyses of our project and the assumptions described in the independent engineer's report. The average and minimum debt service coverage ratios for the full term of the bonds are 2.30x and 1.45x, respectively. The average and minimum debt service coverage ratios during the term of the power purchase agreement are 1.46x and 1.45x, respectively. The average and minimum debt service coverage ratios during the post-power purchase agreement period for the debt are 5.81x and 5.77x, respectively.

23. Assuming deficiencies of up to 6% for heat rate and 5% for capacity, the average debt service coverage ratios, over the term of the bonds, after payment of liquidated damages due to a failure to achieve heat rate and capacity guarantees, are projected to remain approximately the same as the debt service coverage ratios in the base case.

The independent engineer's report should be read by all prospective investors in its entirety. Stone & Webster is subject to the informational requirements of the Exchange Act, and in accordance therewith, files reports, proxy statements and other information with SEC. See "WHERE YOU CAN FIND MORE INFORMATION."

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SUMMARY OF INDEPENDENT POWER CONSULTANT'S REPORT

Hagler Bailly Consulting, Inc. has prepared the independent power consultant's report, which we have attached as Annex C to this prospectus. We have retained Hagler Bailly to forecast our facility's use and future electric energy prices because it is an independent consulting firm which provides various energy-related consulting services, including services related to the marketing and fuel supply aspects of power projects. Neither we, nor any of our affiliates, is affiliated with Hagler Bailly.

Hagler Bailly's report includes, among other things,

- a forecast of our facility's utilization during the period after the end of the power purchase agreement term and
- a forecast of electric energy prices during the power purchase agreement term and electric energy and capacity prices during the period after the end of the power purchase agreement term.

Subject to the information contained, and the assumptions and other limitations stated, in Hagler Bailly's report, including the qualifications described in the forward of the report, Hagler Bailly has expressed the following opinions, among others:

1. Our facility's dispatch position on the supply curve will be highly competitive and well below the highest priced baseload coal plant during the period after the end of the power purchase agreement term, and during the term of the power purchase agreement, due to our facility's high efficiency, low production costs and the influence of demand growth in conjunction with unit retirements.

2. Our facility is expected to have an average capacity factor of 90.7% during the period after the end of the power purchase agreement term. The addition of new, more efficient gas-fired power generation facilities in PJM power pool market over time is not expected to affect our facility's dispatch.

3. Even using the price assumptions contained in the independent engineer's report, our facility's average capacity factor remains significantly high at 89.6% during the period after the end of the power purchase agreement term.

4. During the term of the power purchase agreement, the economics of our project are not sensitive to fuel prices because the costs of fuel are the responsibility of Williams Energy under the power purchase agreement's fuel tolling provisions.

Hagler Bailly's report, including the qualifications described in the forward of the report, should be read by all bondholders in its entirety. We do not intend to update the facility utilization and energy price forecast, except to the extent required under the indenture. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Indenture--Affirmative Covenants." Hagler Bailly is subject to the informational requirements of the Exchange Act, and in accordance therewith, files reports, proxy statements and other information with the SEC. See "WHERE YOU CAN FIND MORE INFORMATION."

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SUMMARY OF SIGNIFICANT PROJECT CONTRACTS

Power Purchase Agreement and Related Guaranty

Under the terms of the power purchase agreement, we will, for a term of 20 years beginning on the commercial operation date of our facility, which is the date initial startup testing at the facility has been successfully completed and all necessary approvals, permits, and authorizations have been obtained, sell all of our facility's net electrical output and provide fuel conversion and ancillary services to Williams Energy. Williams Energy is obligated to pay us for our facility's net capacity, which payments are expected to be adequate to cover our debt service and our fixed operation and maintenance costs and, at the same time, provide us a return on equity. Net capacity is the maximum amount of electricity generated by our facility minus the electricity used at our facility. Williams Energy will be obligated to pay us whether or not it requires our facility to generate energy and even if it is unable to take any energy, so long as our facility is available for operation. Williams Energy is also obligated to supply us with all of the fuel necessary to provide net capacity, ancillary services and fuel conversion services to it. Fuel conversion services consist of the combustion of natural gas and fuel oil in order to generate electric energy. Ancillary services consist of services necessary to support the transmission of capacity and energy.

The Williams Companies, Inc. will provide us with a guaranty of Williams Energy's payment obligations to us under the power purchase agreement and to pay damages if Williams Energy fails to pay us. The Williams Companies, Inc.'s payment obligations under the guaranty are capped at an amount equal to 125% of the sum of the principal amount of the new bonds plus the maximum debt service reserve account required balance. The Williams Companies, Inc. files quarterly and annual audited reports with the Commission under the 1934 Exchange Act, which are publicly available; Williams Energy does not issue separate audited financial statements. As security for our obligations under the power purchase agreement, we are required to provide to Williams Energy either a guaranty from The AES Corporation or a letter of credit in the amount of $30 million. To satisfy our obligation, we have provided to Williams Energy a letter of credit which will terminate when our facility begins commercial operation. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Construction Period Letter of Credit and Reimbursement Agreement."

Construction Agreement and Related Guaranty

Under a construction agreement, Siemens Westinghouse will design, engineer, procure and construct our facility so that it will be complete and ready to operate. Siemens Westinghouse is wholly owned by Siemens Corporation which is, in turn, wholly owned by Siemens A.G. Siemens Westinghouse's obligations under the construction agreement will be guaranteed by Siemens Corporation. The contract price payable to Siemens Westinghouse is $214,950,000, which is to be paid in installments in accordance with the payment and milestone schedule included in the construction agreement. The contract price may be adjusted as described in the construction agreement, including as a result of unexpected or uncontrollable events or modifications to the scope of work to be provided by Siemens Westinghouse. Siemens Westinghouse has guaranteed that our facility will be mechanically complete and specific performance requirements will be satisfied so that our facility will be commercially operational by the date which is approximately 23-1/2 months after we have given it full notice to proceed, which we did on June 8, 1999. If our facility does not satisfy the applicable completion requirements by the date guaranteed by Siemens Westinghouse and the failure to satisfy the applicable completion requirements is not excused in accordance with the terms of the construction agreement, Siemens Westinghouse will be obligated to pay us delay liquidated damages in the amounts specified in the construction agreement. Siemens Westinghouse has guaranteed specific availability levels for our facility and if those levels are not demonstrated during a 45-day period before final acceptance of our facility by us, we may withhold specified payments to Siemens Westinghouse. Siemens Westinghouse has also guaranteed that during performance testing, our facility will generate a specified amount of electrical energy and meet specified thermal efficiency rates when using natural gas and fuel oil. If Siemens Westinghouse cannot meet these testing requirements it will be required to pay us performance liquidated damages in the amounts specified in the construction agreement. The total liability of Siemens Westinghouse for delays in completion, together with its liability for any performance shortfalls, is limited in the aggregate to an amount equal to 45% of the contract price. The construction agreement also contains a sub-limit on Siemens Westinghouse's liability for delays in completion of our facility in an amount equal to 20% of the contract price. The total aggregate cap on liability of Siemens Westinghouse under the construction agreement, including liquidated damages, but excluding specified indemnity obligations, is limited to an amount not to exceed the contract price, as adjusted.

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RISK FACTORS

Before tendering your old bonds for new bonds or investing in the new bonds, you should be aware that there are various risks involved in your investment. We have discussed below the material risks that you should consider in making your investment decision. You should consider carefully these risk factors, together with all of the other information included in this prospectus.

If the commercial operations of our facility are significantly delayed, or are otherwise unable to generate sufficient cash flow, we may not be able to pay our operating expenses or service the bonds.

Construction of our facility currently is scheduled to be completed within 23-1/2 months from the date Siemens Westinghouse receives from us a full notice to proceed under the construction agreement. We gave full notice on June 8, 1999. We will not receive any material revenues unless and until our facility achieves commercial operation. Once our facility commences operation, principal and interest on the bonds will be payable principally from revenues received by us under the power purchase agreement. Operation and maintenance expenses of our facility generally are payable before payment of debt service with respect to the bonds. No representation or assurance can be made that our facility will be

successfully constructed or that, if our facility is successfully constructed, revenues will be sufficient to pay the operation and maintenance expenses of our facility and principal of and interest on the bonds. We have no assets other than our facility, the project contracts and other assets and contract rights related to our facility. Once our equity contribution is made to fund project construction costs, our debt to capitalization ratio will be .8638 to 1.

Until our facility commences operation, debt service on the bonds will be payable solely from funds on deposit in the construction account, which deposit was made with a portion of the net proceeds from the issuance of the old bonds, any investment earnings, specific contingency and other funds held under the collateral agency agreement and the indenture, insurance proceeds, if any, and liquidated damages payable under the construction agreement. The construction interest account under the indenture will contain an amount sufficient to pay interest on the bonds only through 45 days following the guaranteed provisional acceptance date under the construction agreement, without giving effect to any extensions. Thus, if there is a prolonged delay beyond the guaranteed provisional acceptance date in our facility's attaining commercial operation, we cannot assure that sufficient sources of funds will be available to make payments of principal of, premium, if any, and interest on the bonds.

During the term of the power purchase agreement, our ability to make payments of principal of, premium, if any, and interest on the bonds will be substantially a function of (1) the ability of our facility to operate at levels which provide sufficient revenues from sales to Williams Energy after the payment of all operation and maintenance expenses and specific other expenses paid prior to debt service and (2) the ability of Williams Energy to make required payments under the power purchase agreement. Fixed payments under the power purchase agreement may be reduced significantly or eliminated during periods when our facility's availability fails to meet required levels under the power purchase agreement. With specific exceptions, fixed payments will not be made by Williams Energy during unexpected or uncontrollable events which prevent our facility from operating. Following the expiration of the term of the power purchase agreement, our ability to make payments of principal of, premium, if any, and interest on the bonds will be substantially a function of:

- our ability to find purchasers of electric generating capacity and energy from our facility;
- the availability of adequate market prices for capacity, energy and ancillary services;
- our ability to procure sufficient quantities of fuel at competitive prices; and
- the ability of our facility to operate at levels which provide sufficient revenues from the sale of electric generating capacity, energy and ancillary services to power purchasers after the payment of all operation and maintenance expenses and certain other expenses paid prior to service.

In the event that we exhaust the proceeds from the bonds, the equity contribution and the liquidation of the collateral, the holders of the bonds will have limited or no recourse in the event of a default.

Because we are a special-purpose company, our ability to make payments of principal of, any premium, and interest on the bonds will be entirely dependent on the performance of our obligations under the project contracts and financing documents. Our obligations under the financing documents will be obligations solely of ours, secured solely by the collateral. If we default in our obligations under the financing documents, we cannot assure that realization on the collateral would provide sufficient funds to repay all amounts due on the bonds.

None of the owners of the ownership interests in our company nor any affiliate, incorporator, stockholder, partner, officer, director or employee of ours, will guarantee the payment of the bonds or has any obligation with respect to the payment of the bonds. The collateral includes a pledge of AES Ironwood, Inc.'s ownership interests in AES Ironwood, L.L.C., and under the equity subscription agreement, AES Ironwood, Inc. has agreed to contribute in the aggregate up to $50,149,285 to us to fund project costs. However, neither AES Ironwood, Inc. nor any of its affiliates has any obligation to contribute sums in excess of the amount required to be advanced under the equity subscription agreement. If the proceeds of the bonds and the equity contribution required under the equity subscription agreement are insufficient to fund the successful development, construction, start-up and testing of our facility, we may not have other sources of funds available to complete our facility.

The bonds will be secured by liens on substantially all of our assets related to our facility, including all of the project contracts. If a default occurs under the indenture or other financing documents, we cannot assure that an exercise of remedies, including foreclosing on the assets in a judicial proceeding, would provide sufficient funds to repay all amounts due on the bonds. As result of specific provisions of the documents under which we obtained our rights in and to the facility site, it is unlikely that the real estate comprising a portion of the collateral could be used for any purpose other than an electric generating facility.

If the parties that we depend on breach their obligations to us, our cash flow and ability to service the bonds will be impaired.

During the term of the power purchase agreement, we will be dependent on Williams Energy for revenues from sales of capacity, ancillary services and energy from our facility and on Williams Energy and its affiliates for fuel supply and transportation. We are dependent on Metropolitan Edison for connection of our facility to the electric transmission grid, as well as on other third-party sources of goods and services which constitute the principal inputs to our facility's operations. Any material breach by any of these parties

of their obligations under the project contracts will adversely affect our cash flows and will impair our ability to make payments of principal of and interest on the bonds.

The other parties to the project contracts have the right to terminate and/or withhold payments or performance under the contracts if specific events occur. If a project contract were to be terminated due to nonperformance by us or by the other party to the contract, our ability to enter into a substitute agreement having substantially equivalent terms and conditions is uncertain.

If Williams Energy's financial condition deteriorates or it breaches its obligations to us and cannot be adequately replaced, we may not be able to service the bonds.

Williams Energy currently is our sole customer for purchases of capacity, ancillary services and energy. Williams Energy's payments under the power purchase agreement are expected to provide all of our revenues during the term of the power purchase agreement. It is uncertain whether we would be able to find another purchaser on similar terms for our facility's output if Williams Energy were not performing under the power purchase agreement. If another purchaser or purchasers could be found, we cannot assure that the price paid by that purchaser or purchasers would be sufficient to enable us to make payments in respect of the bonds. Any material failure by Williams Energy to make capacity and fuel conversion payments under the power purchase agreement will therefore have a material adverse effect on revenues and our ability to make payments in respect of the bonds.

The ability of Williams Energy to meet its obligations under the power purchase agreement will be dependent on Williams Energy's financial condition generally, and Williams Energy's financial condition will in part be dependent upon its ability to sell our facility's capacity and electric energy at adequate prices.

As we have described in this prospectus, The Williams Companies, Inc. will provide to us a guaranty of Williams Energy's obligations under the power purchase agreement to make fixed payments and to pay damages if Williams Energy fails to make the fixed payments. The Williams Companies, Inc.'s obligations under that guaranty are capped at an amount equal to 125% of the sum of (x) the principal amount of the bonds plus (y) the maximum debt service reserve account required balance.

If we encounter significant construction delays, any liquidated damages, contingency funds, or insurance proceeds may be insufficient to service the bonds.

As with any major construction undertaking, completion of our facility could be delayed or prevented, or cost overruns could be incurred, as a result of numerous factors, including shortages of material, labor disputes, weather interferences, difficulties in obtaining necessary permits or in meeting permit conditions or unforeseen engineering,

environmental or geological problems. We cannot assure that any available liquidated damages or contingency funds or the proceeds of any insurance and warranties would be sufficient to pay for any significant cost overruns or redeem a sufficient principal amount of the bonds so that projected debt service coverage ratios can be achieved or maintained. In particular, we are required to pay principal of any premium, and interest on the bonds without regard to any unexpected or uncontrollable events under the construction agreement.

If as a result of unexpected or uncontrollable events specified in the construction agreement or specified acts or omissions by us, completion of our facility is delayed or prevented, or our facility cannot achieve operation in accordance with design specifications and performance guarantees, Siemens Westinghouse will not be obligated to pay liquidated damages. Under these circumstances, no proceeds of insurance may be available to us or any proceeds that are available may not be sufficient to pay our debt service or increased costs. Generally, Siemens Westinghouse will not be obligated to pay liquidated damages for events or circumstances that adversely affect its ability to perform its obligations under the construction agreement to the extent that the events or circumstances are beyond its reasonable control and are not caused by its or its subcontractors' negligence or lack of due diligence and could not have been avoided by the use of its reasonable efforts. In addition, the date for achievement of provisional acceptance and the guaranteed provisional acceptance under the construction agreement could be subject to adjustment as a result of unexpected or uncontrollable events.

The power purchase agreement requires that the commercial operation date occur by no later than June 30, 2001, which may be extended under the terms of the power purchase agreement to no later than December 31, 2002. Our project capital budget includes adequate funds for the payment of amounts that may be required to extend the commercial operation under the power purchase agreement. If the commercial operation date fails to occur by that date, as so extended, Williams Energy may terminate the power purchase agreement.

Under the construction agreement, we are responsible for a number of matters in connection with the construction, completion and start-up of our facility. While we believe that we have made adequate arrangements to assure timely performance of our responsibilities, we are relying on other parties to enable us to perform our responsibilities under the construction agreement and we cannot be certain that the other parties will meet their obligations under their contracts. See "SUMMARY OF PRINCIPAL PROJECT CONTRACTS--Construction Agreement."

Because the facility has not yet been constructed and our company has no

operating history, various unexpected events may increase our expenses or reduce our revenues and impair our ability to service the bonds.

Because our facility has not yet been constructed, it has no operating history. Operation of our facility could be affected by many factors, including start-up problems, the breakdown or failure of equipment or processes, the performance of our facility below expected levels of output or efficiency, failure to operate at design specifications, labor disputes, changes in law, failure to obtain necessary permits or to meet permit conditions, government exercise of eminent domain power or similar events and catastrophic events including fires, explosions, earthquakes and droughts. The occurrence of these events could significantly reduce or eliminate revenues or significantly increase the expenses of our facility, thereby jeopardizing our ability to make payments on the bonds. In addition, the liability of AES Prescott for failure to perform under the operations agreement is subject to specific limitations and AES Prescott is not required to post a performance bond. The proceeds of any available insurance and limited warranties may not be adequate to cover our lost revenues or increased costs. See "SUMMARY OF PRINCIPAL PROJECT CONTRACTS--Power Purchase Agreement" and "--Operations Agreement."

Because the combustion turbines to be used in our facility have no significant operating experience, our project may incur problems relating to start-up, commissioning and performance.

The Siemens Westinghouse 501G combustion turbines to be used in our facility are the manufacturer's latest development in combustion turbines whose fundamental design basis is based upon the Siemens Westinghouse 501 series. However, the 501G combustion turbine currently has no significant operating experience and may have unit availability lower than combustion turbine units using mature technologies. Thus, we cannot assure that our project will not incur problems relating to start-up, commissioning and performance that could jeopardize the achievement of Provisional Acceptance, timely commencement of commercial operations of our facility or the performance of our facility during its commercial operation. For a discussion of the 501G technology and related risks, see "ANNEX B: INDEPENDENT ENGINEER'S REPORT--Facility Design."

Following the expiration of the power purchase agreement, our facility is expected to become a merchant facility and we cannot assure that we will be able to find adequate purchasers or otherwise compete effectively in the merchant market.

At the end of the term of the power purchase agreement, at which time 27.1% of the bonds are expected to remain outstanding, our facility is expected to become a merchant facility, i.e., an electric generation facility with no dedicated long-term power purchase agreement, and Williams Energy's obligation to provide fuel will cease. If the power purchase agreement is terminated prior to its stated term as a result of an event of default or otherwise, our facility could enter a merchant phase sooner than the anticipated termination date of the power purchase agreement. Given the uncertainty regarding the performance of our facility, future environmental regulation, competition from other generating facilities, including possibly some owned by The AES Corporation and its affiliates, fuel prices and other market conditions that may prevail in the future in the PJM power pool market, we cannot assure that we will be able to find purchasers or otherwise compete effectively in the merchant market.

Also, there are current legal and regulatory limitations on our ability to operate our facility on a merchant basis. Our rate schedule when filed with FERC will be limited to sales to Williams Energy. Under current law, before we could engage in sales to any other entities, we will be required to seek additional market-based rate authority from FERC. Although we do not currently anticipate that we would encounter material difficulty in obtaining this additional market-based rate authority, we cannot assure that FERC will grant this authority. In addition, our status as an exempt wholesale generator under federal law prohibits us from making retail sales of electricity in the United States. We currently anticipate that electric energy generated by our facility will be sold primarily in the wholesale market both during the term of the power purchase agreement and after our facility becomes a merchant plant. Nevertheless, if we were to desire to participate directly in the retail electric market when that market develops, we would be precluded from doing so absent a change in federal law. Under current federal law, however, we would not be precluded from making sales to a power marketer, including an affiliate, which could in turn make retail sales.

Compliance with environmental and other regulatory matters could cause significant delays and expenses that may impair our ability to service the bonds.

General

We are subject to a number of statutory and regulatory standards and required approvals relating to energy, labor and environmental laws. Although the necessary environmental permits for the commencement of construction of our facility have been obtained, we are required to comply with the terms of our environmental permits and to obtain other permits for the construction and operation of our facility. Several of our permits have not yet been obtained, and some cannot be obtained until our facility has commenced operation. Under specific circumstances, delay in receipt of or failure to obtain the permits could delay completion of the construction of our facility or prevent the operation of our facility.

Some permits that have been obtained by us in connection with our facility will require amendment prior to commercial operation of our facility and others will require renewal or reissuance during the life of our facility. While we have no reason to believe that the permits cannot be amended or will not be renewed or reissued, our inability to amend, renew or obtain reissuance of these

permits in the future could cause the suspension of construction or operation of our facility.

The permits that have been obtained and that will be obtained contain ongoing requirements. Failure to satisfy and maintain any permit conditions or other applicable requirements could delay or prevent completion of the construction of our facility, prevent the operation of our facility and/or result in additional costs. If our facility attains commercial operation, we cannot assure that our facility will operate within the limits established by the permits or approvals. See "OUR BUSINESS--Permits and Regulatory Approvals" and "ANNEX B: INDEPENDENT ENGINEER'S REPORT--Environmental and Permitting."

Energy Regulatory Matters

We believe that we have obtained all material energy-related federal, state and local approvals required as of the date of this prospectus to construct and operate our facility. Although not currently required, additional regulatory approvals, including renewals, extensions, transfers, assignments, reissuances or similar actions, may be required in the future due to a change in laws and regulations, a change in our power purchasers or for other reasons. We cannot assure that we will be able to (1) obtain all required regulatory approvals that we do not yet have or that we may require in the future, (2) obtain any necessary modifications to existing regulatory approvals or (3) maintain required regulatory

approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments, or delay or failure to satisfy any conditions or applicable requirements, could prevent operation of our facility or sales to third parties, or could result in additional costs to us. Our business also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on us.

The insurance we have obtained may be inadequate in the event of a total loss or taking of our facility, and we cannot assure that the insurance proceeds we receive will be sufficient to satisfy all of our indebtedness.

We are obligated under the financing documents and other project contracts to obtain and keep in force comprehensive insurance with respect to our facility, including general liability insurance and machinery coverage, business interruption insurance, delay in start-up insurance and all-risk property damage insurance, including, among other things, damage caused by fire, floods or hurricanes. We cannot assure that the insurance coverage will be available in the future at commercially reasonable costs or that the amounts for which we are insured or amounts which we receive under insurance coverage will cover all losses. If there is a total loss or taking of our facility, we cannot assure that the insurance proceeds we receive will be sufficient to satisfy all our indebtedness, including the redemption of the bonds as required under the indenture. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Indenture."

The incurrence of additional indebtedness may impair our ability to service the bonds.

We may issue additional bonds and we may incur additional indebtedness at any time or from time to time, in accordance with the terms of the indenture. Any additional bonds will, and any additional senior debt, may rank equally with all our senior secured indebtedness. The issuance of additional bonds, other than for refinancing purposes, or additional senior debt would create additional claims against the collateral under the security documents and could result in a reduction in debt service coverage ratios and cash available to make payments of principal of and interest on the bonds. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Indenture."

Subject to limitations described in the indenture, we are permitted to incur subordinated debt, which may be secured by a junior lien on the collateral, for purposes allowed under the indenture. Although subordinated debt would be subject to limitations contained in the collateral agency agreement concerning the ability of the holders of subordinated debt to declare defaults, exercise remedies or institute specified legal proceedings, the incurrence of subordinated debt would increase our leverage and the total debt service payable by us. In addition, the holders of subordinated debt may be our secured creditors and therefore have the rights available to secured creditors under federal and state law.

Drawings under letters of credit may increase payments of debt service on senior debt.

Drawings under the debt service reserve letter of credit will be converted into debt service reserve letter of credit loans which will mature five years after the date of the loans. Interest on debt service reserve letter of credit loans is payable at the same level in the flow of funds as payments of interest on other senior debt, including the bonds. Principal on debt service reserve letter of credit loans is generally payable out of available cash flow after the payment of principal on the bonds. In specific circumstances, however, principal payments on any drawings under the debt service reserve letter of credit will be made at the same level in the flow of funds as payments of principal on the bonds.

If the construction period letter of credit is issued and our facility is not completed within the time period specified in the power purchase agreement, as may be extended, Williams Energy may draw on the construction period letter of credit. Drawings under the construction period letter of credit will be converted into construction period letter of credit loans under any construction

period letter of credit reimbursement agreement that will mature in 10 years from the conversion. Principal of and interest on any construction period letter of credit loans under the construction period letter of credit reimbursement agreement will be made at the same respective levels in the flow of funds as payments of principal and of interest on the bonds.

Thus, drawings on the construction period letter of credit and, in specific circumstances, drawings under the debt service reserve letter of credit, will increase payments of debt service on senior debt. We cannot assure that our revenues from sales of capacity and fuel conversion services under the power purchase agreement or otherwise would be sufficient to cover the increases in debt service payments. The lenders under the debt service reserve letter of credit reimbursement agreement and the construction period letter of credit reimbursement agreement will rank equally with the bonds by a lien on and security interest in the collateral.

The collateral agency agreement contains provisions that may limit the remedies that could be exercised in respect of the event of default, other than a bankruptcy event of default, unless and until the required senior parties have directed the collateral agent to do so.

We have entered into a collateral agency agreement with our senior creditors designating the collateral agent as the agent for each of the senior creditors. The collateral agency agreement requires the affirmative vote of senior creditors holding at least a majority of the outstanding combined exposure to direct specific actions of the collateral agent, including the exercise of remedies following a trigger event. Because the affirmative vote of these required senior creditors is required before the collateral agent can exercise remedies under the collateral agency agreement and the other security documents following most events of default, if an event of default under the indenture were to occur, no remedies could be exercised in respect of the event of default, other than a bankruptcy event of default, unless and until the required senior creditors have directed the collateral agent to do so. If the holders of the bonds do not constitute holders of at least a majority of the outstanding combined exposure, the trustee and the holders of the bonds may not be able to direct the collateral agent to exercise remedies in respect of an event of default under the indenture without the affirmative vote of other senior creditors. In addition, under the terms of the other financing documents, we may not terminate, amend or otherwise modify any provision of the indenture, any other security document or any subordinated loan agreement, if the termination, amendment or modification could, in the reasonable opinion of the creditors who are parties to the other financing documents, reasonably be expected to have a material adverse effect on the rights and benefits of the creditors. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Collateral Agency Agreement."

Projections and the assumptions underlying those projections used in the projections are inherently subject to significant uncertainties and actual results may differ, perhaps materially, from those projected and should not be unduly relied upon.

The financing of our facility has been structured on the basis of assumptions and projections with respect to our facility's potential revenue generating capacity and associated costs over the term of the bonds. Stone & Webster, as independent engineer, has evaluated the technical, environmental and economic aspects of our project. Stone & Webster's report contains a discussion of the many assumptions utilized in preparing these projections. Investors should review Stone & Webster's report in its entirety.

Projections of future operations and the economic results of those operations included in Stone & Webster's report have been prepared by us and reviewed by Stone & Webster on the basis of present knowledge and assumptions which we and Stone & Webster believe to be reasonable. Our independent auditors have not examined, reviewed or compiled the projections and, accordingly, do not express an opinion or any other form of assurance with respect to them. After the issuance of the bonds, neither we nor Stone & Webster will provide the holders of the bonds with revised projections or any report of the differences between the projections and actual operating results later achieved by our project.

For purposes of preparing the projections, assumptions were made, of necessity, with respect to completion of construction, availability and performance of our facility, dispatch levels, capital expenditures, operation and maintenance expenditures, the revenues that we will receive for capacity and electric energy, the availability of fuel, our tax treatment, general business and economic conditions and several other material contingencies and other matters that are not within our control and the outcome of which cannot be predicted by us, Stone & Webster, or any other person with any certainty of accuracy. These assumptions and the other assumptions used in the projections are inherently subject to significant uncertainties and actual results will differ, perhaps materially, from those projected. Accordingly, the projections do not necessarily indicate current values or future performance and neither we, Stone & Webster, nor any other person assumes any responsibility for their accuracy. Therefore, no representation is made or intended, and none should be inferred with respect to the likely existence of any particular future set of facts or circumstances. If actual results are materially less favorable than those shown or if the assumptions used in formulating the projections prove to be incorrect, our ability to make payments of principal of, premium, if any, and interest on the bonds may be adversely affected.

Cautionary note regarding forward-looking statements.

This prospectus includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about

future events based upon our knowledge of facts as of the date of this prospectus and our assumptions about future events. These forward-looking statements are subject to various risks and

uncertainties that may be outside of our control, including the factors discussed in the "RISK FACTORS" section beginning on page 17.

We use words like "anticipate," "estimate," "project," "plan," "expect" and similar expressions to help identify forward-looking statements in this prospectus.

In light of these uncertainties and assumptions, the actual events or results may be very different from those expressed or implied in the forward-looking statements in this prospectus or may not occur. We have no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the new bonds. In consideration for issuing the new bonds, we will receive in exchange a like principal amount of old bonds. The old bonds surrendered in exchange for the new bonds will be retired and canceled and cannot be reissued. Accordingly, issuance of the new bonds will not change our capitalization. We intend to use the net proceeds from the sale of the old bonds, together with an approximately $50 million equity contribution, approximately as follows:

	(thousands)
Construction Costs	$238,000
Other Hard (Construction-Related) Costs	$13,944
Legal, Accounting, Consulting and Other Development and Construction Costs	$21,345
Initial Working Capital	$1,800
Net Interest During Construction	$51,141
Start-up and Other Soft Costs	$15,419
Company's Contingency	$17,000
TOTAL USES OF FUNDS	$358,649

As of January 31, 2000:

- the following line items have been paid in their entirety:
  - Legal, Accounting, Consulting and Other Development and Construction Costs;
- the following line items have been partially paid as follows (in thousands):
  - Construction Costs - $210,700,
  - Other Hard (Construction-Related) Costs - $2,000,
  - Net Interest During Construction - $16,400 and
  - Start-up and Other Soft Costs - $8,600;
- the following line items have not been used:
  - Initial Working Capital and
  - Company's Contingency.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1999. The following information should be read in conjunction with the consolidated financial statements and related notes thereto and the other financial information contained elsewhere in this prospectus. See "SELECTED FINANCIAL DATA" and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

Long-Term Debt:

	(thousands)
Long Term Bonds.....	$308,500

Funds available from the issuance of the old bonds will be drawn from time to time to fund construction of our facility. Once the available old bond proceeds have been used, AES Ironwood, Inc. agrees to fund up to approximately $50.1 million of project costs to be contributed to us pursuant to the equity subscription agreement.

CALCULATION OF EARNINGS TO FIXED CHARGES DEFICIENCY

EARNINGS	December 31, 1999 (thousands)
Pretax Income.....	$(2,641)
Fixed Charges.....	14,237
Capitalized Interest.....	(8,438)
Net Total.....	$ 3,158

FIXED CHARGES	
Interest Expense.....	$ 5,755
Capitalized Interest.....	8,438
Other.....	44
Total.....	$14,237

The dollar amount of the deficiency of earnings to fixed charges is: ($11,079) (in thousands).

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THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

In connection with the issuance of the old bonds, we entered into a registration rights agreement. Under the registration rights agreement, we agreed to:

- prepare and file a registration statement with the SEC for an exchange of the new bonds for the old bonds under the Securities Act;
- use our reasonable efforts to cause the registration statement to become effective within 180 days following the original issuance of the old bonds;
- keep the exchange offer open for acceptance for a period of not less than 30 days, or longer, if required by law, after the date the registration statement is declared effective by the SEC; and
- accept for exchange all old bonds validly tendered by and not withdrawn in accordance with the terms of the exchange offer registration statement.

As soon as practicable after the exchange offer registration statement becomes effective, we will offer the holders of old bonds who are not prohibited by any law or policy of the SEC from participating in this exchange offer the opportunity to exchange their old bonds for new bonds registered under the Securities Act that are substantially identical to the old bonds, except that the new bonds will not contain terms with respect to transfer restrictions, registration rights and additional interest.

Under limited circumstances, we will use our reasonable best efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the old bonds and keep the statement effective for up to two years after the effective date of the shelf registration statement. These circumstances include:

- if any changes in law or their interpretations by the staff of the SEC do not permit us to effect the exchange offer as contemplated by the registration rights agreement;
- if the exchange offer is not consummated within 220 days after June 25, 1999, or by January 31, 2000;
- if any of Lehman Brothers, Morgan Stanley Dean Witter or Dresdner Kleinwort Benson North America, as initial purchasers of the old bonds, so requests with respect to old bonds held by it following consummation of the exchange offer; and

- if any holder of the old bonds notifies us that it is not permitted to participate in the exchange offer or has participated in the exchange offer and has received new bonds that are not freely tradeable.

Interest in addition to the interest otherwise due will accrue on the bonds at a rate of 0.5% per annum if the exchange offer is not consummated or the shelf registration statement is not declared effective by the SEC on or prior to 220 days after June 25, 1999, or by January 31, 2000. Any additional interest will accrue on the old bonds from and including the date on which the circumstances giving rise to the additional interest will occur to but excluding the date on which all the circumstances have been cured. Any additional interest will be payable on the bond payment dates.

To exchange your old bonds for transferable new bonds in the exchange offer, you will be required to make the following representations:

- any new bonds that you receive will be acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person or entity to participate in the distribution of the new bonds;
- you are not our "affiliate," as defined in Rule 405 of the Securities Act;
- you are not a broker-dealer, and you are not engaged in and do not intend to engage in the distribution of the new bonds; and
- if you are a broker-dealer that will receive new bonds for your own account in exchange for old bonds, you acquired those bonds as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of the new bonds.

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In addition, if we are required to file a shelf registration statement, we may require you to deliver information to be used in connection with the shelf registration statement in order to have your bonds included in the shelf registration statement. A holder who sells old bonds under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers. The holder will also be subject to the civil liability provisions under the Securities Act in connection with the sale of old bonds under the shelf registration statement and will be bound by the provisions of the registration rights agreement that are applicable to the holder, including indemnification obligations.

The description of the registration rights agreement contained in this section is a summary only. For more information, you may review the provisions of the registration rights agreement that we filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

Resale of New Bonds

Based on the interpretations of the SEC staff in no-action letters issued to third parties, we believe that new bonds issued under the exchange offer may be offered for resale, resold and otherwise transferred by you as the holder of the new bonds without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- you are not our "affiliate" within the meaning of Rule 405 under the Securities Act;
- the new bonds are acquired in the ordinary course of your business; and
- you do not intend to participate in any distribution of the new bonds.

Broker-dealers that acquired old bonds directly from us may not rely on the interpretations of the SEC described above. Accordingly, in order to sell their bonds, broker-dealers that acquired old bonds directly from us must comply with the registration and prospectus delivery requirements, including being named as a selling security holder in any resale prospectus. If you are a broker-dealer that will receive new bonds for your own account in exchange for old bonds, you acquired those bonds as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of the new bonds. Only broker-dealers that acquired old bonds as a result of market-making or other trading activities may participate in the exchange offer.

If you do not satisfy the above conditions, you

- cannot rely on the interpretations by the SEC staff; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

We do not intend to seek our own no-action letter, and there can be no assurance that the SEC staff would make a similar determination with respect to the new bonds as it has in prior no-action letters issued to other parties. In November 1998, the SEC proposed certain changes to the regulatory structure for offerings registered under the Securities Act. The SEC has stated that, if these proposals are adopted, the SEC staff will repeal its interpretations described in prior no-action letters. We cannot predict whether these proposals will be adopted or, if they are adopted, when and in what form they will be adopted.

If an exemption from registration is not available, any bondholder intending to distribute new bonds should be covered by an effective registration statement under the Securities Act containing the selling bondholder's information required by Item 507 of Regulation S-K under the Securities Act. This prospectus may be used for an offer to resell, resale or other retransfer of new bonds only as specifically described in this prospectus. Please read the section captioned "PLAN OF DISTRIBUTION" for more details regarding the transfer of new bonds.

Terms of the Exchange Offer

Upon the terms and subject to the conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any old bonds properly tendered and not withdrawn prior to the expiration date. We will issue new bonds in principal amount equal to the principal amount of old bonds surrendered under the exchange offer. Old bonds may be tendered for new bonds only in integral multiples of $1,000.

The exchange offer is not conditioned upon any minimum aggregate principal amount of old bonds being tendered for exchange.

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As of the date of this prospectus, $308,500,000 aggregate principal amount of the old bonds are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of old bonds. There will be no fixed record date for determining registered holders of old bonds entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC. Old bonds that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits the holders have under the indenture relating to the bonds and the registration rights agreement.

We will be deemed to have accepted for exchange properly tendered old bonds when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the new bonds from us.

If you tender old bonds in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of old bonds. We will pay all charges and expenses, other than applicable taxes described below, in connecting with the exchange offer. It is important that you read the section labeled "--Fees and Expenses" for more details regarding fees and expenses incurred in the exchange offer.

We will return any old bonds that we do not accept for exchange for any reason without expense to their tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

Neither we nor our board of directors makes any recommendation to holders of the old bonds as to whether to tender or refrain from tendering all or any portion of their old bonds in the exchange offer. In addition, no one has been authorized to make any recommendation to holders of the old bonds. Holders of the old bonds must make their own decision whether to tender pursuant to the exchange offer, and, if so, the aggregate amount of old bonds to tender after reading this prospectus and the letter of transmittal and consulting with their advisers, if any, based on their financial position and requirements.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, May 12, 2000, unless, in our sole discretion, we extend it. Notwithstanding the preceding, we will not extend the expiration date beyond September 30, 2000.

Extensions, Delays in Acceptance, Termination or Amendment

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may delay acceptance of any old bonds by giving oral or written notice of the extension to their holders. During any extensions, all old bonds previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

In order to extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the registered holders of old bonds of the extension no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

If any of the conditions described below under "--Conditions to the Exchange Offer" have not been satisfied, we reserve the right, in our sole

discretion:

- to delay accepting for exchange any old bonds;
- to extend the exchange offer; or
- to terminate the exchange offer

by giving oral or written notice of the delay, extension or termination to the exchange agent. Subject to the terms of the registration rights agreement, we also reserve the right to amend the terms of the exchange offer in any manner.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of old bonds. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly file a post-effective amendment to the registration statement

and disclose the amendment by means of a prospectus supplement when the post-effective amendment has been declared effective by the SEC. The supplement will be distributed to the registered holders of the old bonds. Depending upon the significance of the amendment and the manner of disclosure to the registered holders, we will extend the exchange offer if the exchange offer would otherwise expire during any period of delay.

Conditions to the Exchange Offer

Despite any other term of the exchange offer, we will not be required to accept for exchange, or exchange any new bonds for, any old bonds, and we may terminate the exchange offer as provided in this prospectus before accepting any old bonds for exchange, if in our reasonable judgment:

- the exchange offer, or the making of any exchange by a holder of old bonds, would violate applicable law or any applicable interpretation of the staff of the SEC; or
- any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer.

In addition, we will not be obligated to accept for exchange the old bonds of any holder that has not made to us the representations described under "--Purpose and Effect of the Exchange Offer," "--Procedures for Tendering" and "PLAN OF DISTRIBUTION" and any other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the new bonds under the Securities Act.

We expressly reserve the right to amend or terminate the exchange offer and to reject for exchange any old bonds not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the registered holders of the old bonds as promptly as practicable.

These conditions are for our sole benefit and we may assert them in whole or in part at any time or at various times in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each right will be deemed an ongoing right that we may assert at any time or at various times. If any waiver or amendment constitutes a material change to the exchange offer, we will promptly disclose the waiver or amendment by means of a prospectus supplement that will be distributed to the registered holders of the old bonds. In this case, we will extend the exchange offer to the extent required by the Exchange Act to provide holders of old bonds the opportunity to effectively consider the additional information and to factor this information into their investment decision.

In addition, we will not accept for exchange any old bonds tendered, and will not issue new bonds in exchange for any old bonds, if at the time any stop order has been threatened or is in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture relating to the bonds under the Trust Indenture Act of 1939.

Procedures for Tendering

How to Tender Generally

Only a holder of old bonds may tender the old bonds in the exchange offer. To tender in the exchange offer, a holder must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal;
- have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and

- mail or deliver the letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

- comply with the automated tender offer program procedures of DTC, described below.

In addition, either:

- the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of the old bonds into the exchange agent's account at DTC according to the procedure for book-entry transfer described below or a properly transmitted agent's message; or

- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at its address provided above under "SUMMARY OF THE EXCHANGE OFFER--The Exchange Agent" prior to the expiration date.

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between the holder and us in accordance with the terms and subject to the conditions described in this prospectus and in the letter of transmittal.

The method of delivery of the letter of transmittal and all other required documents to the exchange agent is at your election and risk. Rather than mail these items, we recommend that you use an overnight or hand delivery service. In all cases, you should allow sufficient time to assure delivery to the exchange agent before the expiration date. You should not send the letter of transmittal to us. You may request your brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for you.

How to Tender if You Are a Beneficial Owner

If you beneficially own old bonds that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender those bonds, you should contact the registered holder promptly and instruct it to tender on your behalf.

Signatures and Signature Guarantees

You must have signatures on a letter of transmittal or a notice of withdrawal, as described below, guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act, that is a member of one of the recognized signature guarantee programs identified in the letter of transmittal, unless the old bonds are tendered:

- by a registered holder who has not completed the box entitled "SPECIAL ISSUANCE INSTRUCTIONS" or "SPECIAL DELIVERY INSTRUCTIONS" on the letter of transmittal; or

- for the account of a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondence in the United States, or an eligible guarantor institution.

If the letter of transmittal or any bonds or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, those persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

Tendering Through DTC's Automated Tender Offer Program

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's automated tender offer program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the old bonds to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent's message to the exchange agent.

The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

- DTC has received an express acknowledgment from a participant in its automated tender offer program that is tendering old bonds that are the subject of the book-entry confirmation;

- the participant has received and agrees to be bound by the terms of the letter of transmittal or, in the case of an agent's message relating to guaranteed delivery, that the participant has received and agrees to be bound by the applicable notice of guaranteed delivery; and

- the agreement may be enforced against the participant.

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Determinations Under the Exchange Offer

We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered old bonds and withdrawal of tendered old bonds. Our determination will be final and binding on all parties. We reserve the absolute right to reject any old bonds not properly tendered or any old bonds our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular old bonds. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of old bonds must be cured within the time as we will determine. Although we intend to notify holders of defects or irregularities with respect to tenders of old bonds, neither we, the exchange agent nor any other person will incur any liability for failure to give the notification. Tenders of old bonds will not be deemed made until the defects or irregularities have been cured or waived. Any old bonds received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

When We Will Issue New Bonds

In all cases, we will issue new bonds for old bonds that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- old bonds or a timely book-entry confirmation of the old bonds into the exchange agent's account at DTC; and
- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

Return of Old Bonds Not Accepted or Excepted

If we do not accept any tendered old bonds for exchange for any reason described in the terms and conditions of the exchange offer or if old bonds are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged old bonds will be returned without expense to their tendering holder. In the case of old bonds tendered by book-entry transfer into the exchange agent's account at DTC according to the procedures described below, the non-exchanged old bonds will be credited to an account maintained with DTC. These actions will occur as promptly as practicable after the expiration or termination of the exchange offer.

Your Representation to Us

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any new bonds that you receive are being acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person or entity to participate in any distribution of the new bonds;
- you are not engaged in and do not intend to engage in any distribution of the new bonds;
- if you are a broker-dealer that will receive new bonds for your own account in exchange for old bonds, you acquired those bonds as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of the new bonds; and
- you are not our "affiliate," as defined in Rule 405 of the Securities Act.

Book-Entry Transfer

The exchange agent will establish an account with respect to the old bonds at DTC for purposes of the exchange offer promptly after the date of this prospectus. Any financial institution participating in DTC's system may make book-entry delivery of old bonds by causing DTC to transfer the old bonds into the exchange agent's account at DTC in accordance with DTC's procedures for transfer.

Guaranteed Delivery Procedures

If you wish to tender your old bonds but you cannot deliver the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's automated tender offer program prior to the expiration date, you may still tender if:

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- the tender is made through a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an eligible guarantor institution;

- prior to the expiration date, the exchange agent receives from the member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., commercial bank or trust company having an office or correspondent in the United States, or eligible guarantor institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or a properly transmitted agent's message and notice of guaranteed delivery:

  - setting forth your name and address, the registered number(s) of your old bonds and the principal amount of old bonds tendered;

  - stating that the tender is being made thereby; and

  - guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof, together with the old bonds or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible guarantor institution with the exchange agent;

and

- the exchange agent receives the properly completed and executed letter of transmittal or facsimile thereof, as well as a book-entry confirmation, and all other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent you if you wish to tender your old bonds according to the guaranteed delivery procedures described above.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw your tender at any time prior to the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal at one of the addressees listed under "SUMMARY OF THE EXCHANGE OFFER--The Exchange Agent," or

- you must comply with the appropriate procedures of DTC's automated tender offer program system.

Any notice of withdrawal must:

- specify the name of the person who tendered the old bonds to be withdrawn; and

- identify the old bonds to be withdrawn, including the principal amount of the old bonds.

If old bonds have been tendered under the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old bonds and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form, eligibility and time of receipt of notice of withdrawal, and our determination will be final and binding on all parties. We will deem any old bonds so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any old bonds that have been tendered for exchange but that are not exchanged for any reason will be credited to an account maintained with DTC for the old bonds. This crediting will take place as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. You may retender properly withdrawn old bonds by following one of the procedures described under "--Procedures for Tendering" above at any time on or prior to the expiration date.

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Exchange Agent

The Bank of New York has been appointed exchange agent of the exchange offer. Questions and requests for assistance and requests for additional copies of this prospectus or of the letter of transmittal should be directed to the exchange agent addressed as follows:

By Registered Mail or Certified Mail	By Overnight Courier
The Bank of New York 101 Barclay Street, 7E New York, NY 10286 Attention: Carolle Montreuil	The Bank of New York 101 Barclay Street, 7E New York, NY 10286 Attention: Carolle Montreuil
By Telephone (212) 815-5920	By Facsimile (212) 815-6339

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitation by telegraph, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or other soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of old bonds under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing old bonds for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of old bonds tendered;
- tendered old bonds are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is imposed for any reason other than the exchange of old bonds under the exchange offer.

If satisfactory evidence of payment of any transfer taxes payable by a bond holder is not submitted with the letter of transmittal, the amount of the transfer taxes will be billed directly to that tendering holder.

Consequences of Failure to Exchange

If you do not exchange your old bonds for new bonds under the exchange offer, you will remain subject to the existing restrictions on transfer of the old bonds, and the market for secondary resales is likely to be minimal. In general, you may not offer or sell the old bonds unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register the old bonds under the Securities Act. Unless they are broker-dealers selling under certain circumstances, holders of old bonds will no longer have any rights under the registration rights agreement. Broker-dealers that are not eligible to participate in the exchange offer may have additional rights under the registration rights agreement to facilitate the sale of their old bonds.

Accounting Treatment

We will record the new bonds in our accounting records at the same carrying value as the old bonds, which is the aggregate principal amount of the old bonds, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer. Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

Further Bond Acquisition

We may in the future seek to acquire untendered old bonds in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any old bonds that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old bonds.

SELECTED FINANCIAL DATA

Our selected financial data is presented below and consists of our summary balance sheet information as of December 31, 1999, which should be read in conjunction with "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and with our financial statements appearing elsewhere in this prospectus. We began construction of our facility in June 1999 and, since we are in the development stage, we currently have no operating revenues. All construction costs and all project development costs have been capitalized and will continue to be capitalized until the commencement of commercial operation of our facility. Accordingly, only balance sheet data is presented and no ratio of earnings to fixed charges has been computed since it would not be meaningful. The balance sheet information as of December 31, 1999 and the statement of operations for the period ended December 31, 1999 have been derived from our financial statements which have been audited by Deloitte & Touche LLP, independent public accountants, whose report appears elsewhere in this prospectus.

AES Ironwood, L.L.C.
(Development Stage Enterprise)
As of and for the period ended December 31, 1999

	(thousands)
Assets	
Current Assets	$23,638
Investments Held by Trustee (1)	68,145
Land	528
Construction in Progress	244,563
Deferred Financing Costs	2,447
Certificate of Deposit	385
Other Assets	317
Total Assets	$340,023
Liabilities & Member's Deficit	
Current Liabilities	$23,928
Bond Financing	308,500
Other Long-Term Liabilities	10,236
Member's Deficit	(2,641)
Total Liabilities & Member's Deficit	$340,023
Operating Expenses:	
General and Administrative Expenses	$ 169
Net Operating loss	$ 169
Interest Income	3,283
Interest Expense	(5,755)
NET LOSS	$(2,641)
Cash Paid for Construction in Progress Since Inception	$212,526

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(1) This amount consists of funds held pending expenditure by us for construction of our facility, interest payments to bondholders during the construction period, and investment earnings thereon.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

We were formed on October 30, 1998 to develop, construct, own, operate and maintain our facility. We were dormant until June 25, 1999, the date of the sale of the old bonds. We are in the development stage and have no operating revenues. We obtained $308,500,000 of project funding from the sale of the old bonds. The total cost of the construction of our facility is estimated to be approximately $359 million, which will be financed by the proceeds from the sale of the old bonds and the equity contribution described below.

Our facility is still under construction and we expect it to be completed and operational by approximately June 30, 2001.

Equity Contributions

Under the equity subscription agreement, AES Ironwood, Inc. is obligated to contribute up to approximately $50.1 million to us to fund project costs. AES Ironwood, Inc.'s obligation to make the contributions is, and will be, supported by an acceptable letter of credit or an acceptable bond.

Results of Operations

For the period from June 25, 1999 (inception) through December 31, 1999, costs in the amount of $244,563,000 pertaining to the cost of the construction of our facility have been capitalized as Construction Work in Progress and are included as assets on the balance sheet. Interest capitalized during this period was approximately $8.4 million. The cost of purchasing land for construction of our facility has been separately identified on the balance sheet.

From June 25, 1999 through December 31, 1999, general and administrative costs of $169,000 were incurred. These costs did not directly relate to construction and are included as expenses in the Statement of Operations.

A portion of the proceeds from the sale of the old bonds have not yet been expended on construction and were invested by the trustee. The interest income earned on these invested funds is included in the Statement of Operations.

The interest expense incurred on the portion of the old bond proceeds expended during the construction period is capitalized to Construction in Progress and is included on the balance sheet. Interest expense incurred on the old bond proceeds not spent on construction of our facility are included as interest expense in the Statement of Operations.

For the period from June 25, 1999 through December 31, 1999, non-capitalizable costs plus interest expense and less interest income resulted in a net loss on the December 31, 1999 Statement of Operations of approximately $2.6 million. The results of operations may not be comparable with the results of operations during future periods, especially when our facility begins commercial operations in 2001.

Liquidity and Capital Resources

We believe that the net proceeds from the sale of the old bonds, together with the equity contribution, will be sufficient to (1) fund the engineering, procurement, construction, testing and commissioning of our facility until it is placed in commercial operation, (2) pay certain fees and expenses in connection with the financing and development of our project and (3) pay project costs, including interest on the bonds. After our facility is placed in commercial operation, we will depend on our revenues under the power purchase agreement, and after the power purchase agreement expires, we will depend on market sales of electricity.

In order to provide liquidity in the event of cash flow shortfalls, the debt service reserve account will contain an amount equal to the debt service reserve account required balance through cash funding, issuance of the debt service reserve letter of credit or a combination of the two.

As of December 31, 1999, apart from commitments totalling $238,000,000 arising from the construction of our facility, we have committed to two additional capital expenditures totaling $5.7 million. One is for a pipeline for $2.5 million and the other is for a pumping station for $3.2 million. We expect to pay these amounts in fiscal year 2000. These amounts are expected to be paid out of the proceeds from the sale of the old bonds and the equity contribution.

Business Strategy and Outlook

Our overall business strategy is to market and sell all of its net capacity, fuel conversion and ancillary services to Williams Energy during the term of the power purchase agreement. After expiration of the power purchase agreement,

we anticipate selling our facility's capacity, ancillary services and energy under a power purchase agreement or into the PJM power pool market. We intend to cause our facility to be managed, operated and maintained in compliance with the project contracts and all applicable legal requirements.

OUR BUSINESS

General

We are a Delaware limited liability company formed to develop, construct, own, operate and maintain our project and manage the production of electric generating capacity, ancillary services and energy at our facility. After the commercial operation date, our sole business will be the ownership and operation of our project. We own the land on which our facility will be located. Our facility will be designed, engineered, procured and constructed for us by Siemens Westinghouse Power Corporation on a fixed-price, turnkey basis under the construction agreement. Siemens Westinghouse will provide combustion turbine maintenance services and spare parts with respect to our facility for an initial term of between eight and 10 years, depending on the timing of scheduled outages, under the maintenance services agreement. AES Prescott, a wholly-owned subsidiary of The AES Corporation, will provide development, construction management and operations and maintenance services for the project under the

operations agreement.

We have entered into a power purchase agreement for a term of 20 years under which Williams Energy has committed to purchase all of the net capacity, fuel conversion and ancillary services of our facility. Net capacity is the maximum amount of electricity generated by our facility net of electricity used at our facility. Fuel conversion services consist of the combustion of natural gas and fuel oil in order to generate electric energy. Ancillary services consist of services necessary to support the transmission of capacity and energy. Williams Energy is obligated to supply us with all natural gas and/or fuel oil necessary to provide net capacity, fuel conversion services and ancillary services under the power purchase agreement. We anticipate that during the term of the power purchase agreement substantially all of our revenues will be derived from payments made under the power purchase agreement.

Our Property

Since we are a development stage company, our principal property is the land for the facility site, which we own. The facility site is located in South Lebanon Township, Lebanon County, Pennsylvania on an approximately 35-acre parcel of land. We have access, utility, drainage and construction easements across neighboring property. We are able to use these easements as long as there is no default under the agreements with the owner of the adjacent property and we are using the facility site for a power plant. We intend to construct a railspur to facilitate the transportation of heavy equipment to the facility site, but will not maintain rights in the railspur after construction has been completed. We have title insurance in connection with our property rights.

Under the indenture and the other related financing documents, our rights and interests in our property rights are encumbered by mortgages, security agreements, collateral assignments and pledges for the benefit of the bondholders and other senior creditors.

For a description of our facility, see "PROSPECTUS SUMMARY--Our Facility."

Competition

Under the power purchase agreement, Williams Energy will be required to purchase all of our facility's capacity and energy. Therefore, during the term of the power purchase agreement, competition from other capacity and energy providers will only become an issue if Williams Energy breaches its agreement and ceases to purchase our capacity and energy or the power purchase agreement is otherwise terminated or not performed in accordance with its terms. Following the term of the power purchase agreement, we anticipate selling our facility's net capacity, ancillary services and energy under a power purchase agreement or into the PJM power pool market. At that time, we will face competition from other generating facilities selling into the PJM power pool market including, possibly, other facilities owned by The AES Corporation or its affiliates.

Employees

Other than the officers listed under "OUR MANAGEMENT--Management", we have no employees and do not anticipate having any employees in the future. Under the operations agreement, AES Prescott will manage the development and construction of and will operate and maintain our facility. The direct labor personnel and the plant operations management will be employees of The AES Corporation provided to AES Prescott under the services agreement.

Insurance

As owner of our facility, we will maintain a comprehensive insurance program as required under the indenture and underwritten by recognized insurance companies. Among other insurance policies, we will maintain commercial

general liability insurance, permanent property insurance for full replacement value of our facility and business interruption insurance covering at least 12 months of debt service and fixed operation and maintenance expenses. We have obtained title insurance in an amount equal to the principal amount of the bonds.

AES Prescott, as operator of our facility, will maintain, among other insurance policies, workers' compensation insurance, or evidence of self-insurance, if required, and comprehensive automobile bodily injury and property damage liability insurance.

Legal Proceedings

We are not party to any legal proceedings.

Permits and Regulatory Approvals

AES Prescott, as operator of our facility, and AES Ironwood, L.L.C., as owner of our facility, must comply with numerous federal, state and local regulatory requirements including environmental requirements in the operation of our facility. The material regulatory permits and authorizations that we must obtain for construction and operation are described in the independent engineer's report, which is attached as Annex B to this prospectus.

On March 31, 1999, we received a certification from FERC that we are an Exempt Wholesale Generator. Certification as an exempt Wholesale Generator exempts us from regulation under the Public Utility Holding Company Act of 1935. We will maintain this status so long as we continue to make only wholesale sales of electricity, which we intend to do. Prior to commercial operation, we will be required to file the power purchase agreement with FERC and obtain approval for the rates contained therein. We anticipate filing with FERC and obtaining the approval prior to the end of 2000. We may also need to obtain FERC approval for sales of electricity at market-based rates after the power purchase agreement is

no longer in effect.

On March 29, 1999, we received our Prevention of Significant Deterioration Permit, or "air permit", from the Pennsylvania Department of Environmental Protection. The appeal period in respect of the air permit expired on May 3, 1999 and no appeal was filed. The air permit requires that our facility be constructed in a manner that will allow it to meet specified limitations on emissions of air pollutants. Under the construction agreement, Siemens Westinghouse is required to construct our facility to meet these requirements.

We are subject to a number of statutory and regulatory standards and required approvals relating to energy, labor and environmental laws. Although the necessary environmental permits for the commencement of construction of our facility have been obtained, we are required to comply with the terms of our environmental permits and to obtain other permits for the construction and operation of our facility. Several of the permits have not yet been obtained, and some cannot be obtained until operation of our facility has commenced. Under specific circumstances, delay in receipt of or failure to obtain the permits could delay completion of the construction of our facility or prevent the operation of our facility, however, we do not expect any delay or failure to obtain these permits to materially delay completion of construction or operation of the facility.

Some permits that we have obtained in connection with our facility will require amendment prior to commercial operation of our facility and others will require renewal or reissuance during the life of our facility. While we have no reason to believe that the permits cannot be amended or will not be renewed or reissued, our inability to amend, renew or obtain reissuance of these permits in the future could cause the suspension of construction or operation of our facility.

The permits that have been obtained and that will be obtained contain ongoing requirements. Failure to satisfy and maintain any the permit conditions or other applicable requirements could delay or prevent completion of the construction of our facility, prevent the operation of our facility and/or result in additional costs. See "ANNEX B: INDEPENDENT ENGINEER'S REPORT--Environmental and Permitting."

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OUR MANAGEMENT

Management

We are a Delaware limited liability company and have no employees other than our officers. Our officers receive no compensation for their services to us or for any transaction between us and any of our affiliates. We are managed by our Board of Directors under the terms of our Limited Liability Company Agreement, dated as of November 1, 1998. The following table sets forth the names, ages and positions of our directors and executive officers and their positions with us. Our directors are elected annually and each elected director holds office until the director's successor is elected and qualified or the director resigns or is removed. Our officers are elected from time to time by vote of the Board of Directors.

Name	Age	Position(s)
John Ruggirello	49	President
Barry Sharp	40	Director, Vice President and Chief Financial Officer
William Luraschi	36	Vice President and Secretary
Patricia Rollin	38	Vice President
Stephen Dahm	54	Vice President
Kevin Polchow	38	Vice President
Bart Rossi	51	Vice President
William Hoagland	39	Treasurer
Maureen Shearer	36	Assistant Secretary
Dennis Bakke	54	Director
Roger Naill	52	Director

John Ruggirello, 49, has served as President of AES Ironwood, L.L.C. since November 1998. He is Senior Vice President of The AES Corporation. Mr. Ruggirello also serves as the President of AES Enterprise, a business development and plant operations division serving the Mid-Atlantic United States since 1994. Prior to his current position, Mr. Ruggirello was plant manager of AES Beaver Valley. Mr. Ruggirello spends approximately 20% of his time in his capacity as Senior Vice President of The AES Corporation.

Barry Sharp, 40, has served as Director, Vice President and Chief Financial Officer of AES Ironwood, L.L.C. since November 1998. He is currently Senior Vice President and Chief Financial Officer of The AES Corporation. He joined The AES Corporation as Director of Finance and Administration in 1986. Prior to The AES Corporation, he held various positions with Arthur Anderson & Company and Marriott. Mr. Sharp spends approximately 95% of his time in his capacity as Senior Vice President and Chief Financial Officer of The AES Corporation.

William Luraschi, 36, has served as Vice President of AES Ironwood, L.L.C. since November 1998. He is currently Vice President, Secretary and General Counsel of The AES Corporation. He joined The AES Corporation as General Counsel in 1995. Prior to joining The AES Corporation, he was an attorney at the law offices of Chadbourne and Parke. Mr. Luraschi spends approximately 95%of his time in his capacity as Vice President, Secretary and General Counsel of The AES Corporation.

Patricia Rollin, 38, has served as Vice President of AES Ironwood, L.L.C. since November 1998. She is also a Vice President of AES Enterprise. She served as Director of Investor Relations of The AES Corporation from 1994 through 1995.

She joined The AES Corporation Corporate Strategic Planning in 1984.

Stephen Dahm, 54, has served as Vice President of AES Ironwood, L.L.C. since November 1998. He is a Project Director of AES Ironwood, L.L.C. Prior to joining AES Ironwood, L.L.C., he served as Vice President and Project Director for AES Lal Pir and PakGen. Mr. Dahm joined The AES Corporation in 1994 after 18 years with Bechtel.

Kevin Polchow, 38, has served as Vice President of AES Ironwood, L.L.C. since November 1998. Mr. Polchow is currently the Tax Director of The AES Corporation. He assumed that position in 1994. Prior to joining The AES Corporation, Mr. Polchow served as a Senior Manager at Deloitte & Touche LLP.

Bart Rossi, 51, has served as Vice President of AES Ironwood, L.L.C. since November 1998. Mr. Rossi is currently a Project Engineering Director at The AES Corporation. He assumed that position in 1996. Prior to joining The AES Corporation, Mr. Rossi served as a Chief Engineer for Ebasco Services, Inc.

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William Hoagland, 39, has served as Vice President of AES Ironwood, L.L.C. since November 1998. Mr. Hoagland is currently Director of Finance and Administration of The AES Corporation and has held that position since 1994. Prior to joining The AES Corporation, Mr. Hoagland was an auditor at Deloitte & Touche LLP.

Maureen B. Shearer, 36, has served as Secretary of AES Ironwood, L.L.C. since November 1998. She is currently Corporate Paralegal of The AES Corporation and has held that position since 1995. She joined The AES Corporation as an Executive Assistant in 1989. Prior to joining The AES Corporation, Ms. Shearer served active duty with the U.S. Coast Guard.

Dennis Bakke, 54, has served as Director of AES Ironwood, L.L.C. since November 1998. He is currently the President and CEO of The AES Corporation. He assumed this position in 1994. He became the President and Chief Operating Officer of The AES Corporation in 1987 and served as Executive Vice President from 1981 to 1987. Mr. Bakke spends approximately 95% of his time in his capacity as President and CEO of The AES Corporation.

Roger F. Naill, 52, has served as Director of AES Ironwood, L.L.C. since November 1998. He is Senior Vice President of The AES Corporation and heads The AES Corporation Corporate Strategic Planning Group. He assumed that position in 1981. Mr. Naill spends approximately 95% of his time in his capacity as Senior Vice President of The AES Corporation.

Each of the officers and directors listed above is currently an officer, director or employee of The AES Corporation or an affiliate of The AES Corporation and receives compensation from The AES Corporation or the affiliate. We are not a party to any agreement with The AES Corporation or its affiliates governing the compensation paid to our officers, directors or employees. These persons are paid by The AES Corporation or its affiliates, as applicable, in the normal course of their employment with the relevant party. No cash or non-cash compensation is currently proposed to be paid in the current calendar year by AES Ironwood, L.L.C. to any of the officers and directors listed above.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain Affiliations

We, AES Ironwood, Inc. and AES Prescott are each wholly-owned indirect subsidiaries of The AES Corporation. The AES Corporation has agreed to provide AES Ironwood, Inc. sufficient funds for AES Ironwood, Inc. to contribute up to $50,149,285 to us to fund project costs under an equity subscription agreement. Other than the equity subscription agreement, the only other business we intend to transact with any of our affiliates is an operations agreement with AES Prescott.

Other Relationships and Related Transactions

The AES Corporation. The AES Corporation is a leading global power company committed to supplying electricity in a socially responsible way. The AES Corporation currently has assets in excess of $10 billion and employs approximately 44,500 people around the world. Under a services agreement, The AES Corporation will supply to AES Prescott all of the personnel and services necessary for AES Prescott to comply with its obligations under the operations agreement.

AES Ironwood, Inc. AES Ironwood, Inc. is a Delaware corporation and a wholly-owned subsidiary of The AES Corporation. AES Ironwood, Inc. currently has no operations outside of its activities in connection with our project and does not anticipate undertaking any operations not associated with our project. AES Ironwood, Inc. owns all of the ownership interests in our company and AES Prescott and, under the pledge agreement, AES Ironwood, Inc. has pledged to the collateral agent all of its ownership interests in our company.

AES Prescott, L.L.C.. AES Prescott is a Delaware limited liability company and wholly-owned subsidiary of AES Ironwood, Inc. and was established on October 30, 1998. We have entered into the operations agreement with AES Prescott under which AES Prescott will manage the development and construction of and will operate and maintain our facility. Minimum amounts payable under the operations agreement during the construction period are $125,000 per month. Once commercial operation is achieved, payments for operation management services will be approximately $400,000 per quarter. The direct labor personnel and the plant

operations management will be provided to AES Prescott by The AES Corporation under the services agreement entered into by AES Prescott and The AES Corporation.

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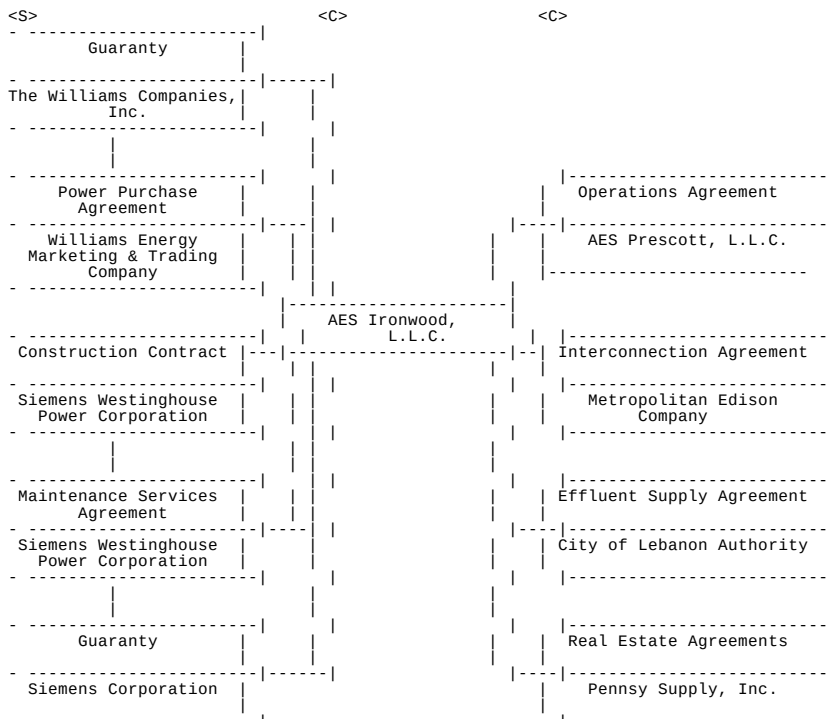
SUMMARY OF PRINCIPAL PROJECT CONTRACTS

The following chart sets forth the parties to our project contracts and each contract is described in more detail below:



The following summaries contain the material terms of the principal project contracts. All capitalized terms used in the following summaries and not otherwise defined in this prospectus have the meanings given to them in Annex A to this prospectus.

Power Purchase Agreement

We have entered into an Amended and Restated Power Purchase Agreement, dated as of February 5, 1999, with Williams Energy for the sale to Williams Energy of all of the electric energy and capacity produced by our facility as well as ancillary services and fuel conversion services.

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Term

The term of the power purchase agreement extends for 20 years after the first contract anniversary date, which is the last day in the month in which the commercial operation date occurs. The commercial operation date occurs when

- the Initial Start-Up Testing of our facility has been successfully completed,
- we have received all approvals from PJM Interconnection, L.L.C., which is the independent system operator that operates the Transmission System to which our facility will interconnect, and
- we have obtained all required permits and authorizations for operation of our facility.

If the commercial operation date has not occurred by June 30, 2001 for any reason, including the continued existence of or delay caused by a force majeure event affecting us, other than any delay caused by any act or failure to act by Williams Energy or any of its affiliates where the action is required under the power purchase agreement, Williams Energy will have the right to

terminate the power purchase agreement. We, however, can extend the commercial operation date to December 31, 2001 (1) if we provide an opinion from a third-party engineer that the commercial operation date will occur no later than December 31, 2001 (the "Free Extension Option"), or (2) by giving Williams Energy written notice of such extension no later than April 30, 2001, and paying to Williams Energy a specified amount (for which we believe we have made adequate provisions in the project budget) by no later than June 30, 2001 (the "First Paid Extension Option").

If we qualify for the Free Extension Option or elect the First Paid Extension Option, if the commercial operation date has not occurred by the Final CO Date for any reason, other than as a result of a delay in exercising an interconnection agreement or any act or failure to act by Williams Energy or any of its affiliates, where the action is required under the power purchase agreement, Williams Energy will have the right to terminate the power purchase agreement. We, however, can extend the Final CO Date to and including December 31, 2002 by giving Williams Energy written notice of the estimated extension required no later than October 31, 2001 and paying to Williams Energy certain specified amounts for each day of such extension (the "Second Paid Extension Option").

If we elect the Second Paid Extension Option and the commercial operation date does not occur by December 31, 2002 for any reason whatsoever, including the continued existence of or delay caused by a force majeure event affecting us, other than as a result of a delay in exercising an interconnection agreement or any act or failure to act by Williams Energy or any of its affiliates where the action is required under the power purchase agreement, Williams Energy will have the absolute right to terminate the power purchase agreement.

Purchase and Sale of Capacity and Services

During the term, commencing with the commercial operation date, we must sell and make available to Williams Energy on an exclusive basis, and Williams Energy must purchase and pay for, our facility's net capacity and ability to generate electric energy.

In addition, during the term, commencing with the commercial operation date, we must perform for Williams Energy on an exclusive basis, and Williams Energy must purchase and pay for, fuel conversion services, which consist of the generation of electric energy from fuel provided by Williams Energy.

Fuel Conversion and Other Services

As instructed by us, Williams Energy must deliver or cause to be delivered to us at the Gas Delivery Point and Oil Delivery Point on an exclusive basis all quantities of natural gas and fuel oil, respectively, as we required:

- to generate Net Electric Energy and/or ancillary services,
- to perform Start-Ups,
- to perform Shutdowns, and
- to operate our facility during any period other than a Start-Up, Shutdown or Dispatch Period for any reason.

Williams Energy will be responsible for the construction of all Gas Interconnection Facilities. If the Gas Interconnection Facilities have not been constructed and/or Williams Energy is unable for any reason to deliver natural gas to our facility by the date that our facility would otherwise be prepared to begin Initial Start-Up Testing, and but for the failure to provide the natural gas our facility is otherwise ready, or would otherwise have been ready, to begin the

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testing, then Williams Energy must commence making payments to us for each day of delay beginning on the Start-Up Testing Date and continuing until the date that natural gas is delivered to our facility for Initial Start-Up Testing, in an amount for each day of delay which is equal to one-thirtieth of the applicable total fixed payment. Upon the expiration of the power purchase agreement or any termination of the power purchase agreement as the result of Williams Energy's default, we will have the right to purchase the Gas Interconnection Facilities from Williams Energy, or if Williams Energy does not own the Gas Interconnection Facilities, Williams Energy must assign to us all of its rights to transportation services using the Gas Interconnection Facilities.

Williams Energy will be responsible for the cost of procurement and installation of the Oil Metering Equipment. Williams Energy will be solely responsible for all costs and expenses related to the supply and transportation of natural gas and fuel oil to the Gas Delivery Point and Oil Delivery Point, respectively. We will be responsible for all costs and expenses related to the transportation of natural gas and fuel oil at and from the Gas Delivery Point and Oil Delivery Point to our facility. At our request, instead of delivering fuel oil to the applicable Oil Delivery Point, Williams Energy must deliver or cause to be delivered the quantities of fuel oil as requested to any off-site storage facility approved by Williams Energy and delivery to that site will be deemed delivery to the Oil Delivery Point. We will be responsible for all costs and expenses related to the transportation of the fuel oil from the off-site storage facility to our facility.

We will be responsible for the installation, operation and maintenance at the facility site, at our sole cost and expense, of fuel oil storage tank(s) capable of storing a volume of usable fuel oil sufficient to operate our facility at maximum facility capacity output for two continuous days. We will not be obligated to operate our facility on fuel oil for more than an operating hour equivalent that is consistent with our air permit.

Pricing and Payments

For each month of the term after the commercial operation date, Williams Energy must pay us for our facility's net capacity, successful Start-Ups and associated Shutdowns, other services and fuel conversion services at the applicable rates described in the power purchase agreement. Each monthly payment by Williams Energy will consist of a total fixed payment, a fuel conversion payment and a start-up payment. The total fixed payment, which is payable regardless of facility dispatch by Williams Energy but is subject to adjustment based on facility availability, is calculated by multiplying a fixed capacity rate for each contract year by our facility's net capacity in the billing month and is anticipated to be sufficient to cover our debt service and fixed operating and maintenance costs and to provide us a return on equity. The fuel conversion payment is intended to cover our variable operating and maintenance costs and escalates annually based on an escalation index described in the power purchase agreement. In addition, we may receive heat rate bonuses or be required to pay heat rate penalties.

Prior to the commercial operation date, and during specific facility tests thereafter, we will purchase natural gas from Williams Energy. Williams Energy will sell to us the natural gas at prices specified in the power purchase agreement, and we will sell to Williams Energy at the Electric Delivery Point any Net Electric Energy produced during those periods at 90% of the Energy Market Clearing Price.

Williams Energy will be entitled to an annual fuel conversion volume rebate if its dispatch of our facility exceeds specified levels and specified monthly non-dispatch payments if, under specific circumstances, our facility is not available for dispatch. All fuel conversion volume rebate payments and non-dispatch payments must be made to Williams Energy after debt service and specified other payments but prior to any distribution to holders of the equity interests in our company. Fuel conversion volume rebate payments must be paid to Williams Energy within 30 days after the end of the contract year in which the payments have been earned and non-dispatch payments must be paid to Williams Energy within 20 days after the end of the month on which a payment obligation arises. Fuel conversion volume rebate payments and any non-dispatch payments owed to Williams Energy and not paid when due must be paid, together with interest, when funds become available to us at the priority level described above.

Project Development

Our facility will be located at the facility site. If we are unable to obtain all required permits and approvals for the site within one year after the execution date of the power purchase agreement, however, the parties must in good faith seek to identify a mutually agreeable alternative site within the PJM power pool market to be acquired by us as a location for our facility. Furthermore, if the alternate site is not agreed to by the parties within an additional one-year period, the power purchase agreement will terminate with no further liability to either party.

We must provide to Williams Energy within 10 days after the completion of Initial Start-Up Testing, pertinent written data substantiating our facility's capability to provide net capacity.

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We must, at our own cost and expense, obtain as and when required all approvals, permits, licenses and other authorizations from governmental authorities as may be required to construct, operate and maintain our facility, the Interconnection Facilities and Protective Gas Apparatus and to perform our obligations under the power purchase agreement, and during the term, we must obtain all additional governmental approvals, permits, licenses and authorizations as may be required with respect to our facility as soon as practicable.

Initial Start-Up Testing; Commercial Operation

We must provide to Williams Energy (1) written notice, at least 30 days in advance, of the expected commercial operation date and (2) a copy of the notice of commercial operation within five days after the commercial operation date. Williams Energy will have the right to be present at Initial Start-Up Testing of our facility.

Interconnection and Metering Equipment

At our sole cost and expense, we will own and design, construct, install and maintain, or be responsible for the design, construction, installation and maintenance of our facility, the Interconnection Facilities and Protective Gas Apparatus needed to generate and deliver Net Electric Energy

and/or ancillary services to the Electric Delivery Point in order to fulfill our obligations under the power purchase agreement, including all Interconnection Facilities and Protective Gas Apparatus that may be located at any switchyard and/or substation to be built at our facility. Our facility, the Interconnection Facilities and Protective Gas Apparatus must be designed, constructed and completed in a good and workmanlike manner and in accordance with accepted electrical practices, with respect to our facility and Interconnection Facilities, or in accordance with standard gas industry practices, with respect to Protective Gas Apparatus, so that the expected useful life of our facility, the Interconnection Facilities and Protective Gas Apparatus will be not less than the term of the power purchase agreement.

We will be solely responsible for the negotiation and execution of the interconnection agreement with Metropolitan Edison under which Metropolitan Edison will own and be responsible for the Electric Metering Equipment and the design, installation, construction and maintenance of the electrical facilities and protective apparatus, including any transmission equipment and related facilities, necessary to interconnect Metropolitan Edison's electrical system with our facility at the Electric Delivery Point. Williams Energy must reimburse us for the reasonable Metropolitan Edison costs (i.e., transmission facility upgrades, Metropolitan Edison protective apparatus and other equipment, Metropolitan Edison electric meters, and Metropolitan Edison costs for PJM and other required interconnection-related studies) incurred, or to be reimbursed, by us under the interconnection agreement up to a maximum amount which is in excess of the costs anticipated to be incurred by us under the interconnection agreement.

Williams Energy will be responsible for the installation, maintenance and testing of the Gas Metering Equipment, to the extent not otherwise installed, maintained and tested by the supplier of gas transportation services, and Oil Metering Equipment, as reasonably approved by us.

All Electric Metering Equipment, Gas Metering Equipment and Oil Metering Equipment, whether owned by us or by a third party, must be operated, maintained and tested in accordance with accepted electrical practices, in the case of the Electric Metering Equipment, and in accordance with applicable industry standards, in the case of the Gas Metering Equipment and Oil Metering Equipment.

Operation; Dispatch

Our facility, the Interconnection Facilities and the Protective Gas Apparatus must be operated in accordance with accepted electrical practices and applicable requirements and guidelines reasonably adopted by Metropolitan Edison from time to time and applied consistently to Metropolitan Edison's electric generating facilities, with respect to our facility and Interconnection Facilities, or in accordance with standard gas industry practices, with respect to Protective Gas Apparatus. If a conflict between the terms and conditions of the power purchase agreement and Metropolitan Edison requirements, Metropolitan Edison requirements will control.

We must operate our facility in parallel with Metropolitan Edison's electrical system with governor control and the Net Electric Energy to be delivered by us under the power purchase agreement must be three-phase, 60 hertz, alternating current at a nominal voltage acceptable to Metropolitan Edison at the Electric Delivery Point, must not adversely affect the voltage, frequency, waveshape or Power Factor of power at the Electric Delivery Point and must be delivered to the Electric Delivery Point in a manner acceptable to Metropolitan Edison.

The power purchase agreement acknowledges that Metropolitan Edison has the right to require us to disconnect our facility from Metropolitan Edison's electrical system, or otherwise curtail, interrupt or reduce deliveries of Net

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Electric Energy, for specific safety or emergency reasons. If our facility has been disconnected for these reasons, Williams Energy will continue to be obligated to make total fixed payments for at least 24 hours after the occurrence of the disconnection of our facility by Metropolitan Edison.

We must use commercially reasonable efforts to promptly correct any condition at our facility which necessitates the disconnection of our facility from Metropolitan Edison's electrical system or the reduction, curtailment or interruption of electrical output of our facility.

Williams Energy will have the exclusive right to schedule the operation of our facility or a unit in accordance with the provisions of the power purchase agreement so long as the scheduling is consistent with the design limitations of our facility, applicable law, regulations and permits, and manufacturers' reasonable recommendations for operating limits with respect to our facility and major components.

During Initial Start-Up Testing and up to two times each year thereafter, we must demonstrate, in accordance with the then-applicable criteria of PJM, applicable generally to independent power and Metropolitan Edison generating facilities in PJM of similar technology, the capability of our

facility to produce and maintain, as required for the demonstration, our facility's net capacity.

Maintenance

At all times during the term of the power purchase agreement, we must, at our sole cost and expense, maintain our facility, the Protective Gas Apparatus, and, consistent with the terms of the interconnection agreement, the Interconnection Facilities. Maintenance must be performed in accordance with accepted electrical practices, with respect to our facility and Interconnection Facilities, or in accordance with standard gas industry practices, with respect to Protective Gas Apparatus, and manufacturers' recommended maintenance procedures and in accordance with the maintenance provisions of the power purchase agreement.

Metering, Billing, Payment and Taxes

Net Electric Energy delivered by us to Williams Energy must be metered at the Electric Delivery Point, using Metropolitan Edison's Electric Metering Equipment on an hour-by-hour basis, or any shorter intervals as may be necessary to implement the power purchase agreement, are technically feasible using the metering equipment, and are agreed to by Metropolitan Edison.

We must provide to Williams Energy a monthly statement using Metropolitan Edison's meters, or back-up Electric Metering Equipment installed by us if Metropolitan Edison's electric meters are not functional. The statement must describe the amount of Net Electric Energy delivered by us to Williams Energy in each hour and the computation of the amount due from Williams Energy to us and any other amounts as may then be due and payable by Williams Energy to us. Williams Energy must pay us the net amount shown to be due to us on the monthly statement.

Except as otherwise specified in the power purchase agreement, each party will have the right to set off against any and all amounts owed by it under the power purchase agreement past due amounts owed to it under the power purchase agreement by the other party.

The payments by Williams Energy to us do not include reimbursement for, and Williams Energy is liable for and must pay, cause to be paid, or reimburse us if we have paid, all taxes imposed on or with respect to natural gas or fuel oil or the use or consumption or transportation, other than any of the taxes for which we are liable as described in the following paragraph or on Net Electric Energy or the use and consumption thereof after the Electric Delivery Point. Williams Energy must indemnify, defend and hold us harmless from any liability for these taxes.

Except as provided in the previous paragraph and except for specified taxes that may be imposed in the future, the payments by Williams Energy to us include full reimbursement for, and we will be liable for and must pay, or cause to be paid, or reimburse Williams Energy if Williams Energy has paid, all taxes. If Williams Energy is required to remit any tax for which we are responsible, the amount must be deducted from any sums due to us. We must indemnify, defend and hold harmless Williams Energy from any liability for these taxes.

Dispute Resolution

If the parties are in dispute with respect to specified matters relating to the term, Gas Interconnection Facilities, maintenance and billing and metering, and they do not resolve the dispute within seven days of notifying the other party in writing of the existence of the dispute, a committee consisting of two officers of each party must meet and attempt in good faith to resolve the dispute. If the committee does not resolve the dispute within seven days following their initial

meeting, then a single third-party engineer must be designated to consider and decide the issues raised by the dispute unless both parties determine that further discussions by the committee are merited. The selection of the third-party engineer must be made from the list of engineers described in the power purchase agreement.

Each party must designate in writing to the other party from time to time a representative who must be authorized to resolve any dispute relating to the subject matter of the power purchase agreement not referred to in the preceding paragraph.

If any dispute is not resolved between the parties within 30 days from the date on which a party provided to the other party a written notice of the dispute, then the dispute must be settled exclusively and finally by arbitration in accordance with the procedures described in the power purchase agreement, except for disputes described in the second preceding paragraph.

The dispute resolution provisions of the power purchase agreement will survive the termination or expiration of the power purchase agreement.

Insurance

We must keep our facility continuously insured against loss or damage in the amounts and for the risks that property of similar character is usually so insured by entities owning and operating like properties.

We and the operator of our facility must each procure or cause to be procured and must maintain in effect continuously during the term of the power purchase agreement minimum insurance coverage for our facility: workers' compensation; employer's liability; commercial general liability; bodily injury; property damage; blanket contractual; underground, explosion and collapse hazard; products and completed operations hazard; broad form property damage; personal injury; automobile liability, bodily injury and property damage; and commercial umbrella liability.

We must procure and maintain in effect continuously during the term of the power purchase agreement, "all risk" property insurance in sufficient amounts to cover and otherwise insure for the full replacement cost of our facility and business interruption insurance covering 100% of our continuing fixed operating expenses and debt service for a period of at least 12 months arising from any loss insured against by our "all risk" property insurance.

Force Majeure

A party will be excused from performing its obligations under the power purchase agreement and will not be liable in damages or otherwise to the other party if and to the extent the party declares that it is unable to perform or is prevented from performing an obligation under the power purchase agreement by a force majeure condition, except for any obligations and/or liabilities under the power purchase agreement to pay money, which will not be excused, and except to the extent an obligation accrues prior to the occurrence or existence of a force majeure condition so long as:

- the party declaring its inability to perform by virtue of force majeure, as promptly as practicable after the occurrence of the force majeure condition, but in no event more than five days later, gives the other party written notice describing, in detail, the nature, extent and expected duration of the force majeure condition;
- the suspension of performance is of no greater scope and of no longer duration than is reasonably required by the force majeure condition;
- the party declaring force majeure uses all commercially reasonable efforts to remedy its inability to perform; and
- once the party declaring force majeure is able to resume performance of its obligations excused as a result of the force majeure condition, it promptly gives written notice to the other party.

Irrespective of whether the force majeure condition is declared by Williams Energy or us, the time period of a force majeure will be excluded from the calculation of all payments under the power purchase agreement and Williams Energy must be under no obligation to pay us any of the payments described in the power purchase agreement. If Williams Energy declares a force majeure, however, it must, subject to its right to terminate the power purchase agreement if the force majeure has not been fully corrected or alleviated within 18 months of the declaration, continue to pay us only the applicable monthly total fixed payment as described in the power purchase agreement until the earlier of (1) the termination of the force majeure condition or (2) the termination of the power purchase agreement. Furthermore, if we declare a force majeure due to an action or inaction of Metropolitan Edison that prevents us from delivering Net

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Electric Energy to the Electric Delivery Point, Williams Energy must continue to pay the applicable portion of the total fixed payment for the first 24 hours of the period.

Notwithstanding anything to the contrary contained in the power purchase agreement, except as may expressly be provided in the power purchase agreement, the term force majeure will not include the following nor will the following excuse a party's performance:

- The failure to complete our facility by or to achieve the commercial operation date as extended under the power purchase agreement, which failure is caused by, arises out of or results from the acts or omissions of us, and/or from the acts or omissions of any third party, unless, and then only to the extent that, any acts or omissions of the third party (1) would itself be excused under the power purchase agreement by virtue of a force majeure condition, or (2) is the result of a failure of Williams Energy to provide fuel to our facility under the power purchase agreement;

- Any reduction, curtailment or interruption of generation or operation of our facility, or of the ability of Williams Energy to accept or transmit Net Electric Energy, whether in whole or in part, which reduction, curtailment or interruption is caused by or arises from the acts or omissions of any third party providing services or supplies to the party claiming force majeure, including any vendor or supplier to either party of materials, equipment, supplies or services, or any inability of Metropolitan Edison to deliver Net Electric Energy to Williams Energy, unless, and then only to the extent that, any acts or omissions would itself be excused under the power purchase agreement as a force majeure;

- Any outage, whether or not due to the fault or negligence of us, of our facility attributable to a defect or inadequacy in the manufacture, design or installation of our facility that prevents, curtails, interrupts or reduces the ability of our facility to generate Net Electric Energy or the ability of us to perform our obligations under the power purchase agreement; or

- To the extent that the party claiming force majeure failed to prevent or remedy the force majeure condition by taking all commercially reasonable acts, short of litigation if the remedy requires litigation, and, except as otherwise provided in the power purchase agreement, failed to resume performance under the power purchase agreement with reasonable dispatch after the termination of the force majeure condition; or

- To the extent that the claiming party's failure to perform was caused by lack of funds; or

- To the extent Williams Energy is unable to perform due to a shortage of natural gas or fuel oil supply not caused by an event of force majeure; or

- Because of an increase or decrease in the market price of electric energy/capacity, natural gas or fuel oil, or because it is uneconomic for the party to perform its obligations under the power purchase agreement.

Neither party will be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the party involved in the dispute, are contrary to its interest.

Williams Energy will have the right to terminate the power purchase agreement if a force majeure has been declared by us and the effect of the force majeure has not been fully corrected or alleviated within 18 months after the date the force majeure was declared. Williams Energy, however, will not have the right to terminate the power purchase agreement if (1) the force majeure was caused by Williams Energy or (2) the force majeure event does not prevent or materially limit Williams Energy's ability to sell our facility's net capacity into or through the PJM power pool market or to a third party.

Events of Default; Termination; Remedies

The following will constitute events of default under the power purchase agreement:

- breach of any term or condition of the power purchase agreement, including, but not limited to, (1) any failure to maintain or to renew any security, (2) any breach of a representation, warranty or covenant or (3) failure of either party to make a required payment to the other party;

- our facility is not available to provide fuel conversion services to Williams Energy during any period of 180 consecutive days after the commercial operation date, except as may be excused by force majeure or the absence of available natural gas, or if the non-availability is caused by act or failure by Williams Energy where the action is required by the power purchase agreement;

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- we sell or supply Net Electric Energy, ancillary services or capacity from our facility, or agree to do the same, to any person or entity other than Williams Energy, without the prior approval of Williams Energy;

- failure by us for 30 consecutive days to perform regular and required maintenance, testing or inspection of the Interconnection Facilities, our facility and/or other electric equipment and facilities;

- failure by us for 30 consecutive days to correct or resolve a material violation of any code, regulation and/or statute applicable to the construction, installation, operation or maintenance of our facility, the Interconnection Facilities, Protective Gas Apparatus or any other electric equipment and facilities required to be constructed and operated under the

power purchase agreement when the violation impairs our continued ability to perform under the power purchase agreement;

- o involuntary bankruptcy or insolvency of either party and continues for more than 60 days;
- o voluntary bankruptcy or insolvency by either party;
- o any modifications, alterations or other changes to our facility by or on behalf of us which prevent us from fulfilling, or materially diminishes our ability to fulfill, our obligations, duties, rights and responsibilities under the power purchase agreement and which after reasonable notice and opportunity to cure, are not corrected;
- o there will be outstanding for more than 60 days any unsatisfied final, non-appealable judgment against us in an amount exceeding $500,000, unless the existence of the unsatisfied judgment does not materially affect our ability to perform our obligations under the power purchase agreement; and
- o (1) The AES Corporation will cease to own, directly or indirectly, beneficially and of record, at least 50 percent of the equity interests in our company or will cease to possess the power to direct or cause the direction of our management or policies or (2) any person or an affiliate, other than The AES Corporation or an affiliate, authorized to act as a power marketer by FERC will own, directly or indirectly, beneficially or of record, any of the equity interests in our company.

Upon the occurrence of any event of default, other than an event of default for voluntary bankruptcy or insolvency, for which no notice will be required or opportunity to cure permitted, the party not in default, to the extent the party has actual knowledge of the occurrence of the event of default, must give prompt written notice of the default to the defaulting party. The notice must describe, in reasonable detail, the nature of the default and, where known and applicable, the steps necessary to cure the default. The defaulting party must have 30 days, but only two business days in the case of a default for failure to make a requested payment to the non-defaulting party under the power purchase agreement, following receipt of the notice either to cure the default or commence in good faith all the steps as are necessary and appropriate to cure the default if the default cannot be completely cured within the 30-day period.

If the defaulting party fails to cure the default or take the steps as provided under the preceding paragraph, and immediately upon the occurrence of any event of default for voluntary bankruptcy or insolvency, the power purchase agreement may be terminated by the non-defaulting party, without any liability or responsibility whatsoever, by written notice to the party in default. The non-defaulting party may exercise all the rights and remedies as are available to it to recover damages caused by the default.

Security

We agreed to compensate Williams Energy for any actual damages it suffers or incurs as the result of its reliance upon the delivery of our facility's net capacity, ancillary services and fuel conversion services, to the extent the damages cannot be mitigated fully. We further agreed that the damages Williams Energy may suffer under these circumstances will be any and all reasonable costs incurred by Williams Energy in excess of costs that would have been incurred had the commercial operation date occurred on or before June 30, 2001, as the date may be extended under the power purchase agreement.

As required by the power purchase agreement, we have provided to Williams Energy a guaranty of our performance and payment obligations under the power purchase agreement from The AES Corporation in the amount of $30 million, which guaranty must terminate on the commercial operation date. At any time that The AES Corporation's senior unsecured debt is no longer rated investment grade by Standard & Poor's or Moody's, or at any time at our option, we must provide the financial security for the guaranty amount as specified in the following paragraph. Upon the provision of the guaranty or other financial security referred to in this paragraph, the guaranty provided by The AES Corporation under the provisions of the original power purchase agreement must be canceled and returned to us.

We must provide to Williams Energy, within 30 days after a reduction in the unsecured debt rating of The AES Corporation as described above, or at any time if payment is so secured at our option, security in the form of a single letter of credit, satisfactory to Williams Energy in form and substance, upon which Williams Energy may draw if our facility does not achieve the commercial operation date by the date specified in the power purchase agreement, as the date may be extended. If the security contains an expiration date, either express or implied, we must renew the security not later than 30 days prior to the expiration date and must contemporaneously provide written notice of the renewal to Williams Energy. If we fail to renew the security as described above, Williams Energy is entitled to demand and receive payment thereunder on or after three days after written notice of the failure is provided to us, and in the

event the amount so drawn must be deposited in an interest bearing escrow account and must be returned to us at the commercial operation date unless otherwise drawn on by Williams Energy in satisfaction of our obligations under the preceding security provisions. The requirement for the security must terminate upon the commercial operation date.

Williams Energy has provided to us a guarantee, issued by The Williams Companies, Inc., of Williams Energy's performance and payment obligations under the power purchase. If The Williams Companies, Inc. is no longer rated investment grade, however, the guarantee must, within 30 days after the loss of the rating, be replaced by a guarantee from another affiliate of Williams Energy that is rated investment grade or by other security acceptable to us, including a letter of credit which meets the requirements of the power purchase agreement.

Assignment

Generally, neither the power purchase agreement nor any rights, duties, interests or obligations thereunder may be assigned, transferred, pledged or otherwise encumbered or disposed of, by operation of law or otherwise without the prior written consent of the other party.

We agreed that we will not sell, transfer, assign, lease or otherwise dispose of our facility or any substantial portion thereof or interest therein necessary to perform our obligations under the power purchase agreement to any person that is a FERC-authorized power marketer or an affiliate without the prior written consent of Williams Energy, which consent must not be unreasonably withheld.

Construction Agreement

We, as assignee of AES Ironwood, Inc., have entered into an Agreement for Engineering, Procurement and Construction Services, dated as of September 23, 1998, as amended, with Siemens Westinghouse for Siemens Westinghouse to perform services in connection with the design, engineering, procurement, site preparation and clearing, civil works, construction, start-up, training and testing and to provide all materials and equipment (excluding operational spare parts), machinery, tools, construction fuels, chemicals and utilities, labor, transportation, administration and other services and items (collectively and separately, the "Services") for our facility.

Siemens Westinghouse's Services and Other Obligations

Siemens Westinghouse must complete our project by performing or causing to be performed all of the Services. The Services will include: engineering and design; construction and construction management; providing design documents, instruction manuals, a project procedures manual and quality assurance plan; procurement of all materials, equipment and supplies and all contractor and subcontractor labor and manufacturing and related services; providing a spare parts list; providing all labor and personnel; obtaining some applicable permits and providing information to assist us in obtaining other applicable permits; performing inspection, expediting, quality surveillance and traffic services; transporting, shipping, receiving and marshalling all materials, equipment and supplies and other items; providing storage for all materials, supplies and equipment and procurement or disposal of all soil and gravel (including remediation and disposal of specific hazardous materials); providing for design, construction and installation of Electrical Interconnection Facilities (including Electric Metering Equipment, automatic regulation equipment, Protective Apparatus and control system equipment) and reviewing other Metropolitan Edison interconnections to our facility (including gas and water pipelines); performing Performance Tests and Power Purchase Agreement Output Tests; providing for start-up and initial operation functions; providing specified spare parts, waste disposal services, chemicals, consumables and utilities.

The Services will also include: training our personnel prior to Provisional Acceptance; providing us and our designee with access to the facility site; obtaining additional necessary real estate rights; clean-up and waste disposal (including hazardous materials brought to the facility site by Siemens Westinghouse or the subcontractors); submitting a construction schedule and progress reports; payment of contractor taxes; employee identification and security arrangements; protecting adjoining utilities and public and private lands from damage; paying appropriate royalties and license fees; providing final releases and waivers to us; posting collateral or providing other assurances if major

subcontractors fail to furnish final waivers; maintaining labor relations and project labor agreements; providing further assurances; coordinating with other contractors; and causing Siemens Corporation to execute and deliver the related guaranty.

Construction and Start-Up

Except for specific Services the performance of which has already commenced, Siemens Westinghouse must commence performance of the Services on the date specified in our notice to proceed. Siemens Westinghouse must perform the Services in accordance with prudent utility practices, generally accepted standards of professional care, skill, diligence and competence applicable to engineering, construction and project management practices, all applicable laws, all applicable permits, the real estate rights, the quality assurance plan, Metropolitan Edison electrical interconnection requirements, the environmental requirements and safety precautions described in the construction agreement, and all of the requirements necessary to maintain the warranties granted by the subcontractors under the construction agreement. Siemens Westinghouse must perform the Services in accordance with our construction schedule and must cause

- each Construction Progress Milestone to be achieved on or prior to the applicable Construction Progress Milestone Date,
- either Provisional Acceptance or Interim Acceptance of our facility to occur on or prior to the Guaranteed Provisional Acceptance Date and
- Final Acceptance of our facility to occur on or before the Guaranteed Final Acceptance Date.

Siemens Westinghouse must perform the Services so that our facility, when operated in accordance with the instruction manual and the Power Purchase Agreement Operating Requirements, regardless of whether our facility is operated at 705 megawatts or at a different output, on natural gas and on fuel oil, respectively, as of Provisional Acceptance, Interim Acceptance and Final Acceptance, will comply with all applicable laws and applicable permits, Metropolitan Edison electrical interconnection requirements and the Guaranteed Emissions Limits in accordance with the Completed Performance Test requirements.

Contract Price and Payment

The adjusted contract price, including base Scope Changes through the date of the construction agreement, is $238 million and commencing on the construction commencement date is to be paid in installments in accordance with the Payment and Milestone Schedule. The contract price may be adjusted as a result of Scope Changes. We must make scheduled payments to Siemens Westinghouse upon receipt of Siemens Westinghouse's payment request unless the independent engineer fails to confirm the matters certified to by Siemens Westinghouse in the request, in which case we may defer the scheduled payments until the condition is satisfied. We must withhold from each scheduled payment 5%, other than our project completion payment, of the payment until after Final Acceptance. At Final Acceptance, we must pay all Retainage except for $1,000,000 and 150% of the cost of completing all Punch List items. We must pay our project completion payment, including all remaining Retainage within 30 days after Project Completion. Upon the termination of the construction agreement, Siemens Westinghouse will be entitled to a termination payment equal to the scheduled payments due and owing, Retainage and termination costs incurred by Siemens Westinghouse and subcontractors. We are not obligated to make any payment to Siemens Westinghouse at any time Siemens Westinghouse is in material breach of the construction agreement, unless Siemens Westinghouse is diligently pursuing a cure. All payments are subject to release of claims.

Our Required Services

Our responsibilities include: designating a representative for our project; furnishing Siemens Westinghouse access to the facility site; securing specified applicable permits and real estate rights; providing specified start-up personnel; furnishing water, water delivery facilities, specified spare parts, water disposal services and consumables; providing permanent utilities for the start-up, testing and operation of our facility; providing fuel supply arrangements; providing electrical interconnection facilities arrangements; furnishing approvals; administering third-party contracts; causing The AES Corporation to provide a pre-financial closing guaranty.

If we fail to meet any of our obligations under the construction agreement, then, to the extent that Siemens Westinghouse was reasonably delayed in the performance of the Services as a direct result thereof, an equitable adjustment to one or more of the contract price, the Guaranteed Completion Dates, the Construction Progress Milestone Dates, the Payment and Milestone Schedule and our construction schedule, and, as appropriate, the other provisions of

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the construction agreement that may be affected thereby, will be made by agreement between us and Siemens Westinghouse.

Completion and Acceptance of our Project

Mechanical Completion

Mechanical Completion will be achieved when:

- All equipment and facilities necessary for the full, safe and reliable operation of our facility have been properly constructed, installed, insulated and protected where required, and correctly adjusted, and can be safely used for their intended purposes in accordance with the instruction manual and all applicable laws and applicable permits;
- The tests required for Mechanical Completion that are identified in the construction agreement have been successfully completed;
- Our facility is fully and properly interconnected and synchronized with the electrical system of Metropolitan Edison in accordance with Metropolitan Edison electrical interconnection requirements, and all features and equipment of our facility are capable of operating simultaneously; and
- The complete performance by Siemens Westinghouse of all the Services relating to our facility under the construction agreement, except for any remaining Punch List items, Performance Tests, Power Purchase Agreement Output Tests and Reliability Run, in compliance with the standards of

performance described in the construction agreement, so that our facility meets all of the applicable requirements described in the construction agreement but excluding the achievement of the Guaranteed Emission Limits and the Performance Guarantees.

When Siemens Westinghouse believes that it has achieved Mechanical Completion, it must deliver to us the Notice of Mechanical Completion. Within 10 days of receipt of the Notice of Mechanical Completion, if it is satisfied that the Mechanical Completion requirements have been met, we must deliver to Siemens Westinghouse a Mechanical Completion Certificate. If reasonable cause exists for doing so, we must notify Siemens Westinghouse in writing that Mechanical Completion has not been achieved, stating the reasons therefor. If Mechanical Completion has not been achieved as so determined by us, Siemens Westinghouse must promptly do so or perform the additional Services that will achieve Mechanical Completion of our facility and must issue to us another Notice of Mechanical Completion. The procedure must be repeated as necessary until Mechanical Completion of our facility has been achieved.

Performance Tests and Power Purchase Agreement Output Tests

Once Mechanical Completion has been achieved, Siemens Westinghouse must perform the Performance Tests and Power Purchase Agreement Output Tests in accordance with criteria described in the construction agreement. Siemens Westinghouse must give us notice of the Performance Tests and Power Purchase Agreement Output Tests. We must arrange for the disposition of output during start-up and testing. Siemens Westinghouse may declare the Performance Test or the Power Purchase Agreement Output Test to be a Completed Performance Test or a Completed Power Purchase Agreement Output Test, respectively, if during the tests the operation of our facility complies with applicable laws, applicable permits, Guaranteed Emissions Limits and other required standards.

Provisional Acceptance

Provisional Acceptance will be achieved when:

- Siemens Westinghouse has concluded a Completed Performance Test in which our facility, while operating on natural gas, demonstrates during a minimum of two 2-hour tests an average net electrical output and a net heat rate of 95% (or higher) of the natural gas-based Electrical Output Guarantee and 108% (or lower) of the natural gas-based Heat Rate Guarantee;
- Siemens Westinghouse has concluded a Completed Power Purchase Agreement Output Test in which our facility demonstrates (1) a level of achievement of 95% (or higher) of the natural gas-based Electrical Output Guarantee, while operating on natural gas, and (2) to our reasonable satisfaction, the other capabilities required to be demonstrated under the construction agreement; and
- Our facility has achieved, and continues to satisfy, the requirements of Mechanical Completion.

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When Siemens Westinghouse believes that it has achieved Provisional Acceptance of our facility, it must deliver to us a Notice of Provisional Acceptance. If we are satisfied that the Provisional Acceptance requirements have been met, we must deliver to Siemens Westinghouse a Provisional Acceptance Certificate. If reasonable cause exists for doing so, we must notify Siemens Westinghouse in writing that Provisional Acceptance of our facility has not been achieved, stating the reasons therefor. If we determine that Provisional Acceptance of our facility has not been achieved, Siemens Westinghouse must promptly do so or perform the additional Services as will achieve Provisional Acceptance and, if Siemens Westinghouse believes that Provisional Acceptance of our facility has been achieved, must issue to us another Notice of Provisional Acceptance. Unless Interim Acceptance or Final Acceptance of our facility has previously occurred, the procedure must be repeated as necessary until Provisional Acceptance of our facility has been achieved. Upon the earliest to occur of Provisional Acceptance, Interim Acceptance and Final Acceptance of our facility, we must take possession and control our facility and will thereafter be solely responsible for its operation and maintenance. After we take possession and control of our facility, Siemens Westinghouse must have reasonable access to our facility to complete the Services.

Interim Acceptance

Interim Acceptance will be achieved when:

- Siemens Westinghouse has concluded a Completed Performance Test in which our facility, while operating on natural gas, demonstrates during the Performance Test an average net electrical output and a net heat rate (each as measured and corrected to the design operating conditions, all in accordance with the procedures described in the construction agreement) of 95% (or higher) of the natural gas-based Electrical Output Guarantee (but in no event lower than the percentage of the natural gas-based Electrical Output Guarantee demonstrated by the applicable Completed Performance Test and Completed Power Purchase Agreement Output Test at Provisional Acceptance, if applicable) and 104% (or lower) of the natural gas-based Heat Rate Guarantee;

- If neither Provisional Acceptance nor Interim Acceptance of our facility has occurred, Siemens Westinghouse has completed a Completed Power Purchase Agreement Output Test in accordance with the construction agreement to be concluded in which our facility demonstrates (1) a level of achievement of 95% (or higher) of the natural gas-based Electrical Output Guarantee, while operating on natural gas, and (2) to Metropolitan Edison's reasonable satisfaction, the other capabilities required to be so demonstrated under the construction agreement;

- Our facility has achieved, and continues to satisfy the requirements for the achievement of, Mechanical Completion; and

- Siemens Westinghouse has completed performance of the Services except for (1) Punch List items and (2) Services that are required by the terms of the construction agreement to be completed after the achievement of Interim Acceptance.

When Siemens Westinghouse believes that it has achieved Interim Acceptance of our facility, it must deliver to us a Notice of Interim Acceptance. If we are satisfied that the Interim Acceptance requirements have been met, we must deliver to Siemens Westinghouse an Interim Acceptance Certificate. If reasonable cause exists for doing so, we must notify Siemens Westinghouse in writing that Interim Acceptance of our facility has not been achieved, stating the reasons therefor. If we determine that Interim Acceptance has not been achieved, Siemens Westinghouse must promptly take the action or perform the additional Services as will achieve Interim Acceptance and, if Siemens Westinghouse believes that Interim Acceptance of our facility has been achieved, must issue to us another Notice of Interim Acceptance. Unless Final Acceptance of our facility must have previously occurred, the procedure must be repeated as necessary until Interim Acceptance of our facility has been achieved.

Final Acceptance

Final Acceptance will be achieved when:

- Siemens Westinghouse has concluded a Completed Performance Test in which our facility, while operating separately on natural gas and on fuel oil, demonstrates during the Performance Test an average net electrical output and a net heat rate of 100% (or higher) of each of the corresponding natural gas-based and fuel oil-based Electrical Output Guarantees and 100% (or lower) of each of the corresponding natural gas-based and fuel oil-based Heat Rate Guarantees;

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- If neither Provisional Acceptance nor Interim Acceptance of our facility has occurred or if we have requested that a new Completed Power Purchase Agreement Output Test be conducted in connection with Final Acceptance of our facility, Siemens Westinghouse has concluded a Completed Power Purchase Agreement Output Test in which our facility demonstrates (1) a level of achievement of 100% (or higher) of the natural gas-based Electrical Output Guarantee, while operating on natural gas, and (2) to Metropolitan Edison's reasonable satisfaction, the other capabilities required to be so demonstrated under the construction agreement;

- our facility has achieved, and continues to satisfy the requirements for the achievement of, Mechanical Completion;

- the Reliability Guarantee has been achieved under the construction agreement; and

- Siemens Westinghouse has completed performance of the Services except for (1) Punch List items and (2) Services that are required by the terms of the construction agreement to be completed after the achievement of Final Acceptance, such as Siemens Westinghouse's warranty obligations.

The Reliability Guarantee will have been achieved if and only if our facility demonstrates an average equivalent availability of not less than 92% while operating over a period of at least 45 consecutive days in accordance with applicable laws, applicable permits, Metropolitan Edison electrical interconnection requirements, the Power Purchase Agreement Operating Requirements, the Guaranteed Emissions Limits, the instruction manual and the power purchase agreement.

When Siemens Westinghouse believes that it has achieved Final Acceptance of our facility, it must deliver to us a Notice of Final Acceptance. If we are satisfied that the Final Acceptance requirements have been met, we must deliver to Siemens Westinghouse a Final Acceptance Certificate. If reasonable cause exists for doing so, we must notify Siemens Westinghouse in writing that Final Acceptance has not been achieved, stating the reasons therefor. If we determine that Final Acceptance has not been achieved, Siemens Westinghouse must promptly do so or perform the additional Services as will achieve Final Acceptance and must issue to us another Notice of Final Acceptance. The procedure must be repeated as necessary until Final Acceptance

has been achieved or deemed to have occurred.

At any time, by giving notice to Siemens Westinghouse, we, in our sole discretion may elect to effect Final Acceptance, in which case Final Acceptance will be deemed effective as of the date of the notice, and Siemens Westinghouse will have no liability to us for any amounts thereafter arising as Performance Guarantee Payments, other than any Interim Period rebates that arose prior to the election by us, for failure of our facility to achieve any or all of the applicable Performance Guarantees.

At any time after Provisional Acceptance or Interim Acceptance of our facility has been achieved, Siemens Westinghouse may, after exhausting all reasonable repair and replacement alternatives in order to achieve the applicable Performance Guarantees for Final Acceptance, so long as the Reliability Guarantee will have been achieved, give to us notice of its intention to elect to declare Final Acceptance. In that event, Siemens Westinghouse may elect to use the results of the most recent eligible Completed Performance Test for the purpose of determining our facility's level of achievement of the Performance Guarantees. Final Acceptance will be deemed effective as of the last to occur of (1) the date of our receipt of the declaration and report of the final Completed Performance Test, or, as applicable, the most recent Completed Performance Test, (2) the date of our receipt of the declaration and report of any additional Completed Power Purchase Agreement Output Test required by us in connection with Final Acceptance and (3) the effective date of the achievement of the Reliability Guarantee.

If on or before the Guaranteed Final Acceptance Date (1) our facility has achieved either Provisional Acceptance or Interim Acceptance, (2) the most recent Completed Performance Test has satisfied the relevant provisions of the construction agreement and (3) the Reliability Guarantee has been achieved, then Final Acceptance of our facility will be deemed to occur on the Guaranteed Final Acceptance Date. If (1) on or before the Guaranteed Final Acceptance Date, our facility has achieved at least Provisional Acceptance or Interim Acceptance and has achieved all other requirements for Final Acceptance except for the Reliability Guarantee and (2) within 90 days after the Guaranteed Final Acceptance Date, the Reliability Guarantee has been achieved and all other requirements for Final Acceptance continue to be satisfied at that time, then Final Acceptance of our facility will be deemed to occur on the date on which the Reliability Guarantee is achieved.

Project Completion

Project Completion will be achieved under the construction agreement when:

- Final Acceptance of our facility will have occurred and the Performance Guarantees with respect to our facility will have been achieved, or in lieu of achievement of the Performance Guarantees, applicable rebates under the construction agreement will have been paid, we will have elected Final Acceptance;

- The Reliability Guarantee will have been achieved;

- Siemens Westinghouse will have demonstrated during the Completed Performance Test that the operation of our facility does not exceed the Guaranteed Emissions Limits;

- The requirements for achieving Mechanical Completion of our facility will continue to be met;

- The Punch List items will have been completed in accordance with the construction agreement; and

- Siemens Westinghouse will have performed all of the Services, other than those Services, such as Siemens Westinghouse's warranty obligations, which by their nature are intended to be performed after Project Completion.

When Siemens Westinghouse believes that it has achieved Project Completion, it must deliver to us a Notice of Project Completion. If we are satisfied that the Final Acceptance requirements have been met, we must deliver to Siemens Westinghouse a Project Completion Certificate. If reasonable cause exists for doing so, we must notify Siemens Westinghouse in writing that Project Completion has not been achieved, stating the reasons therefor. If our Project Completion has not been achieved as so determined by us, Siemens Westinghouse must promptly take do so or perform the additional Services as will achieve Project Completion and must issue to us another Notice of Project Completion. The procedure must be repeated as necessary until Project Completion is achieved.

Siemens Westinghouse will be obligated to achieve Project Completion within 180 days after Final Acceptance of our facility. If Siemens Westinghouse does not achieve our Project Completion on or before our Project Completion Deadline or if we determine that Siemens Westinghouse is not proceeding with all due diligence to complete the Services in order to achieve Project Completion by the deadline, we may retain another contractor to complete the work at contractor's expense.

Price Rebate for Failure to Meet Guarantees

Completion Dates

Siemens Westinghouse guarantees that (1) at least one of Provisional Acceptance, Interim Acceptance or Final Acceptance of our facility will be achieved on or before the Guaranteed Provisional Acceptance Date and (2) Final Acceptance of our facility will be achieved on or before the Guaranteed Final Acceptance Date.

If none of Provisional Acceptance, Interim Acceptance or Final Acceptance of our facility occurs by the date that is 45 days after the Guaranteed Provisional Acceptance Date, Siemens Westinghouse must pay us $110,000 per day for each day Provisional Acceptance, Interim Acceptance or Final Acceptance is later than the Guaranteed Provisional Acceptance Date, but in no event will the aggregate amount of the payments be greater than the Delay LD SubCap.

If none of Provisional Acceptance, Interim Acceptance and Final Acceptance of our facility occurs on or before the date that is 40 days after the Guaranteed Provisional Acceptance Date, Siemens Westinghouse must, on the date, submit for approval by us and the independent engineer a Plan to accelerate the performance of the Services as necessary in order to achieve (1) at least one of Provisional Acceptance, Interim Acceptance and Final Acceptance of our facility by the date that is 12 months after the Guaranteed Provisional Acceptance Date and (2) Final Acceptance of our facility by the Guaranteed Final Acceptance Date. If the Plan is not approved by us and the independent engineer, Siemens Westinghouse must revise the Plan and resubmit a revised Plan for approval by us and the independent engineer.

If Provisional Acceptance, Interim Acceptance and Final Acceptance, whichever is the earlier to occur, of our facility occurs prior to the Guaranteed Provisional Acceptance Date, we must pay Siemens Westinghouse $50,000 per day as an early completion bonus, for each day by which Provisional Acceptance, Interim Acceptance and Final Acceptance precedes the Guaranteed Provisional Acceptance Date, but in no event will the aggregate amount of the bonus exceed $3,000,000.

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Performance Guarantees

Electrical Output

If the average net electrical output of our facility at Provisional Acceptance or Interim Acceptance, whichever is the earlier to occur, is less than the natural gas-based Electrical Output Guarantee, then Siemens Westinghouse must pay us, as a rebate, for each day during the Interim Period, an amount equal to $0.22 per day for each kilowatt by which the average net electrical output is less than the natural gas-based Electrical Output Guarantee.

Upon Final Acceptance, if (1) the average net electrical output of our facility during the natural gas-fired portion of the Completed Performance Test is less than the natural gas-based Electrical Output Guarantee, then we must pay Siemens Westinghouse, as a rebate, an amount equal to $550 for each kilowatt by which the average net electrical output is less than the natural gas-based Electrical Output Guarantee and (2) the fuel oil-based portion of the Completed Performance Test is less than the fuel oil-based Electrical Output Guarantee, then Siemens Westinghouse must pay us, as a rebate, an amount equal to $30 for each kilowatt by which the average net electrical output is less than the fuel oil-based Electrical Output Guarantee.

Upon Final Acceptance, if the average net electrical output of our facility during the natural gas-fired portion of the Completed Performance Test is greater than the natural gas-based Electrical Output Guarantee, then Siemens Westinghouse must pay us as a bonus, an amount equal to 50% of the net incremental revenues received by us during the period of the first three years following the commercial operation date as a result of (1) any power purchase agreement concluded with a utility whereby the utility purchases the excess output, (2) any short-term sales of the excess output, and (3) any spot sales of the excess output, in each of the cases (1) through (3) above after subtracting all incremental costs and taxes associated with the excess output, so long as the aggregate amount of any bonus does not in any event exceed $275 per kilowatt of excess capacity.

Heat Rate Guarantees

If the average net heat rate of our facility at Provisional Acceptance

and/or Interim Acceptance, if having occurred before Final Acceptance, exceeds the natural gas-based Heat Rate Guarantee, then Siemens Westinghouse must pay us, as a rebate, for each day during the Interim Period, an amount equal to $44 per day for each BTU/KwH by which the measured net heat rate is greater than the natural gas-based Heat Rate Guarantee.

Upon Final Acceptance, if the net heat rate of our facility during (1) the natural gas-fired portion of the Completed Performance Test exceeds the natural gas-based Heat Rate Guarantee, then Siemens Westinghouse must pay us, as a rebate, an amount equal to $162,300 for each BTU/KwH by which the measured heat rate is greater than the natural gas-based Heat Rate Guarantee, and (2) the fuel oil-fired portion of the Completed Performance Test exceeds the natural gas-based Heat Rate Guarantee, then Siemens Westinghouse must pay us, as a rebate, an amount equal to $17,000 for each BTU/KwH by which the measured heat rate is greater than the fuel oil-based Heat Rate Guarantee.

Upon Final Acceptance, if the average net heat rate during the natural gas-fired portion of the Completed Performance Test is less than the natural gas-based Heat Rate Guarantee, then we must pay Siemens Westinghouse, as a bonus, an amount equal to $40,000 for each BTU/KwH by which the measured heat rate is less that the natural gas-based Heat Rate Guarantee so long as that the aggregate amount of any bonus does not in any event exceed $3,000,000.

Liability and Damages

Limitation of Liability

In no event will Siemens Westinghouse's liability exceed (1) the Delay LD SubCap and (2) the Total LD SubCap.

Consequential Damages

Neither party nor any of its contractors, subcontractors or other agents providing equipment, material or services for our project will be liable for any indirect, incidental, special or consequential loss or damage of any type.

Aggregate Liability of Contractor

The total aggregate liability of Siemens Westinghouse and any of its subcontractors; including liabilities covered by the Delay LD SubCap and the Total LD SubCap, to us will not in any event exceed an amount equal to the contract price so long as the limitation of liability will not apply to obligations to remove liens or to make indemnification payments.

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Warranties and Guarantees

Siemens Westinghouse warrants and guarantees that during the applicable warranty period

- all machinery, equipment, materials, systems, supplies and other items comprising our project must be new and of first-rate quality which satisfies Metropolitan Edison-grade standards and in accordance with prudent utility practices and the specifications described in the construction agreement, suitable for the use in generating electric energy and capacity under the climatic and normal operating conditions and free from defective workmanship or materials,

- it will perform all of its design, construction, engineering and other Services in accordance with the construction agreement,

- our project and its components must be free from all defects caused by errors or omissions in engineering and design, as determined by reference to prudent utility practices, and must comply with all applicable laws, all applicable permits, Metropolitan Edison electrical interconnection requirements, the Power Purchase Agreement Operating Requirements and the Guaranteed Emissions Limits and

- the completed project must perform its intended functions of generating electric energy and capacity as a complete, integrated operating system as contemplated in the construction agreement. If we notify Siemens Westinghouse within 30 days after the expiration of the applicable warranty period of any defects or deficiencies discovered during the applicable warranty period, Siemens Westinghouse must promptly reperform any of the services at its own expense to correct any errors omissions, defect or deficiencies and, in the case of defective or otherwise deficient machinery, equipment, materials, systems supplies or other items, replace or repair the same at its own expense. Siemens Westinghouse warrants and guarantees that, to the extent we have made all payments then due to Siemens Westinghouse, title to our facility and all work, materials, supplies and equipment must pass to us free and clear of all liens, other than any permitted liens. Other

than the warranties and guarantees provided in the construction agreement there are no other warranties of any kind, whether statutory, express or implied relating to the Services.

During the applicable warranty period, Siemens Westinghouse must promptly notify us of any engineering and design defects which are manifested in any of Siemens Westinghouse's fleet of 501G combustion turbines under construction, start-up or testing or in operation during the warranty period and which could reasonably be expected to be common to the fleet or this facility. Upon the notification from Siemens Westinghouse of a fleet-wide or common defect and otherwise upon notification from us no later than 30 days after the expiration of the applicable warranty period of any defects or deficiencies in our project or any component, we must, subject to the provisions of the construction agreement, make our facility or the subject Equipment available to Siemens Westinghouse for Siemens Westinghouse to re-perform, replace or, at its option, repair the same at its expense so that it is in compliance with the standards warranted and guaranteed, all in accordance with the construction agreement.

Force Majeure

Force Majeure Event

A force majeure event means any act or event that prevents the affected party from performing its obligations, other than the payment of money, under the construction agreement or complying with any conditions required to be complied with under the construction agreement if the act or event is beyond the reasonable control of and not the fault of the affected party and the party has been unable by the exercise of due diligence to overcome or mitigate the effects of the act or event. Force majeure events include, but are not limited to, acts of declared or undeclared war, sabotage, landslides, revolution, terrorism, flood, tidal wave, hurricane, lightning, earthquake, fire, explosion, civil disturbance, insurrection or riot, act of God or the public enemy, action (including unreasonable delay or failure to act) of a court or public authority, or strikes or other labor disputes of a regional or national character that are not limited to only the employees of Siemens Westinghouse or its subcontractors and that are not due to the breach of a labor contract or applicable law by the party claiming force majeure or any of its subcontractors. Force majeure events do not include (1) strikes, work stoppages and labor disputes or unrest of any kind that involve only employees of Siemens Westinghouse or any subcontractors, except as expressly provided in the preceding sentence, (2) late delivery of materials or equipment, except to the extent caused by a force majeure event and (3) economic hardship.

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Excused Performance

If either party is rendered wholly or partly unable to perform its obligations because of a force majeure event, that party will be excused from whatever performance is affected by the force majeure event to the extent so affected so long as:

- the non-performing party gives the other party prompt notice describing the particulars of the occurrence;
- the suspension of performance is of no greater scope and of no longer duration than is reasonably required by the force majeure event;
- the non-performing party exercises all reasonable efforts to mitigate or limit damages to the other party;
- the non-performing party uses its best efforts to continue to perform its obligations under the construction agreement and to correct or cure the event or condition excusing performance; and
- when the non-performing party is able to resume performance of its obligations, that party must give the other party written notice to that effect and must promptly resume performance under the construction agreement.

Scope Changes

Scope Changes

We may order Scope Changes to the Services, in which event one or more of the contract price, the Construction Progress Milestone Dates, the Guaranteed Completion Dates, the Payment and Milestone Schedule, our construction schedule and the Performance Guarantees will be adjusted accordingly, if necessary. All Scope Changes must be authorized by a Scope Change Order and only we or our representative may issue Scope Change Orders.

As soon as Siemens Westinghouse becomes aware of any circumstances which it has reason to believe may necessitate a Scope Change, Siemens Westinghouse must issue to us a Scope Change Order Notice at its expense. If we desire to make a Scope Change, in response to a Scope Change Order Notice or otherwise, we must submit a Scope Change Order Request to Siemens Westinghouse. Siemens Westinghouse must promptly review the Scope Change Order Request and notify us in writing of the options for implementing the proposed Scope Change and the effect, if any, each option would have on the contract price, the

Guaranteed Completion Dates, the Construction Progress Milestone Dates, the Payment and Milestone Schedule, our construction schedule and the Performance Guarantees.

No Scope Change Order will be issued and no adjustment of the contract price, the Guaranteed Completion Dates, the Construction Progress Milestone Dates, the Payment and Milestone Schedule, our construction schedule or the Performance Guarantees will be made in connection with any correction of errors, omission, deficiencies, or improper or defective work on the part of Siemens Westinghouse or any subcontractors in the performance of the Services. Changes due to changes in applicable laws or applicable permits occurring after the date of the construction agreement must be treated as Scope Changes.

Effect of Force Majeure Event

If and to the extent that any force majeure events affect Siemens Westinghouse's ability to meet the Guaranteed Completion Dates, or the Construction Progress Milestone Dates, an equitable adjustment in one or more of the dates, the Payment and Milestone Schedule and our construction schedule must be made by agreement between us and Siemens Westinghouse. No adjustment to the Performance Guarantees and, except as otherwise expressly described below, the contract price must be made as a result of a force majeure event. If Siemens Westinghouse is delayed in the performance of the Services by a force majeure event, then:

- to the extent that the delay(s) are, in the aggregate, six months or less, Siemens Westinghouse must absorb all of its costs and expenses resulting from the delay(s); and

- to the extent that the delay(s) are, in the aggregate, more than six months, Siemens Westinghouse must be reimbursed by us for those incremental costs and expenses resulting from the delay(s) which are incurred by Siemens Westinghouse after the six-month period.

Price Change

An increase or decrease in the contract price, if any, resulting from a Scope Change requested by us or made under the construction agreement must be determined, upon the mutual agreement of the parties.

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Continued Performance Pending Resolution of Disputes

If a dispute regarding the amount of any increase or decrease in Siemens Westinghouse's costs with respect to a Scope Change, Siemens Westinghouse must proceed with the performance of the Scope Change promptly following our execution of the corresponding Scope Change Order.

If hazardous materials were not identified in an environmental site assessment report delivered by us to Siemens Westinghouse prior to the construction commencement date and were not brought onto the facility site by Siemens Westinghouse or any of its subcontractors, then Siemens Westinghouse will be entitled to a Scope Change under the construction agreement.

Insurance

General

Siemens Westinghouse must provide and maintain the following types of insurance at all times while it or any subcontractor is performing the Services: workers' compensation insurance and employers' liability insurance; commercial general liability insurance; business automobile liability insurance; commercial umbrella and/or excess insurance; "all-risk" builder's risk insurance; and ocean marine cargo insurance. Before permitting any of its subcontractors to perform any Services at the facility site, Siemens Westinghouse must obtain a certificate of insurance from each subcontractor evidencing that each subcontractor has obtained insurance in the amounts and against the risks as is consistent with Siemens Westinghouse's customary practices for the types of subcontracts for projects of similar type and capacity to our project. All insurance policies supplied by Siemens Westinghouse must include a waiver of any right of subrogation of the insurers and of any right of the insurers to any set-off, counterclaim or deduction.

Cost of Premiums

Construction Insurance: Siemens Westinghouse must bear responsibility for payment of all premiums for insurance coverage required to be provided by Siemens Westinghouse.

Operating Insurance: we will be responsible for obtaining, on the terms and conditions as we and our financing parties reasonably deem to be appropriate, "all-risk" property insurance, including "business interruption" coverage, for our facility for the period commencing with the first to occur of Provisional Acceptance, Interim Acceptance and Final Acceptance.

Risk of Loss

With respect to our facility, until the Risk Transfer Date, Siemens Westinghouse must bear the risk of loss and full responsibility for the costs of replacement, repair or reconstruction resulting from any damage to or destruction of our facility or any materials, equipment, tools and supplies, which are purchased for permanent installation in or for use during construction of our facility.

After the Risk Transfer Date with respect to our facility, we must bear all risk of loss and full responsibility for repair, replacement or reconstruction with respect to any loss, damage or destruction to our facility which occurs after the Risk Transfer Date.

Termination

Termination for Company's Convenience

We may for its convenience terminate any part of the Services or all remaining Services at any time upon 30 days' prior written notice to Siemens Westinghouse specifying the part of the Services to be terminated and the effective date of termination. We may elect to suspend completion of all or any part of the Services upon 10 days' prior written notice to Siemens Westinghouse or, in emergency situations upon prior notice as circumstances permit.

Termination by Contractor

If we fail to pay to Siemens Westinghouse any payment and our failure continues for 20 days, then (1) Siemens Westinghouse may suspend its performance of the Services upon 10 days' prior written notice to us, which suspension may continue until the time as the payment, plus accrued interest, is paid to Siemens Westinghouse, and/or (2) if the payment has not been made prior to the commencement of a suspension by Siemens Westinghouse under clause (1) above, Siemens Westinghouse may terminate the construction agreement upon 60 days' prior written notice to us so long as the termination does not become effective if the payment, plus accrued interest, is made to Siemens Westinghouse

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prior to the end of the notice period. In the event of a suspension, an equitable adjustment to one or more of the contract price, the Guaranteed Completion Dates, the Construction Progress Milestone Dates, the Payment and Milestone Schedule and our construction schedule, and, as appropriate, the other provisions of the construction agreement that may be affected thereby, must be made by agreement between us and Siemens Westinghouse. If we have suspended completion of all or any part of the Services in accordance with the construction agreement for a period in excess of two years in the aggregate, Siemens Westinghouse may, at its option, at any time thereafter so long as the suspension continues, give written notice to Company that Siemens Westinghouse desires to terminate the suspended Services. Unless we order Siemens Westinghouse to resume performance of the suspended services within 10 days of the receipt of the notice from Siemens Westinghouse, the suspended Services will be deemed to have been terminated by us for its convenience. If the occurrence of one or more force majeure events prevents Siemens Westinghouse from performing the Services for a period of 365 consecutive days, Siemens Westinghouse may, at its option, give written notice to us of its desire to terminate the construction agreement.

Consequences of Termination

- Upon any termination, we may, unless the termination is pursuant to any default Siemens Westinghouse will be paid all amounts due and owing to it under the construction agreement and it is not deemed to constitute a waiver by Siemens Westinghouse of any rights to payment it may have as a result of a non-default related termination in the event of a termination pursuant to a default, at its option elect to have itself, or its designee, which may include any other affiliate of The AES Corporation or any third-party purchaser, (1) assume responsibility for and take title to and possession of our project and any or all work, materials or equipment remaining at the facility site and (2) succeed automatically, without the necessity of any further action by Siemens Westinghouse, to the interests of Siemens Westinghouse in any or all items procured by Siemens Westinghouse for our project and in any and all contracts and subcontracts entered into between Siemens Westinghouse and any subcontractor with respect to the equipment specified in the construction agreement with respect to any or all other subcontractors selected by us which are materially necessary to the timely completion of our project, Siemens Westinghouse must use all reasonable efforts to enable us, or our designee, to succeed to Siemens Westinghouse's interests thereunder.

- If any termination occurs, we may, without prejudice to any other right or remedy it may have, at its option, finish the Services by whatever method we may deem expedient.

Default and Remedies

Contractor's Default

Siemens Westinghouse's events of default include: voluntary bankruptcy or insolvency; involuntary bankruptcy or insolvency; materially adverse

misleading or false representation or warranty; improper assignment; failure to maintain required insurance; failure to comply with applicable laws or applicable permits; cessation or abandonment of the performance of Services; termination or repudiation of, or default under the related guaranty; failure to supply sufficient skilled workers or suitable material or equipment; failure to make payment when due for labor, equipment or materials; non-occurrence of Provisional Acceptance, Interim Acceptance, Final Acceptance and Construction Progress Milestones; and failure to remedy non-performance or non-observance of any provision in the construction agreement.

Company's Rights and Remedies

If Siemens Westinghouse is in default of its obligations, We will have any or all of the following rights and remedies, in addition to any other rights and remedies that may be available to us under the construction agreement or at law or in equity, and Siemens Westinghouse will have the following obligations:

- We may, without prejudice to any other right or remedy we may have under the construction agreement or at law or in equity, terminate the construction agreement in whole or in part immediately upon delivery of notice to Siemens Westinghouse. In case of partial termination, the parties must mutually agree upon a Scope Change Order to make equitable adjustments, including the reduction and/or deletion of obligations of the parties commensurate with the reduced scope Siemens Westinghouse must have after taking into account the partial termination, to one or more of the Guaranteed Completion Dates, the Construction Progress Milestone Dates, the contract price, the Payment and Milestone Schedule, our construction schedule, the Performance Guarantees and the other provisions of the construction agreement which may be affected thereby, as appropriate. If the parties are unable to reach mutual agreement as to the Scope Change Order and the dispute resolution procedures described in the construction agreement are invoked, the procedures must give due

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consideration to customary terms and conditions under which Siemens Westinghouse has entered subcontracts with third party prime contractors covering services substantially similar to those Services which are not being terminated.

- If requested by us, Siemens Westinghouse must withdraw from the facility site, must assign to us its subcontracts, to the extent permitted therein, as we may request, and must remove the materials, equipment, tools and instruments used by, and any debris and waste materials generated by, Siemens Westinghouse in the performance of the Services as we may direct, and we, without incurring any liability to Siemens Westinghouse (other than the obligation to return to Siemens Westinghouse at the completion of our project the materials that are not consumed or incorporated into our project, solely on an "as is, where is" basis without any representation or warranty of any kind whatsoever) may take possession of any and all designs, drawings, materials, equipment, tools, instruments, purchase orders, schedules and facilities of Siemens Westinghouse at the facility site that we deem necessary to complete the Services.

Assignment

Consent Required

Generally, neither we nor Siemens Westinghouse will have any right to assign or delegate any of their respective rights or obligations under the construction agreement either voluntarily or involuntarily or by operation of law.

Maintenance Services Agreement

We, as assignee of AES Ironwood, Inc., have entered into the Maintenance Program Parts, Shop Repairs and Scheduled Outage TFA Services Contract, dated as of September 23, 1998, with Siemens Westinghouse by which Siemens Westinghouse will provide us with, among other things, combustion turbine parts, shop repairs and scheduled outage technical field assistance services.

The maintenance services agreement became effective on the date of execution and unless terminated early, must terminate upon completion of shop repairs performed by Siemens Westinghouse following the eighth Scheduled Outage of the applicable Combustion Turbine or 10 years from initial synchronization of the applicable combustion turbine, whichever occurs first.

Scope of Work

During the term of the maintenance services agreement, and in accordance with the Scheduled Outage plan, Siemens Westinghouse is required to do the following:

- deliver the type and quantity of New Program Parts for installation of the Combustion Turbine;
- repair/refurbish Program Parts and equipment for the Combustion Turbine;

- provide Miscellaneous Hardware;
- provide us with material safety data sheets for all hazardous materials Siemens Westinghouse intends to bring/use on the facility site;
- provide the services of a maintenance program engineer to manage the Combustion Turbine maintenance program; and
- provide TFA Services.

We are responsible for, among other things:

- storing and maintaining parts, materials and tools to be used in or on the Combustion Turbine;
- maintaining and operating the Combustion Turbine consistently with the warranty conditions;
- ensuring that its operator and maintenance personnel are properly trained;
- transporting Program Parts in need of repair/refurbish; and
- providing Siemens Westinghouse, on a monthly basis, with the required Equivalent Starts and EBHs.

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We and Siemens Westinghouse will jointly develop the Scheduled Outage plan. The Scheduled Outage plan will be consistent with the terms and conditions of the power purchase agreement.

Early Replacement

If it is determined that due to normal wear and tear a Program Part(s) for the Combustion Turbine has failed or will not last until the next Scheduled Outage, and the part has to be repaired before the scheduled replacement period, Siemens Westinghouse will replace the Program Part by moving up a New Program Part which is otherwise scheduled to be delivered at a later date. The contract price for the replacement will not be affected if the replacement date is less than or equal to one year earlier than the Scheduled Outage during which the Program Part was scheduled to be replaced. If the actual replacement date for a Program Part is more than one year earlier than the Scheduled Outage at which point the Program Part was scheduled to be replaced, the early replacement will result in an adjustment to the Payment Schedule. Siemens Westinghouse has the final decision with regard to the replacement or refurbishment associated with any Program Part. If we dispute Siemens Westinghouse's decision, we may seek to resolve the dispute in accordance with the dispute resolution procedures discussed below.

Parts Life Credit

After applicable warranty periods described in the maintenance services agreement and the construction agreement, Siemens Westinghouse will provide a parts life credit if a Program Part requires replacement due to normal wear and tear prior to meeting its expected useful life. Siemens Westinghouse has the final decision with regard to actual parts life and the degree of repair or refurbishment associated with any Program Parts. The parts life credit will be calculated in terms of EBHs and Equivalent Starts. The price of the replacement part will be adjusted for inflation. If we dispute Siemens Westinghouse's decision, we may seek to resolve the dispute in accordance with the dispute resolution procedures discussed below.

Contract Price and Payment Terms

Siemens Westinghouse will invoice us monthly and payments are then due within 25 days. The fees assessed by Siemens Westinghouse will be based on the number of EBHs accumulated by the applicable Combustion Turbine as adjusted for inflation. The contract price will be the aggregate number of fees as adjusted plus any additional payment amount mutually agreed to by the parties under a Change Order.

Unscheduled Outages and Unscheduled Outage Work

If during the term of the maintenance services agreement an Unscheduled Outage occurs resulting from (1) the non-conformity of New Program Parts; (2) the failing of a Shop Repair; (3) a Program Part requiring replacement due to normal wear and tear prior to achieving its expected life in terms of EBHs or Equivalent Starts; or (4) the failure of a Service, performed by Siemens Westinghouse, we must hire Siemens Westinghouse, to the extent not supplied by Siemens Westinghouse as a warranty remedy under Siemens Westinghouse's warranties under the maintenance services agreement to supply any additional parts, Miscellaneous Hardware, Shop Repairs and TFA Services under a Change Order. We will be entitled to any applicable parts life credit with respect to Program Parts as well as a discount for TFA Services. If the Unscheduled Outage occurs within a specified number of EBHs of a Scheduled Outage and it was anticipated that the additional parts, Miscellaneous Hardware, Shop Repairs and TFA Services to be used in the Unscheduled Outage were to be used during the upcoming Scheduled Outage, the upcoming Scheduled Outage must be moved up in time to become the Unscheduled Outage/moved-up Scheduled Outage. We will not be required to pay any additional money for the Program Parts, Miscellaneous Hardware, Shop Repairs and TFA Services.

If any Program Parts are delivered by Siemens Westinghouse within 15 days of receipt of the Change Order, we will pay to Siemens Westinghouse the price for the Program Part described in the maintenance services agreement plus a specified percentage. Any Program Part delivered after 30 days of the Change

Order will cost us the price described in the maintenance services agreement minus a specified percentage.

Changes in Operating Restrictions

The maintenance services agreement requires that each Combustion Turbine will be operated in accordance with the requirements of the power purchase agreement and prudent utility practices, with 8,000 EBH/year and 100 Equivalent Starts per year by using natural gas fuel or liquid fuel and water. Should the actual operations differ from these operating parameters which causes a Scheduled Outage to be planned/performed earlier or later than as expected, then, under a Change Order, an adjustment in the scope, schedule, and price must be made.

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Warranties

Siemens Westinghouse warrants that the New Program Parts, Miscellaneous Hardware and any Shop Repairs must conform to standards of design, materials and workmanship consistent with generally accepted practices of the electric utility industry. The warranty period with respect to Program Parts, Hardware and Shop Repair is until the earlier of one year from the date of installation of the original Program Part or Hardware, a specific number of starts or fired hours after installation of the Program Parts and Hardware, or three years from the date of delivery of the original Program Part, Hardware, and in the case of Shop Repair, three years from completion of the work. Warranties on the Program Parts and Hardware must not expire more than one year after the conclusion of the maintenance services agreement. Siemens Westinghouse will repair or replace any Program Part or Hardware, at its cost, if notified of any failure or non-conformity of the Program Part or Hardware during the warranty period.

Siemens Westinghouse also warrants that the Services of its personnel and technical information transmitted will be competent and consistent with prudent utility practices and the Services will comply in all material respects with laws and will be free from defects in workmanship for a period of one year from the date of completion of that item of Services. The warranties on the Services must expire no later than one year after the termination or end of the term of the maintenance services agreement.

In addition, Siemens Westinghouse warrants any Program Part removed during a Scheduled Outage and delivered by us to the designated facility for repair will be repaired and delivered by Siemens Westinghouse within 26 weeks. If Siemens Westinghouse does not deliver the Program Part within this time frame or does not provide a New Program Part in lieu of the Program Part being Shop Repaired and an outage occurs which requires the a Program Part, Siemens Westinghouse will pay us liquidated damages for each day the Program Part is not repaired and delivered the aggregate of which liquidated damage payments must not exceed a maximum annual cap. If upon reaching the maximum cap on aggregate liquidated damages, Siemens Westinghouse still has not repaired and delivered the Program Part, we may elect to terminate the maintenance services agreement because Siemens Westinghouse will be considered to have failed to perform its material obligations.

Except for the express warranties described in the maintenance services agreement, Siemens Westinghouse makes no other warranties or representations of any kind. No implied statutory warranty of merchantibility or fitness for a particular purpose applies.

The warranties provided by Siemens Westinghouse are conditioned upon (1) our receipt, handling, storage, operation and maintenance of our project, including any Program Parts and Miscellaneous Hardware, being done in accordance with the terms of the Combustion Turbine instruction manuals; (2) operation of the Combustion Turbine in accordance with the terms of the maintenance services agreement; (3) repair of accidental damage done consistently with the equipment manufacturer's recommendations; (4) us providing Siemens Westinghouse with access to the facility site to perform its services under the maintenance services agreement; and (5) hiring Siemens Westinghouse to provide TFA Services, Program Parts, Shop Repairs and Miscellaneous Hardware required to dissemble, repair and reassemble the Combustion Turbine.

Insurance

Siemens Westinghouse must maintain in full force and effect during the term of the maintenance services agreement the following required insurance coverage: commercial general liability, workers' compensation, umbrella excess liability and business automobile liability. All the policies of workers' compensation must provide a waiver of subrogation rights against us.

We must maintain in full force and effect during the term of the maintenance services agreement the following required insurance coverage: property insurance, commercial general liability, workers' compensation, umbrella excess liability and business automobile liability insurance. The policies of property insurance and workers' compensation must include waivers of subrogation rights against Siemens Westinghouse.

Termination

We may terminate the maintenance services agreement if:

- specific bankruptcy events affecting Siemens Westinghouse occur;

- Siemens Westinghouse fails to perform or observe in any material respect any provision in the maintenance services agreement and fails to (1) promptly commence to cure and diligently pursue the cure of the failure or (2) remedy the failure within 45 days after Siemens Westinghouse receives written notice of the failure;

- we terminate the construction agreement due to the contractor's default thereunder or due to our inability to obtain construction financing or environmental operating permits; or

- the contractor terminates the construction agreement for any reason other than our default thereunder.

Notwithstanding the preceding, we may terminate the maintenance services agreement at any time for its convenience following the completion of the first major outage of both Combustion Turbines. In addition, the maintenance services agreement will automatically terminate if:

- We terminate the construction agreement for reasons other than (1) the default of the contractor and (2) our inability to obtain permits for our project or

- the contractor terminates the construction agreement for our default thereunder. If the termination occurs, Siemens Westinghouse must discontinue any work or services being performed and continue to protect our property. Siemens Westinghouse must transfer title to and deliver any New Program Parts and Miscellaneous Hardware already purchased by us. We must pay Siemens Westinghouse those amounts owed at the time of termination.

Limitation of Liability

We agreed that the remedies provided in the maintenance services agreement are exclusive and that under no circumstances must the total aggregate liability of Siemens Westinghouse during a given year exceed 100% of the contract price payable to Siemens Westinghouse for that given year under the maintenance services agreement. We further agreed that under no circumstances must the total aggregate liability of Siemens Westinghouse for liquidated damages during a given year exceed a specified percentage of the contract price payable to Siemens Westinghouse for that given year under the maintenance services agreement. We further agreed that under no circumstances must the total aggregate liability of Siemens Westinghouse exceed a specified percentage of the contract price payable to Siemens Westinghouse under the maintenance services agreement.

Force Majeure

Neither party will be liable for failure to perform any obligation or delay in performance, excluding payment, to the extent the failure or delay is caused by any act or event beyond the reasonable control of the affected party or Siemens Westinghouse's suppliers so long as the act or event is not the fault or the result of negligence of the affected party and the party has been unable by exercise of reasonable diligence to overcome or mitigate the effects of the act or event. Force majeure includes: any act of God; act of civil or military authority; act of war whether declared or undeclared; act (including delay, failure to act, or priority) of any governmental authority; civil disturbance; insurrection or riot; sabotage; fire; inclement weather conditions; earthquake; flood; strikes, work stoppages or other labor difficulties of a regional or national character which are not limited to only the employees of Siemens Westinghouse or its subcontractors or suppliers and which are not due to the breach of an applicable labor contract by the party claiming force majeure; embargo; fuel or energy shortage; delay or accident in shipping or transportation to the extent attributable to another force majeure; changes in laws which substantially prevents a party from complying with its obligations in conformity with its requirements under the maintenance services agreement or failure or delay beyond its reasonable control in obtaining necessary manufacturing facilities, labor, or materials from usual sources to the extent attributable to another force majeure; or failure of any principal contractor to provide equipment to the extent attributable to another force majeure. Force majeure does not include: (1) economic hardship, (2) changes in market conditions or (3) except due to an event of force majeure, late delivery of Program Parts or other Equipment.

If a delay in performance is excusable due to a force majeure, the date of delivery or time for performance of the work will be extended by a period of time reasonably necessary to overcome the effect of the force majeure and if the force majeure lasts for a period longer than 30 days and the delay directly increases Siemens Westinghouse's costs or expenses, we, after reviewing Siemens Westinghouse's additional direct costs and expenses, will reimburse Siemens Westinghouse for its reasonable additional direct costs and expenses incurred after 30 days from the beginning of the force majeure resulting from the delay.

Interconnection Agreement

We have entered into a Generation Facility Transmission Interconnection Agreement, dated as of March 23, 1999, with Metropolitan Edison for the installation, operation and maintenance of the facilities necessary to interconnect our facility to the transmission system of Metropolitan Edison. Under the interconnection agreement, we and Metropolitan Edison will construct, own, operate and maintain the Interconnection Facilities. We will be responsible for all of the costs of construction, operation and maintenance of the Interconnection Facilities, including those owned by Metropolitan Edison.

Scope

The interconnection agreement will become effective on the effective date established by FERC and will continue in full force and effect until a mutually agreeable termination date not to exceed the retirement date for our facility.

Metropolitan Edison's Obligations

Metropolitan Edison will install, own, operate and maintain, at our cost and expense, a portion of the Interconnection Facilities, including, but not limited to specific substation protective relaying equipment and a 230 kV power circuit breaker. The facilities to be installed by Metropolitan Edison, together with the facilities to be installed by us, are those necessary to allow the interconnection of our facility with the transmission system of Metropolitan Edison.

Metropolitan Edison is to complete the installation of the facilities necessary to permit us to energize the switch yard and to begin commissioning of our facility by June 30, 2000. If those facilities are completed prior to June 30, 2000, Metropolitan Edison will be paid an early completion bonus of $5,000 for each day of early completion up to and including 30 days (May 31, 2000). If those facilities are completed after June 30, 2000, Metropolitan Edison will pay delay damages of $5,000 for each day of delay up to and including 42 days (August 11, 2000). We will also have the ability to take over the completion of these facilities if it becomes apparent that Metropolitan Edison will not be able to complete them within the 42-day period, Metropolitan Edison has not proposed a reasonable recovery plan, and we can demonstrate that we are able to complete the facilities more quickly than Metropolitan Edison.

Metropolitan Edison is to complete the installation of its portion of the Interconnection Facilities and specific transmission system reinforcements necessary to permit the dispatch of the full output of our facility by August 31, 2000.

Company's Obligations

We will install, own, operate and maintain a portion of the Interconnection Facilities, including, but not limited to, a 230 kV switchyard, including generator step up transformers, instrument transformers, revenue metering, power circuit breakers, control and protective relay panels, supervisory control and data acquisition equipment, and protective relaying equipment.

We will reimburse Metropolitan Edison for its actual costs of installing the Interconnection Facilities. Our payments to Metropolitan Edison consist of an advance payment of $500,000 on the execution date of the interconnection agreement, another payment of $40,000 within 30 days of the execution date of the interconnection agreement (for work undertaken by Metropolitan Edison prior to December 17, 1998), a payment of $1,000,000 at financial closing and monthly invoices for the work performed.

We are obligated to modify our portion of the Interconnection Facilities as may be required to conform to changes in good utility practice or as required by PJM.

We are obligated to keep our facility insured against loss or damage in accordance with the minimum coverages specified in the interconnection agreement.

Operation and Maintenance of Interconnection Facilities

The parties are obligated to operate and maintain their respective portions of the Interconnection Facilities in accordance with good utility practices and the requirements and guidelines of PJM and Metropolitan Edison.

Metropolitan Edison will have the right to disconnect our facility from its Transmission System and/or curtail, interrupt or reduce the output of our facility when operation of our facility or the Interconnection Facilities adversely affects the quality of service rendered by Metropolitan Edison or interferes with the safe and reliable operation of its Transmission System or the regional transmission system. Metropolitan Edison, however, is obligated to use reasonable efforts to minimize any disconnection, curtailment, interruption or reduction in output.

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In accordance with good utility practice, Metropolitan Edison may remove the Interconnection Facilities from service as necessary to perform maintenance or testing or to install or replace equipment on the Interconnection Facilities or the Transmission System. Metropolitan Edison is obligated to use due diligence to restore the Interconnection Facilities to service as promptly as practicable.

In addition, if we fail to operate, maintain, administer, or insure our facility or its portion of the Interconnection Facilities, Metropolitan Edison may, following 30 days' notice and opportunity to cure the failure, disconnect our facility from the Transmission System.

Force Majeure

If either party is delayed in or prevented from performing or carrying out its obligations under the interconnection agreement by reason of force majeure, the party will not be liable to the other party for or on account of any loss, damage, injury or expense resulting from or arising out of the delay or prevention so long as the party encountering the delay or prevention uses due diligence to remove the cause or causes thereof.

Default

The events of default under the interconnection agreement are:

- breach of a material term or condition and uncured failure to provide a required schedule, report or notice;
- failure or refusal of a party to permit the representatives of the other party access to maintenance records, or its Interconnection Facilities or Protective Apparatus;
- appointment by a court of a receiver or liquidator or trustee that is not discharged within 60 days, issuance by a court of a decree adjudicating a party as bankrupt or insolvent or sequestering a substantial part of its property that has not been discharged within 60 days after its entry, or filing of a petition to declare a party bankrupt or to reorganize a party under the Federal Bankruptcy Code or similar state statute that has not been dismissed within 60 days;
- voluntary filing by a party of a petition in bankruptcy or consent to the filing of a bankruptcy or reorganization petition, an assignment for the benefit of creditors, an admission by a party in writing of its inability to pay its debts as they come due, or consent to the appointment of a receiver, trustee, or liquidator of a party or any part of its property; and
- failure to provide the other party with reasonable written assurance of the party's ability to perform any of the material duties and responsibilities under the interconnection agreement within 60 days of a reasonable request for the assurance.

Upon an event of default, the non-defaulting party may give notice of the event of default to the defaulting party. The defaulting party will have 60 days following the receipt of the notice to cure the default or to commence in good faith the steps necessary to cure a default that cannot be cured within that 60-day period. If the defaulting party fails to cure its default within 60 days or fails to take the steps necessary to cure a default that cannot be cured within a 60-day period, the non-defaulting party will have the right to terminate the interconnection agreement.

Metropolitan Edison will have the right to operate and/or to purchase specific equipment, facilities and appurtenances from us that are necessary for Metropolitan Edison to operate and maintain its Transmission System if (1) we commence bankruptcy proceedings or petitions for the appointment of a trustee or other custodian, liquidator, or receiver, (2) a court issues a decree for relief of us or appoints a trustee or other custodian, liquidator, or receiver for us or a substantial part of our assets and the decree is not dismissed within 60 days or (3) we cease operation for 30 consecutive days without having an assignee, successor, or transferee in place.

Operations Agreement

We have entered into a Development and Operations Services Agreement, dated as of June 1, 1999, with AES Prescott by which AES Prescott will provide development and construction management services and, after the commercial operation date, operating and maintenance services for our facility for a period of 27 years. Under the operations agreement, AES Prescott will be responsible for, among other things, preparing plans and budgets related to start-up and commercial operation of our facility, providing qualified operating personnel, making repairs, purchasing consumables and spare parts (not otherwise provided under the maintenance services agreement) and providing other services as needed according to industry standards. AES Prescott will be compensated for the services on a cost plus

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fixed-fee basis. Under the services agreement between AES Prescott and The AES Corporation, The AES Corporation will provide to AES Prescott all of the personnel and services necessary for AES Prescott to comply with its obligations under the operations agreement.

Effluent Supply Agreement

We, as assignee of AES Ironwood, Inc., have entered into an Effluent Supply Agreement, dated as of March 3, 1998, with the City of Lebanon Authority, by which City of Lebanon Authority will provide effluent to be used by us at the electric generating facility to be constructed in South Lebanon Township, Pennsylvania.

Supply of Effluent

Effluent Supply

Subsequent to completion of the pipeline connecting our facility with the wastewater treatment facility owned and operated by City of Lebanon Authority and throughout the term of the effluent supply agreement, City of Lebanon Authority must make available to us a supply of effluent not less than 2,160,000 gallons per day. In the event of a shortfall, we may elect to accept potable water from City of Lebanon Authority in accordance with the effluent supply agreement.

We will not be obligated to purchase any minimum amount of effluent and will be entitled to seek and obtain water from other available sources. City of Lebanon Authority must use its best efforts to comply with requests by us for excess effluent, which must not exceed (1) 4,600,000 gallons per day or (2) 1,679,000,000 gallons per calendar year. In addition, City of Lebanon Authority must use its best efforts to meet our minimum effluent requirements.

Compensation

We will pay City of Lebanon Authority monthly for all effluent delivered to the point of delivery during the prior month. The base rate for effluent supplied will be: (1) for 0-2,160,000 gallons per day, $0.29 per thousand gallons and (2) for 2,160,000 or greater gallons per day, $0.21 per thousand gallons, which rates will be subject to annual adjustments for inflation.

Pipeline and Real Estate Rights

Concerning the Pipeline

We will be solely responsible, at its cost and expense, for constructing and installing the pipeline.

We and City of Lebanon Authority must cooperate in good faith to obtain the necessary real estate rights for constructing, operating, maintaining and accessing the pipeline.

Operation and Maintenance

The City of Lebanon Authority must operate and maintain the pipeline in accordance with the effluent supply agreement, and as compensation, we must pay to City of Lebanon Authority $18,250 per year, which amount will be subject to annual adjustment for inflation.

Capital Improvements

The effluent supply agreement provides for capital improvements.

Potable Water

The City of Lebanon Authority must make available to us on a continuous basis a potable water supply of not less than 50 gallons per minute. We will not be obligated to purchase a minimum amount of potable water, but must pay the City of Lebanon Authority for potable water accepted at the potable delivery point at the rate applicable to us described in City of Lebanon Authority's applicable rate schedule.

Force Majeure

If either party is unable to carry out any obligation under the effluent supply agreement due to force majeure, the effluent supply agreement must remain in effect, but the obligation will be suspended for the period necessary as a result of the force majeure so long as: (1) the non-performing party gives the other party written notice not later than 48 hours after the occurrence of the force majeure describing the particulars of the force majeure; (2) the suspension of performance is of no greater scope and of longer duration than is required by the force majeure; and (3) the non-

performing party uses its best efforts to remedy its inability to perform. Notwithstanding the preceding, the settlement of strikes, lockouts, and other labor disputes will be entirely within the discretion of the affected party, and the party will not be required to settle any strike, lockout or other labor dispute on terms which it deems inadvisable.

Term

The term of the effluent supply agreement will be 25 years unless terminated early as a result of (1) our inability to obtain financing for our project; (2) our inability to obtain necessary approvals to construct and operate our project; (3) failure by us to deliver the commencement notice by December 31, 2004, or (4) the occurrence of any event of default.

Early Termination for Event of Default

A party may terminate the effluent supply agreement (1) upon a bankruptcy event of the other party or (2) if the other party fails to perform or observe any of its material obligations under the effluent supply agreement within the time contemplated by the effluent supply agreement and the failure

continues for a period of time greater than 30 days from the defaulting party.

Pennsy Supply Agreements

We, as assignee of AES Ironwood, Inc., have entered into an Agreement Relating to Real Estate, dated as of October 22, 1998, with Pennsy Supply, Inc. under which Pennsy Supply has agreed to grant to us specific easements and the right to pump water from Pennsy Supply-owned property. The easements, which are primarily for access and utility purposes, would run from property owned by us, on which it will develop and construct its electric generating facility, across property owned by Pennsy Supply and require that our property be used as a power plant. Pennsy Supply has also agreed to grant to us easements with respect to storm-water facilities and construction of a rail spur. Pennsy Supply will make water available to us during construction and testing of our facility and for as long as we operate our facility. We will bear all costs and expenses with respect to water-pumping. In consideration for the easements and the water-pumping rights, we have agreed to convey to Pennsy Supply title to a parcel of land adjacent to the property owned by us.

We have also entered into an Easement and Right of Access Agreement, dated as of April 15, 1999, with Pennsy Supply under which Pennsy Supply has granted us the rights and easements referred to in the prior paragraph as well as specific other rights and easements required by us for the construction and operation of our facility.

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ROLE OF THE INDEPENDENT ENGINEER

Stone & Webster will initially serve as the independent engineer in accordance with the indenture.

Under a consulting services agreement with us, and in accordance with the indenture, the independent engineer is responsible for confirming the reasonableness of statements and projections made in specified certificates required to be provided, including with respect to

- satisfaction of certain requirements under the construction agreement;
- the cost of and occurrence of the completion of rebuilding, repairing or restoring of our facility following an event of loss;
- under specified circumstances, the calculation of debt service coverage ratios and the consistency of assumptions made in connection with the calculations;
- whether any termination, amendment or modification of any project contract would reasonably be expected to have a material adverse effect; and
- specified tests required for the issuance of additional debt.

The trustee may remove the independent engineer if at any time the independent engineer becomes incapable of acting or is, or is reasonably likely to be, adjudged bankrupt or insolvent or a receiver is appointed for, or any public officer takes charge or control of, the independent engineer or its property or its affairs for the purpose of rehabilitation, conservation or liquidation, and must appoint a successor independent engineer. Within 30 days of receipt by the trustee of a written notification from us to the effect that the independent engineer has failed to carry out its obligations in a timely manner, and in other circumstances, the trustee must remove the independent engineer and appoint a successor independent engineer from those engineers then listed on a schedule to the indenture. We will pay for all services performed by the independent engineer and its reasonable costs and expenses related to the services.

If we and the independent engineer are in dispute in respect of a notice, plan, report, certificate or budget and we are unable to resolve the dispute within seven days of the independent engineer expressing its disagreement with the notice, plan, report, certificate or budget, a single independent third-party engineer will be designated to consider and decide the issues raised by the dispute. The selection of the third-party engineer will be made from the list of engineers described below. We must designate the third-party engineer from the list not later than the third day following the expiration of the seven-day period described above and the designation will become effective in three days. Within three days of the designation of a third-party engineer, we and the independent engineer will submit to the third-party engineer a notice setting forth in detail the person's position in respect of the issues in dispute. The notice will include supporting documentation, if appropriate.

The third-party engineer must complete all proceedings and issue his decision with regard to the issues in dispute as promptly as reasonably possible, but in any event within 10 days of the date on which he is designated as third-party engineer, unless the third-party engineer reasonably determines that additional time is required in order to give adequate consideration to the issues raised. In that case the third-party engineer must state in writing his reasons for believing that additional time is needed and must specify the additional period required, which period must not exceed 10 days without our agreement.

If the third-party engineer determines that the position described in

the independent engineer's notice is correct, it must so state and must state the corrective actions to be taken by us. In that case, we must promptly take the corrective actions. We must thereafter bear all costs which may arise from actions taken under the third-party engineer's decision. If the third-party engineer determines that the position described in the independent engineer's notice is not correct, it must so state and must state the appropriate actions to be taken by us. In that case, we must take the appropriate actions and for purposes of the indenture, the independent engineer and the trustee will be deemed to have approved, confirmed, concurred in or consented to the notice, plan, report, certificate or budget in dispute. The decision of the third-party engineer will be final and non-appealable. We will bear all reasonable costs incurred by the third-party engineer in connection with this dispute resolution mechanism.

The third-party engineer will be chosen from the list of qualified engineers described in a schedule to the indenture. The list will also be used by the trustee to choose a successor independent engineer. At any time either we or the trustee may remove a particular engineer from the list by obtaining the other person's reasonable consent to the

removal. However, neither we nor the trustee may remove a name or names from the list if the removal would leave the list without at least two names, unless, at the same time, we and the trustee reasonably agree to the addition of one or more names to the list. During January of each year, we and the independent engineer will review the current list of third-party engineers and give notice to the trustee of any proposed additions to the list and any intended deletions. Intended deletions will automatically become effective 30 days after the trustee received notice unless the trustee makes a written objection within 30 days and so long as the deletions do not leave the list fewer than two names. Proposed additions to the list will automatically become effective 30 days after the trustee received notice unless the trustee makes a written objection within 30 days. We may add a new name or names to the list of third-party engineers at any time so long as no person will be added to the list or authorized to act as third-party engineer unless the person is a competent firm of professional engineers or consultants with a national reputation.

DESCRIPTION OF THE NEW BONDS

General

We will issue new bonds under the indenture, dated as of June 25, 1999, between us and the trustee. This is the same indenture under which the old bonds were issued. We summarize below certain provisions of the indenture, but do not restate the indenture in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the notes. Copies of the indenture and the other financing documents are available for inspection during normal business hours at the offices of the trustee. The new bonds will be issued in fully registered form without coupons and in denominations of $100,000 and any integral multiple of $1,000 in excess thereof.

The indenture permits us to issue new bonds and any future senior secured indebtedness under a supplemental indenture as may be authorized from time to time in accordance with the indenture. We may also issue, subject to the indenture, any other series of debt issued under the indenture through a supplemental indenture on terms we established. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Indenture--Supplemental Indentures."

The new bonds will be direct obligations of ours and will be secured by the collateral to the same extent as the old bonds.

Principal Amount, Interest Rate and Stated Maturity

We will issue the new bonds in the aggregate principal amount of $308,500,000. The new bonds will bear interest at the rate per annum described on the cover of this prospectus and have a final maturity date of November 30, 2025.

Payment of Interest and Principal

We will pay interest on the bonds every three months, on each February 28, May 31, August 31 and November 30, commencing August 31, 1999, to the registered owners on the immediately preceding record date, as that information appears on our books and records.

We will pay principal on the new bonds in installments semiannually on each February 28, May 31, August 31 and November 30, commencing February 28, 2002, to the registered owners on the immediately preceding record date as follows:

PERCENTAGE OF ORIGINAL PRINCIPAL AMOUNT PAYABLE

YEAR	FEBRUARY 28	MAY 31	AUGUST 31	NOVEMBER 30	ANNUAL TOTAL
2002	0.1600%	0.1600%	0.1600%	0.1600%	0.6400%
2003	0.3850%	0.3850%	0.3850%	0.3850%	1.5400%

2004	0.5150%	0.5150%	0.5150%	0.5150%	2.0600%
2005	0.5700%	0.5700%	0.5700%	0.5700%	2.2800%
2006	0.5800%	0.5800%	0.5800%	0.5800%	2.3200%
2007	0.7400%	0.7400%	0.7400%	0.7400%	2.9600%
2008	0.9200%	0.9200%	0.9200%	0.9200%	3.6800%
2009	0.7800%	0.7800%	0.7800%	0.7800%	3.1200%
2010	0.8150%	0.8150%	0.8150%	0.8150%	3.2600%
2011	1.0300%	1.0300%	1.0300%	1.0300%	4.1200%
2012	0.7600%	0.7600%	0.7600%	0.7600%	3.0400%
2013	0.9600%	0.9600%	0.9600%	0.9600%	3.8400%
2014	1.2900%	1.2900%	1.2900%	1.2900%	5.1600%
2015	1.2400%	1.2400%	1.2400%	1.2400%	4.9600%
2016	1.3550%	1.3550%	1.3550%	1.3550%	5.4200%
2017	1.4650%	1.4650%	1.4650%	1.4650%	5.8600%
2018	1.0100%	1.0100%	1.0100%	1.0100%	4.0400%
2019	1.2050%	1.2050%	1.2050%	1.2050%	4.8200%
2020	1.6250%	1.6250%	1.6250%	1.6250%	6.5000%
2021	1.6500%	1.6500%	1.2000%	1.2000%	5.7000%
2022	1.3900%	1.3900%	1.3900%	1.3900%	5.5600%
2023	1.5000%	1.5000%	1.5000%	1.5000%	6.0000%
2024	1.5500%	1.5500%	1.5500%	1.5500%	6.2000%
2025	1.7300%	1.7300%	1.7300%	1.7300%	6.9200%
					=======
					100%

At our direction the trustee must round principal amounts to be redeemed to the nearest $1,000.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and, for any period shorter than a full month, on the basis of the actual number of days elapsed. Interest on the new bonds will accrue from the most recent date to which interest has been paid on the old bonds.

Payment and Paying Agents

Principal, make-whole premium, if any, and interest in respect of the new bonds will be payable at the office of the paying agent in the County of New York, The City of New York. The trustee will serve as the principal paying agent and transfer agent. The new bonds may be presented for payment of principal at the office of any paying agent. Payments in respect of principal of the new bonds will be made only against surrender of the new bonds. Payment in respect of interest on any interest payment date with respect to any new bond will be made to the person in whose name the new bond is registered on February 1, May 1, August 1 and November 1, each date a "regular record date", as the case may be, immediately preceding the interest payment date, except that interest payable at maturity will be payable to the person to whom the principal of the new bond is paid. All payments of principal and interest with respect to certificated new bonds, if any, will be made by dollar check drawn on a bank in The City of New York or, for bondholders of at least U.S.$1,000,000 in aggregate principal amount of bonds, by wire transfer to a dollar account maintained by the payee with a bank in The City of New York so long as a written request from the bondholder to that effect designating the account is received by the trustee or the paying agent no later than the regular record date immediately preceding the interest payment date. Unless the designation is revoked, any designation made by the

bondholder with respect to the certificated bonds will remain in effect with respect to any future payments with respect to the certificated bonds payable to the bondholder. Payments with respect to global bonds will be made to DTC or its nominee, as bondholder, under DTC's rules, regulations and procedures.

If any payment in respect of a new bond is due on a day that is, at any place of payment, not a business day, the bondholder will not be entitled to payment of the amount due until the next succeeding business day at the place of payment and will not be entitled to any further interest or other payment in respect of any delay.

The indenture provides that any money paid by us to the trustee for any payment with respect to the new bonds that remains unclaimed for two years will be repaid to us, and thereafter the bondholder will look only to us for payments thereof as an unsecured creditor, and we will not be liable to pay any taxes or other duties in connection with the payment. Unless otherwise provided by applicable law, the right to receive payment of principal and interest on any new bond, whether at maturity, redemption or otherwise, will become void at the end of five years from the relevant date thereof, or the shorter period as may be prescribed by applicable law.

Subject to specific limitations described in the indenture, we reserve the right at any time to vary or terminate the appointment of the securities registrar or any paying agent or transfer agent with or without cause, upon giving 30 days' written notice to the securities registrar, the paying agent or transfer agent, as the case may be, and the trustee, and to appoint another securities registrar or additional or other paying agents or transfer agents and to approve any change in the specified offices through which any paying agent or transfer agent acts so long as we will at all times maintain a securities registrar, paying agent and transfer agent in the County of New York, The City of New York.

Optional Redemption

We may redeem all of the new bonds of each series, in whole or in part, at our option at any time, at a redemption price equal to the outstanding principal amount plus accrued and unpaid interest to the redemption date, together with the applicable make-whole premium.

Mandatory Redemption

Event of Loss and Event of Eminent Domain

If either an event of loss or an event of eminent domain occurs, as soon as reasonably practicable but no later than the date of receipt by us or the collateral agent of casualty proceeds or eminent domain proceeds, as the case may be, we must make a reasonable good faith determination as to whether (1) our facility or any portion can be rebuilt, repaired or restored to permit operation on a commercially feasible basis and (2) the casualty proceeds or the eminent domain proceeds, as the case may be, together with any other amounts that are available to us for the rebuilding, repair or restoration are sufficient to permit the rebuilding, repair or restoration of our facility or a portion thereof. Our determination must be evidenced by a certificate as to redemption filed with the collateral agent which, if we determine that our facility or a portion thereof can be rebuilt, repaired or restored to permit operation on a commercially feasible basis and that the casualty proceeds or the eminent domain proceeds, as the case may be, together with any other amounts that are available to us for the rebuilding, repair or restoration, are sufficient, must also describe a reasonable good faith estimate by us of the total cost of the rebuilding, repair or restoration. We must deliver to the collateral agent at the time it delivers the certificate as to redemption a certificate of the independent engineer, dated the date of the certificate as to redemption, confirming that, based upon reasonable investigation and review of the determination made by us, the independent engineer believes the determination and the estimate of the total cost, if any, described in the certificate as to redemption to be reasonable.

We must redeem all of the new bonds upon an event of loss or an event of eminent domain:

- in whole, at a redemption price equal to 100% of the principal amount together with any accrued and unpaid interest through the redemption date, within 90 days after receipt by the trustee of casualty proceeds or eminent domain proceeds if our facility is substantially destroyed and cannot be rebuilt, repaired or restored to permit operation on a commercially feasible basis or an event of eminent domain has occurred and our facility cannot be operated on a commercially feasible basis, as the case may be. Our obligation to redeem the bonds upon an event of loss or an event of eminent domain under the preceding circumstances is not limited to the casualty proceeds or eminent domain proceeds actually received; or

- in part, at a redemption price equal to 100% of the principal amount together with any accrued and unpaid interest through the redemption date, within 90 days after receipt by the trustee of casualty proceeds or eminent domain proceeds if a portion of our facility is destroyed or taken but our facility can be rebuilt, repaired or

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restored to permit operation on a commercially feasible basis. The aggregate amount of the new bonds to be redeemed under this paragraph will equal the amount received by the trustee in accordance with the applicable provision of the collateral agency agreement. The new bonds, however, must not be subject to mandatory redemption when the proceeds not used for rebuilding, repair or restoration do not exceed $5 million and we certify to the trustee, which certification is confirmed by the independent engineer, that (1) the proceeds are not needed for rebuilding, repair or restoration of our facility or (2) not using the proceeds for the rebuilding, repair or restoration of our facility would not reasonably be expected to result in a material adverse effect.

Any eminent domain proceeds and casualty proceeds received by the trustee under the two preceding paragraphs must be deposited in the redemption subaccount.

Upon Receipt of Performance Liquidated Damages Under the Construction Agreement

If we receive performance liquidated damages under the construction agreement, we must, as soon as reasonably practicable, make a reasonable good faith determination as to whether:

- it is technically feasible to modify, repair or replace any portion of our facility in order to remedy the circumstances giving rise to the obligation of Siemens Westinghouse to pay the performance liquidated damages;

- the performance liquidated damages, together with any other amounts that are available to us for the modification, repair or replacement, are sufficient to permit the modification, repair or replacement, including the making of all required payments of interest and principal on our indebtedness during the modification, repair or replacement;

- the projected average senior debt service coverage ratio, after giving effect to the modification, repair or replacement

and the application of the performance liquidated damages to accomplish the same, during the power purchase agreement term (taken as one period) and the post-power purchase agreement period (taken as one period) would be equal to or greater than the projected average senior debt service coverage ratio described in the base case projections for each period included in this prospectus; and

- the projected minimum senior debt service coverage ratio, after giving effect to the modification, repair or replacement and the application of the performance liquidated damages to accomplish the same, during the power purchase agreement term and the post-power purchase agreement period would be equal to or greater than the projected minimum senior debt service coverage ratio described in the base case projections for each period included in this prospectus.

Our determination must be evidenced by an officer's certificate, together with supporting detail as the collateral agent or the independent engineer may reasonably request, filed with the collateral agent which, if we determine that the portion of our facility can be modified, repaired or replaced and that the other statements described above are true, must also describe our reasonable good faith estimate of the total cost of the modification, repair or replacement. We must deliver to the collateral agent at the time we deliver the officer's certificate referred to above a certificate of the independent engineer, dated the date of the officer's certificate, stating that, based upon reasonable investigation and review of the determinations, assumptions, conclusions and estimates of costs made by us, the independent engineer believes the determinations, assumptions, conclusions and estimates of costs described in the officer's certificate are reasonable.

If the requirements of the preceding paragraph are satisfied, the collateral agent must apply the amounts received from Siemens Westinghouse to the payment, or reimbursement to the extent the same have been paid or satisfied by us, of the costs of modification, repair and replacement of that portion of our facility that requires modification, repair or replacement in order to remedy the circumstances giving rise to the obligation of Siemens Westinghouse to pay the performance liquidated damages. Upon receipt of an officer's certificate from us, confirmed by the independent engineer, certifying that

- all modifications, repairs or replacements of that portion of our facility that requires modification, repair or replacement in order to remedy the circumstances giving rise to the obligation of Siemens Westinghouse to pay performance liquidated damages have been completed and
- the projected debt service coverage ratio tests referred to in the immediately preceding paragraph continue to be met,

the collateral agent must transfer all remaining proceeds of the performance liquidated damages to us or to whomever we in writing direct.

If the requirements of the preceding paragraph are not satisfied, then we must redeem the new bonds.

Any performance liquidated damages under the construction agreement received by the trustee under the preceding paragraph must be deposited in the redemption subaccount.

Upon Receipt of Proceeds Under the Guaranty by The Williams Companies, Inc.

If the power purchase agreement is terminated as a result of an event of default by Williams Energy and we receive proceeds under the guaranty provided by The Williams Companies, Inc. in respect thereof, we must redeem the new bonds, in whole or in part, at a redemption price equal to 100% of the principal amount together with any accrued and unpaid interest to the redemption date, as soon as reasonably practicable, but in any event within 90 days of the receipt of the proceeds. After the payment of specific administrative fees, the aggregate amount of the new bonds to be redeemed under this paragraph, including accrued and unpaid interest, will equal an amount which is equal to the amount paid under the guaranty provided by The Williams Companies, Inc. multiplied by a fraction the numerator of which is the then outstanding principal amount of the new bonds and accrued and unpaid interest and the denominator of which is the principal of and accrued and unpaid interest on all senior debt including the new bonds.

Ratings

The new bonds are expected to be rated "BBB-" by Standard & Poor's and "Baa3" by Moody's. The ratings reflect only the views of the rating agencies at the time the rating is issued, and any explanation of the significance of the ratings may only be obtained from the rating agency. There is no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be lowered, suspended or withdrawn entirely by the rating agency, if, in the rating agency's judgment, circumstances so warrant. Any lowering, suspension or withdrawal of any rating may have an adverse effect on the market price or marketability of the new bonds.

Book-Entry, Delivery and Form

The new bonds will initially be represented by one or more permanent global bonds in definitive, fully registered book-entry form that will be registered in the name of Cede & Co., the global bond holder, as nominee of DTC. The global bonds will be deposited on behalf of the acquirors of the new bonds represented thereby with a custodian for DTC for credit to the respective accounts of the acquirors or to the other accounts as they may direct at DTC. See "THE EXCHANGE OFFER--Procedures for Tendering--Book-Entry Transfer."

The Global Bonds

We expect that under procedures established by DTC:

- upon deposit of the global bonds with DTC or its custodian, DTC will credit on its internal system portions of the global bonds that must be comprised of the corresponding respective amounts of the global bonds to the respective accounts of persons who have accounts with the depositary; and

- ownership of the bonds will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee, with respect to interests of persons, or "participants," who have accounts with DTC , and the records of participants, with respect to interests of persons other than participants.

So long as DTC or its nominee is the registered owner or holder of any of the bonds, DTC or the nominee will be considered the sole owner or holder of the bonds represented by the global bonds for all purposes under the indenture and under the bonds represented thereby. No beneficial owner of an interest in the global bonds will be able to transfer the interest except in accordance with the applicable procedures of DTC in addition to those provided for under the indenture.

Payments on the bonds represented by the global bonds will be made to DTC or its nominee, as the case may be, as the registered owner of the global bonds. Neither we, the trustee nor any paying agent under the indenture will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global bonds or for maintaining, supervising or reviewing any records relating to the beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment on the bonds represented by the global bonds, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the

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global bonds as shown in the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global bonds held through the participants will be governed by standing instructions and customary practice as is now the case with securities held for the accounts of customers registered in the names of nominees for the customers. The payment will be the responsibility of the participants.

Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in immediately available funds.

DTC has advised us that it will take any action permitted to be taken by a holder of bonds, including the presentation of bonds for exchange as described below, only at the direction of one or more participants to whose account the DTC interests in the global bonds are credited and only in respect of the aggregate principal amount as to which the participant or participants has or have given the direction. However, if there is an event of default under the indenture, DTC will exchange the global bonds for certificated securities that it will distribute to its participants.

DTC has advised us as follows:

- DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under the provisions of Section 17A of the Exchange Act;

- DTC holds securities that its participants deposit with DTC and facilitates the settlement among participants of securities transactions, the as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates;

- Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and other organizations;

- DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc.

and the National Association of Securities Dealers, Inc.;

- Access to the DTC system is also available to others the as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly; and

- The rules applicable to DTC and its participants are on file with the SEC.

Although DTC is expected to follow these procedures in order to facilitate transfers of interests in the global bonds among participants of DTC, it is under no obligation to perform the procedures, and the procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance by DTC or its direct or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

As of the date of this prospectus, all of the interests in old bonds are in book-entry form. It is not expected that any old bonds will be in registered certificated form at the time of the exchange. It is expected that all old bonds before the exchange, and all bonds outstanding after the exchange, will be represented by global certificates for bonds in bearer form held by The Bank of New York as depositary and that DTC will have a book-entry interest in those bonds. Beneficial interests in those bonds will be held through participants in DTC acting as securities intermediaries. Therefore, references in this section to bonds are references to beneficial interests in the bonds in book-entry form except where the discussion is explicitly about certificated bonds, and references to owners are to owners of those beneficial interests.

Interests in the global bonds will be exchanged for certificated securities if:

- DTC or any successor depositary notifies us that it is unwilling or unable to continue as depositary for the global bonds, or DTC ceases to become a "clearing agency" registered under the Exchange Act, and a successor depositary is not appointed by us within 90 days;

- an event of default has occurred and is continuing with respect to the bonds and the registrar has received a request from DTC or any successor depository to issue certificated securities within 30 days of the request; or

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- we determine not to have the bonds represented by global bonds.

Upon the occurrence of any of the events described in the preceding sentence, we will cause the appropriate certificates securities to be delivered. Neither we nor the trustee will be liable for any delay by DTC or any successor depository or its nominee in identifying the beneficial owners of the related bonds. Each person may conclusively rely on instructions from DTC or any successor depository or the nominee for all purposes, including the registration and delivery and the respective principal amounts, of the new bonds to be issued.

Owners of old bonds should instruct the brokers, dealers, commercial banks or trust companies with whom they have securities accounts or their nominees to tender for them. Exchanges by owners will be represented by an exchange of global certificates for old bonds held by the depositary for global certificates for new bonds. If fewer than all old bonds are tendered for exchange, the depositary will hold separate global certificates for bonds representing the appropriate aggregate amounts of remaining old bonds and of new bonds.

Same-Day Settlement and Payment

The indenture requires that payments in respect of the bonds represented by the global bonds, including principal, premium, if any, and interest, be made by wire transfer of immediately available funds to the accounts specified by the global bond holder. With respect to certificated bonds, if any, we will make all payments of principal, premium, if any, and interest by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no account is specified, by mailing a check to each holder's registered address. Secondary trading in long-term bonds and debentures of corporate issues is generally settled in clearinghouse or next-day funds. In contrast, bonds represented by the global bonds are expected to be eligible to trade in the PORTAL market and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the bonds will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in the certificated bonds will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Cedel participant purchasing an interest in global bonds from a participant in DTC will be credited, and any crediting will be reported to the relevant Euroclear or Cedel participant, during the securities settlement processing day, which must be a business day for Euroclear or Cedel, immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Cedel as a result of sales of interests in a global bond by or through a

Euroclear or Cedel participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Cedel cash account only as of the business day for Euroclear or Cedel following DTC's settlement date.

Year 2000

DTC management is aware that some computer applications, systems, and the like for processing data that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its participants and other members of the financial community that it has developed and is implementing a program so that its systems, as the same relate to the timely payment of distributions, including principal and income payments, to securityholders, book-entry deliveries, and settlement of trades within DTC, continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase which is expected to be completed within approximate time frames.

However, DTC's ability to perform property its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third-party vendors from whom DTC licenses software and hardware, and third-party vendors on whom DTC relies for information or the provision of services, including, telecommunication and electrical utility service providers, among others. DTC has informed the financial community that it is contacting, and will continue to contact, third-party vendors from whom DTC acquires services to: (1) impress upon them the importance of the services being Year 2000 compliant and (2) determine the extent of their efforts for Year 2000 remediation, and as appropriate, testing, of their services. In addition, DTC is in the process of developing the contingency plans as it deems appropriate.

Limited Recourse Nature of the New Bonds

All obligations in connection with the new bonds are solely of our obligations. The bondholders must have recourse only to us and the collateral for repayment of the new bonds. No holder of ownership interests in our company or any other affiliate of ours or any of their respective incorporators, stockholders, directors, officers or employees has or will guarantee the payment of the new bonds. The bondholders must have no claim against or recourse to the holders of

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the ownership interests in our company or any other affiliate of ours or their respective incorporators, stockholders, directors, officers or employees by operation of law or otherwise for the repayment of the new bonds.

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SUMMARY OF PRINCIPAL FINANCING DOCUMENTS

The following summaries contain the material terms of the principal financing documents. All capitalized terms used in the following and not otherwise defined in this prospectus have the meanings given to them in Annex A to this prospectus.

Indenture

Accounts

Indenture Accounts

The following accounts have been established by the trustee: the bond payment account, including the interest payment subaccount, the principal payment subaccount and the redemption subaccount, and the construction interest account. All amounts from time to time held in each indenture account must be held in the name of the trustee subject to the lien and security interest granted under the indenture and in the custody of the depositary bank on behalf of the trustee.

Bond Payment Account

The trustee must deposit (1) all funds received by it for the payment of interest on the bonds into the interest payment subaccount of the bond payment account for disbursement in accordance with the indenture and (2) all funds received by it for the payment of principal on the bonds, including any funds transferred from the redemption subaccount of the bond payment account, into the principal payment subaccount of the bond payment account for disbursement in accordance with the indenture.

Construction Interest Account

The trustee must deposit all funds received by it for the payment of interest on the bonds from and including the date of original issuance of the bonds then outstanding to and through the commercial operation date into the construction interest account. The trustee will disburse from the construction interest account the amount required to pay interest on the bonds when due, whether on an interest payment date or upon call for redemption or by acceleration or otherwise. On the commercial operation date and upon our delivery to the collateral agent and the trustee of a commercial operation

certificate, the trustee must transfer all funds remaining in the construction interest account to the bond payment account for deposit in the interest payment subaccount.

Interest Payment Subaccount, Principal Payment Subaccount and Redemption Subaccount

o The trustee is authorized and directed to disburse from the interest payment subaccount, the amount required to pay interest on the bonds when due, whether on an interest payment date or upon call for redemption or by acceleration or otherwise.

o The trustee is authorized and directed to disburse from the principal payment subaccount, the amount required to pay principal on the bonds when due, whether on a principal payment date or upon call for redemption or by acceleration or otherwise.

o The trustee is authorized and directed to disburse funds from the redemption subaccount, when amounts on deposit therein equal or exceed $5,000,000, for the redemption of bonds in accordance with the indenture. The preceding notwithstanding, the trustee must transfer funds remaining in the redemption subaccount for more than one year and not applied to the redemption of bonds under the indenture to the principal payment subaccount for application by the trustee in accordance with the indenture.

Affirmative Covenants

We have made the following affirmative covenants in the indenture:

Payment of Principal, Premium, if any, and Interest

We must punctually pay, or cause to be paid, the principal of, any premium, and interest on, and all other amounts payable in respect of, the bonds in accordance with their terms and the terms of the indenture and of the related series supplemental indenture.

Reporting Requirements

We must furnish to the senior creditors:

(1) as soon as practicable and in any event within 60 days after the end of the first, second and third quarterly accounting periods of each fiscal year, commencing with the quarter ending September 30, 1999, an unaudited balance sheet as of the last day of the quarterly period and the related statements of income and cash flows, and reports of all dividends and other distributions paid to owners during the quarterly period prepared in accordance with GAAP and, in the case of second and third quarterly periods, for the portion of the fiscal year ending with the last day of the quarterly period;

(2) as soon as practicable and in any event within 120 days after the end of each fiscal year, commencing with the fiscal year ended December 31, 1999, a balance sheet as of the end of the year and the related statements of income and cash flow during the year;

(3) at the time of the delivery of the financial statements provided for in clauses (1) and (2) above, an officer's certificate to the effect that, to the best of the officer's knowledge, (a) we are in compliance with all of our material obligations under the terms of the transaction documents the non-performance of which has resulted or could reasonably be expected to result in a material adverse effect and (b) to the best of the officer's knowledge, no default or event of default has occurred and is continuing to occur or, if any default or event of default has occurred and is continuing to occur, specifying the extent of the default and what action we are taking or propose to take; and

(4) each of the following items:

o written notice of the occurrence of any event or condition which constitutes an event of default and an officer's certificate, setting forth the details of the default or condition and the action which we are taking or propose to take promptly after we obtain actual knowledge of the occurrence;

o written notice of the occurrence of any event of eminent domain or any event of loss and an officer's certificate, setting forth the details and the action which we are taking or propose to take promptly after we obtain actual knowledge of the occurrence; and

o until the occurrence of the commercial operation date, within 45 days after the end of each fiscal quarter, starting with our quarter ending September 30, 1999, a quarterly construction report describing the progress of our facility's construction and expenditure of funds;

(5) we must furnish or cause to be furnished to the senior creditors no later than six months prior to the expiration of the term of the power purchase

agreement an independent forecast prepared by an independent consultant which sets forth projections of (a) electricity prices for the PJM power pool market (or if the market no longer exists at the time, any successor market or substitute market as determined in good faith by us which approximates, to the extent practicable, the region) and (b) gas prices on a delivered basis to our facility, in each case on at least an annual basis through the final maturity date for the bonds. We, however, should not be required to provide the independent forecast if:

- we enter into a replacement power purchase agreement, effective as of the expiration of the power purchase agreement and extending to at least the final maturity date for the bonds,

- the projected senior debt service coverage ratio through the final maturity date for the bonds, based on the provisions of the replacement power purchase agreement are greater than 2.0 to 1 and

- the senior unsecured long term debt of the power purchaser(s) under the agreement(s) is rated at least investment grade;

(6) upon the request of any bondholder, or the trustee on behalf of a holder of a beneficial interest in the bonds, we must furnish the information specified in paragraph (d)(4) of Rule 144A to the bondholder, and holders of beneficial interests in the bonds, to a prospective purchaser of the bonds, and prospective purchasers of beneficial interests in the bonds, who is a Qualified Institutional Buyer or Institutional Accredited Investor or to the trustee for delivery to the bondholder or prospective purchaser of the bonds, as the case may be, unless, at the time of the request, we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;

(7) all information provided to the senior creditors under clauses (1), (2), (3) and (4) above must also be provided by the trustee (a) to the bondholders and (b) to holders of beneficial interests in the bonds or prospective

purchasers of the bonds or beneficial interests in the bonds upon written request to the trustee, which may be a single continuing request. We must furnish the trustee, upon its request, with sufficient copies of all the information to accommodate the requests of the holders of beneficial interests in the bonds; and

(8) the information specified in paragraphs (1), (2), (3), (4) and (5) above must be provided to each rating agency concurrently with its delivery to the senior creditors.

Insurance Report

Insurance

We must maintain or cause to be maintained in accordance with the terms of the indenture the following insurance coverages: (1) during construction of our facility, builder's risk, delayed start-up, comprehensive general liability, workers' compensation and employer's liability, automobile liability and umbrella liability; and (2) subsequent to transfer of care, custody and control of the facility to us, all risk property and boiler and machinery insurance, business interruption, comprehensive general liability, workers' compensation and employer's liability, automobile liability and umbrella liability. All policies of insurance except workers' compensation and automobile liability policies must name the collateral agent and Williams Energy as additional insureds. If at any time any of the required insurance is no longer be available on commercially reasonable terms, as confirmed by the independent insurance adviser, we must procure substitute insurance coverage reasonably satisfactory to the independent insurance advisor that is the most equivalent to the required coverage and that is available on commercially reasonable terms.

Maintenance of Existence, Liens and Governmental Approvals

We must at all times:

- preserve and maintain in full force and effect (1) its existence as a limited liability company and its good standing under the laws of the State of Delaware and (2) its qualification to do business in each other jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business as conducted or proposed to be conducted makes the qualification necessary;

- obtain and maintain in full force and effect all governmental approvals, including maintaining compliance with environmental laws, and other consents and approvals required at any time in connection with the construction, maintenance, ownership or operation of our facility;

- preserve and maintain good and marketable title to its properties and assets, subject to no liens other than permitted liens; and

o preserve and maintain liens of the senior creditors on the collateral.

Operating and Maintenance

We must, or must cause the operator to, use, maintain and operate our facility and the facility site in compliance with generally accepted prudent operating and maintenance practices and the material provisions of all relevant project contracts.

Compliance with Applicable Laws

We must comply with, and must ensure that our facility is constructed and operated in compliance with, and must make alterations to our facility and the facility site as may be required for compliance with, all applicable laws, environmental laws and governmental approvals, except where noncompliance would not reasonably be expected to result in a material adverse effect.

Project Contracts; Guaranty by The Williams Companies, Inc.; Operation of our Facility

We must (1) perform and observe in all material respects our covenants and agreements contained in any of our project contracts, (2) enforce, defend and protect all of our rights contained in any of our project contracts and (3) take all reasonable and necessary actions to prevent the termination or cancellation of any of our project contracts, except in case of (1) and (2) above, where the non-performance could not reasonably be expected to have a material adverse effect.

We (1) will fully enforce our rights under the guaranty provided by The Williams Companies, Inc. and the power purchase agreement with respect to substitute security under the circumstances provided for therein and (2) will not, without the consent of bondholders holding a majority in outstanding principal amount of the bonds, make a demand

for or take any legal action under the guaranty provided by The Williams Companies, Inc. if, as a result of payments made under the demand or legal action by us, the aggregate amount available under the guaranty provided by The Williams Companies, Inc. would be less than or equal to the principal amount of the then outstanding senior debt, including the undrawn portions of the maximum amounts of any debt service reserve letter of credit or construction period letter of credit. We will (1) upon any payment event of default or other event of default under the power purchase agreement, exercise our rights to terminate the power purchase agreement in accordance with its terms, (2) if of any termination of the power purchase agreement, fully enforce its rights under the guaranty provided by The Williams Companies, Inc. and (3) use any amounts obtained under the guaranty provided by The Williams Companies, Inc. to redeem the bonds in accordance with the indenture and to pay principal and interest on our other senior debt in accordance with the financing documents and in each case in accordance with the collateral agency agreement.

We will (1) exercise all of our rights under the operations agreement to terminate the agreement if (a) a bankruptcy event in respect of the operator has occurred and is continuing and (b) the operator has failed to perform any material obligation under the operations agreement and (2) exercise our rights under the operations agreement to cause the operator to terminate the services agreement under the terms of that agreement if (a) a bankruptcy event in respect of The AES Corporation has occurred and is continuing and (b) The AES Corporation has failed to perform any material obligation under the services agreement.

Annual Budget

Not less than 30 days prior to (1) the anticipated commercial operation date, and thereafter (2) the commencement of each fiscal year, we must provide to the senior creditors and the rating agencies an annual budget. The first annual budget must cover the period from the commercial operation date through the end of the fiscal year in which the commercial operation date occurs, and if the period consists of less than six months, for the immediately succeeding fiscal year. Each annual budget must specify the estimated sales of capacity and energy under the power purchase agreement and any replacement power purchase agreement and all other sales of capacity and energy, the estimated rates and revenues for each category of the sales, all operating and maintenance costs, a manpower forecast, a periodic inspection, maintenance and repair schedule, a description of all required capital expenditures and the underlying operating assumption and implementation plans for the fiscal year covered by the annual budget. We must operate and maintain our facility, or cause our facility to be operated and maintained, in accordance with the annual budget other than deviations resulting from operating requirements under our project contracts or prudent operating and maintenance practices.

Insurance Report

Within 30 days after the end of each fiscal year, we must submit to the senior creditors and each rating agency that currently is rating any of the bonds then outstanding a certificate (1) listing all insurance being carried by, or on behalf of, us under the indenture and (2) certifying that all insurance policies required to be maintained under our project contracts and the indenture are in full force and effect and all premiums therefor have been fully paid.

Inspection

The senior creditors will have the right, upon reasonable advance written notice, to inspect our facility and the facility site from time to time so long as we have the right to specify reasonable dates and times for any the inspection in order to avoid any material interference with operation of our facility.

Construction of our Facility

We must cause the construction of our facility to be prosecuted and completed with diligence and continuity, except for interruptions provided for in the construction agreement or due to events of force majeure, which events of force majeure we must use our best efforts to mitigate, in a good and workmanlike manner and in accordance with sound, generally accepted building and engineering practices, all material applicable governmental requirements and the construction agreement. We must at all times cause a complete set of the current and, when available, as-built plans, and all supplements, relating to our facility to be maintained on the facility site or Siemens Westinghouse's offices and available for inspection by thereto independent engineer.

Contractor Performance Tests; Final Acceptance

The independent engineer will have the right to witness and verify the performance tests required by the construction agreement. We must not, without the prior written confirmation by the independent engineer, either

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(1) grant the Final Acceptance Certificate to Siemens Westinghouse under the construction agreement or (2) elect to effect Final Acceptance under the construction agreement.

Casualty Proceeds; Eminent Domain Proceeds

We must cause all casualty proceeds and eminent domain proceeds to be deposited in the restoration account under the collateral agency agreement.

Payment of Taxes and Impositions

We will pay or cause to be paid, before any fine, interest or penalty is imposed, all impositions. If, under any applicable law, any impositions may at our option be paid in installments whether or not interest accrues on the unpaid balance, we will have the right to exercise the option and to pay or cause to be paid the impositions and any accrued interest in installments as they fall due and before any fine, penalty, further interest or cost may be added so long as no event of default then exists.

We will pay all taxes and other governmental charges (including stamp taxes) assessed by any governmental authorities and imposed on the collateral agent, its successors or assignees, by reason of the collateral agent's ownership of the mortgage or the other security documents or payable by either us or the collateral agent upon any modification, amendment, extension and/or consolidation. We will also pay any tax imposed directly or indirectly on the mortgage in lieu of a tax on the mortgaged property or any part thereof, whether by reason of (1) the passage after the date of the mortgage of any law of the Commonwealth of Pennsylvania deducting from the value of real property for the purposes of taxation any lien, (2) any change in the laws for the taxation of mortgages or debts secured by mortgages for state or local purposes, (3) a change in the means of collection of any the tax or (4) any tax, now or hereafter assessed against the mortgage or assessed against, or withheld from, any payments made by us under the indenture.

We will not claim or demand or be entitled to any credit or credits for the payment of any Impositions, and no deduction must otherwise be made or claimed from the taxable value of the mortgaged property, or any part thereof, by reason of the mortgage.

Preservation of Lien of Mortgage

We will (1) preserve our right, title and interest in and to the mortgaged property and will warrant and defend the same against any and all claims and demands whatsoever, (2) continue to have full power and lawful authority to encumber and convey the mortgaged property as provided in the mortgage and (3) maintain and preserve the priority of the lien of the mortgage until all of the obligations under the financing documents are paid and performed in full.

Negative Covenants

We will make the following negative covenants:

Limitations on Additional Indebtedness

We must not create or incur or suffer to exist any indebtedness or lease obligations except for:

- the bonds;

- indebtedness incurred under the debt service reserve letter of credit and reimbursement agreement or any construction period letter of credit and reimbursement agreement;

- letters of credit and other financial obligations arising under our project contracts;

- subordinated debt of affiliates;

- purchase money obligations incurred to finance specific items of equipment that do not comprise an integral part of our project that extend only to the equipment being financed and that do not in the aggregate have annual debt service or lease obligations exceeding $5 million;

- trade accounts payable, other than for borrowed money, arising, and accrued expenses incurred, in the ordinary course of business so long as the trade accounts payable are payable within 90 days of the date the respective goods are delivered or the respective services are rendered;

- obligations in respect of surety bonds or similar instruments in an aggregate amount not exceeding $5 million outstanding at any one time;

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- any lines of credit for working capital purposes in the maximum amount of $5 million;

- senior debt used for an expansion of our facility; however, we may issue senior debt if (1) (a) the projected average senior debt service coverage ratio, after giving effect to the senior debt, is at least 1.50 to 1.0 through the end of the power purchase agreement term (taken as one period) and at least 2.50 to 1.0 during the post-power purchase agreement period (taken as one period) and (b) the projected minimum senior debt service coverage ratio, after giving effect to the senior debt, is at least 1.30 to 1.0 through the end of the power purchase agreement term and at least 2.15 to 1.0 during the post-power purchase agreement period; (2) we provide a ratings reaffirmation from each of the rating agencies; and (3) the trustee does not, within 60 days of notice to holders of the bonds setting forth a summary of the terms of the senior debt and a description of the facilities to be constructed with the proceeds of the senior debt, receive an instruction from persons holding a majority in principal amount of the bonds not to permit the issuance of the senior debt; and

- senior debt or subordinated debt, from persons who are not our affiliates, for required modifications to our facility and optional modifications to our facility; however, we may issue (1) senior debt on a parity basis with the bonds only for required modifications to our facility and only if (a) the projected average senior debt service coverage ratio, after giving effect to the senior debt, is at least 1.30 to 1.0 through the end of the power purchase agreement term (taken as one period) and at least 2.0 to 1.0 during the post-power purchase agreement period (taken as one period) or (b) we provide a ratings reaffirmation from each of the rating agencies; (2) subordinated debt for required modifications to our facility only if (x) the projected average total debt service coverage ratio, after taking into account the subordinated debt, is at least 1.20 to 1.0 through the end of the power purchase agreement term (taken as one period) and at least 1.65 to 1.0 during the post-power purchase agreement period (taken as one period) and (B) the projected minimum total debt service coverage ratio, after giving effect to the subordinated debt, is at least 1.1 to 1.0 through the power purchase agreement term and at least 1.35 to 1.0 during the post-power purchase agreement period, or (2) we provide a ratings reaffirmation from each of the rating agencies; or (3) subordinated debt for optional modifications to our facility only if we provide a ratings reaffirmation from each of the rating agencies. In the case of clauses (2) and (3) of the preceding proviso, the final maturity date of the subordinated debt must not be earlier than the final maturity date for the bonds and the average life of the subordinated debt must be no shorter than the average remaining life of the bonds.

Restricted Payments

We must not make any payments restricted under the indenture unless the distribution conditions described in the collateral agency agreement have been satisfied. See "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Collateral Agency Agreement--Distribution Account."

Prohibition of Change in Control

We must not engage in, or permit to occur, any change in control, where

change in control means any failure by The AES Corporation, at all times while bonds are outstanding, to maintain directly or indirectly at least a 51% voting and economic interest in our company, unless prior to giving effect to the reduction in the voting or economic interest of The AES Corporation in our company either (1) each of the rating agencies provides a ratings reaffirmation to the trustee or (2) the reduction in The AES Corporation's voting or economic interest has been approved by bondholders holding at least 66-2/3% in aggregate principal amount of the bonds.

Nature of Business

We must not engage in any business other than the development, financing, construction and operation and maintenance of our facility as contemplated by our project contracts.

Amendments to Project Contracts

We must not, except as otherwise expressly described in the financing documents, terminate, amend or modify, other than immaterial amendments or modifications as certified by us, any of our project contracts to which we are a party, or consent to any assignment by another party, unless (1) we certify to the senior creditors that the termination, amendment, modification or assignment is not reasonably expected to result in a material adverse effect and the termination, amendment, modification or assignment is not reasonably expected to materially increase the likelihood of the occurrence of a future material adverse effect and (2) the independent engineer does not within 10 business days of receipt of the certificate disagree in writing to the certification provided under clause (1). We, however, shall not:

- amend or modify the power purchase agreement unless in addition to the requirements of clauses (1) and (2) above, we certify that the amendment or modification would not cause our net operating revenues to decrease by more than 5% and the certification is confirmed by the independent engineer,

- except as otherwise expressly described in the financing documents, terminate the power purchase agreement or consent to any release of, assignment by or change in the identity of Williams Energy unless (1) within 90 days of the termination or consent resulting from an event of default by Williams Energy under the power purchase agreement, or prior to any the termination or consent or for any other reason we (a) enter into a replacement power purchase agreement or (b) provide the senior creditors and each of the rating agencies with a power marketing plan and (2) we provide to the trustee and the collateral agent a ratings reaffirmation from each rating agency within the 90-day period or prior to the termination or consent, as the case may be, or

- release or modify in any way the guaranty provided by The Williams Companies, Inc. unless we obtain substitute security therefor under the power purchase agreement.

Prohibition on Fundamental Changes and Disposition of Assets

We must not enter into any transaction of merger or consolidation, change our form of organization or our business, liquidate or dissolve ourselves, or suffer any liquidation or dissolution, except as permitted in the indenture. We must not amend its governing instruments except where the amendment could not reasonably be expected to result in a material adverse effect. We must not purchase or otherwise acquire all or substantially all of the assets of any other person unless we may maintain ownership interests in subsidiaries if the subsidiaries are involved in operation, maintenance or fuel supply for our facility. In addition, except as contemplated by our project contracts or permitted under the indenture, or as authorized by the first and second provisos below, we must not sell, lease (as lessor) or transfer (as transferor) any property or assets material to the operation of our facility except in the ordinary course of business to the extent that the property is worn out or is no longer useful or necessary in connection with the operation of our facility. Furthermore, we:

- must not sell, lease or transfer any of the property or assets without the written approval of the collateral agent, if the aggregate fair market value of all sales, leases and transfers in the current fiscal year exceeds $5 million; and

- may loan useful spare parts to other electric power generating facilities owned by an affiliate of ours without prior approval of the trustee or the collateral agent on the conditions that, with respect to any spare part whose value is in excess of $50,000, (1) at the time of the loan the recipient of the spare part enters into an enforceable obligation to replace the spare part in kind, or to pay to us an amount equal to the replacement value of the spare part, within 30 days of our demand for the same and (2) we certify to the collateral agent that the spare part is not be necessary for a planned outage or for scheduled maintenance of our facility prior to being replaced, and the certificate is confirmed by the independent engineer.

Liens

We must not create or suffer to exist or permit any lien upon or with respect to any of our properties, other than permitted liens.

Transactions with Affiliates

We must not enter into any transactions with our affiliates other than (1) the operations agreement and the equity subscription agreement and (2) transactions in the ordinary course of business on fair and reasonable terms as favorable to us as we would obtain in an arm's length transaction with an unaffiliated third party.

Change Orders

We must not initiate or approve any change order under the construction agreement that individually exceeds $5,000,000 or when aggregated with all other change orders exceeds $10,000,000, unless we certify in writing to the collateral agent that (1) the change order is technically feasible, (2) the change order is not reasonably expected to materially and adversely affect the operation or reliability of our facility, (3) the implementation of the change order is not reasonably expected to cause the commercial operation date to occur after December 31, 2002 and (4) adequate funds are available to us to fund the change orders and other project costs through the commercial operation date, and the certification is confirmed by the independent engineer.

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Events of Default

Events of default under the indenture will include the following:

- We fail to pay any principal, interest or any premium including any make-whole premium, on a bond when the same becomes due and payable, whether when it is scheduled to mature or upon any required prepayment or by acceleration or otherwise and the failure continues for 10 or more days; or

- Any representation or warranty made by us in the indenture proves to have been false or misleading in any respect when made, confirmed or furnished and the inaccuracy has resulted or is reasonably expected to result in a material adverse effect on us and the circumstances surrounding the misrepresentation continues uncured for 30 or more days from its discovery; however, if we commence efforts to cure the factual situation resulting in the misrepresentation within the 30-day period, we may continue to effect the cure of the misrepresentation, and the misrepresentation will not be deemed to be an event of default, for an additional 60 days so long as an authorized representative of ours certifies that no other event of default has occurred and is continuing and we are diligently pursuing the cure; or

- We fail to maintain insurance in accordance with the indenture; or

- We fail to perform or observe covenants or agreements in the indenture with respect to the following: maintenance of existence and governmental approvals; nature of business; compliance with applicable laws; amendments to project contracts; prohibition on fundamental changes and disposition of assets; liens; indebtedness; or restricted payments; and any failure continues uncured for more than 30 days after we have actual knowledge of the failure; or

- A change in control occurs; or

- We fail to perform or observe any of our covenants or agreements contained in any other provision of the indenture not discussed above and the failure continues uncured for more than 30 days after we have actual knowledge of the failure; however, if we commence efforts to cure the default within the 30-day period and are diligently attempting to cure the default, and certifies to the trustee the steps it is taking, we may continue to effect the cure of the default, and the default will not be deemed an event of default, for an additional 60 days so long as we certify that no other event of default has occurred and is continuing and we are diligently pursuing the cure; or

- We or, so long as The AES Corporation has any outstanding obligations under any acceptable credit support, The AES Corporation or, so long as AES Ironwood, Inc. has any outstanding obligations under the equity subscription agreement, AES Ironwood, Inc. (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or substantially all of its property, (2) admit in writing its inability, or be generally unable, to pay its debts as the debts become due, (3) make a general assignment of the benefit of its creditors, (4) commence a voluntary case under the Bankruptcy Code, (5) file a petition seeking to take advantage of any law relating to bankruptcy, insolvency, reorganization, winding-up or the composition or readjustment of debts, (6) fail to controvert

in a timely and appropriate manner, or acquiesce in writing to, any petition filed against the person in an involuntary case under the Bankruptcy Code or (7) take any corporate or other action for the purpose of effecting any of the preceding; or

o A proceeding or case is commenced without our application or consent or, so long as The AES Corporation has any obligations under any acceptable credit support, The AES Corporation or, so long as AES Ironwood, Inc. has any outstanding obligations under the equity subscription agreement, AES Ironwood, Inc., in any court of competent jurisdiction, seeking (1) its liquidation, reorganization, dissolution, winding-up or the composition or readjustment of debts, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of the person under any law relating to bankruptcy, insolvency, reorganization, winding-up or the composition or adjustment of debts, and the proceeding or case continues undismissed, or any order, judgment or decree approving or ordering any of the preceding is entered and continues unstayed and in effect, for a period of 90 or more consecutive days, or (3) any order for relief against the person is entered in an involuntary case under the Bankruptcy Code (each event described in this paragraph and in the preceding clause referred to as a "bankruptcy event"); or

o A final and non-appealable judgment or judgments for the payment of money of more than $15,000,000 is rendered against us, and the same remain unpaid or unstayed for a period of more than 60 or more consecutive days from the date it is entered; or

o An "event of default" has occurred and is continuing under the debt service reserve letter of credit and reimbursement agreement, the construction period letter of credit and reimbursement agreement or any other

indebtedness of ours the holder of which, or an agent or trustee therefor, is a party to the collateral agency agreement, other than indebtedness incurred under the indenture, or an "event of default" has occurred and is continuing in respect of any other indebtedness of ours of more than $15,000,000; or

o With respect to any project contract: (1) the project contract is declared unenforceable by a governmental authority, (2) any other party denies it has a material obligation under the project contract or (3) any other party defaults in respect of its obligations under the project contract, and in the case of each event described in clause (1), (2) or (3), the event would be likely to result in a material adverse effect; however, none of the events will be an event of default under the indenture if within 180 days (90 days in respect of the power purchase agreement or the construction agreement) from the occurrence of the event (a) the other party resumes performance or enters into an alternative agreement with us or (b) we enter into a replacement contract or contracts with another party or parties which (A) contain, as certified by us, substantially equivalent terms and conditions or, if the terms and conditions are no longer available on a commercially reasonable basis, the terms and conditions then available on a commercially reasonable basis and (B) either (1) we provide to the trustee and the collateral agent a ratings reaffirmation from each rating agency or (2) we certify that we would, after giving effect to the alternative agreement, maintain a projected minimum senior debt service coverage ratio in any year during the remaining term of the bonds equal to or greater than the lesser of (x) the projected minimum annual senior debt service coverage ratio which would have been in effect had performance under the original project contract continued and (y) 1.25 to 1.0 or (c) in the case of the power purchase agreement, we deliver to the trustee and collateral agent a power marketing plan and obtains a ratings reaffirmation from each rating agency; or

o Any grant of a lien contained in the security documents ceases to be effective to grant a perfected lien to the trustee or the collateral agent on a material portion of the collateral described in the security documents with the priority purported to be created thereby; however, we must have 10 days from actual knowledge to cure the cessation; or

o The construction of our facility is permanently abandoned; or

o AES Ironwood, Inc. fails to perform or breaches any of its payment obligations under the equity subscription agreement and the failure or breach continues for 10 business days or more; or

o Any acceptable credit provider fails to perform or breaches any of its payment obligations under any acceptable credit support and the failure or breach continues for 10 business days or more.

Remedies upon Default

(1) If one or more events of default has occurred and is continuing, then:

o in the case of a bankruptcy event, the entire principal amount of the bonds then outstanding, all interest accrued and not paid thereon, and any premiums payable under the bonds and the indenture will automatically become due and payable without presentment, demand, protest or notice of any kind, all of which are waived; or

o in the case of any other event of default, the trustee may, and upon written direction of the bondholders holding not less than one-third of the aggregate principal amount of outstanding bonds, the trustee will, by notice to us, declare the entire principal amount of the bonds, all accrued and unpaid interest, and any premium payable under the bonds and the indenture to be due and payable, and the same will become due and payable without presentment, demand, protest or further notice of any kind, all of which are waived; or

o the trustee will, if the required bondholders request in writing to the trustee, direct the collateral agent, to the extent permitted under the collateral agency agreement, to take possession of all the collateral and, under the collateral agency agreement, to sell the collateral, as and to the extent permitted under the collateral agency agreement;

(2) If an event of default occurs and is continuing and is known to the trustee, the trustee will mail to each bondholder a notice of the event of default within 30 days after its occurrence. Except in the case of an event of default in payment of principal of or interest on any bond, the trustee may withhold the notice to the bondholders if a committee of its trust officers in good faith determines that withholding the notice is in the interest of the bondholders;

(3) At any time after the principal of the bonds become due and payable upon a declared, but not an automatic, acceleration as provided in the indenture, and before any judgment or decree for the payment of all or any portion of the money so due, is entered, the bondholders of not less than a majority in aggregate principal amount of the bonds then outstanding, by written notice to us and the trustee, may rescind and annul the declaration and its consequences if:

o there has been paid to or deposited with the trustee a sum sufficient to pay

(a) all overdue installments of interest on the bonds,

(b) the principal of and any premium on any bonds that have become due otherwise than by the declaration of acceleration and interest at the respective rates provided in the bonds for late payments of principal or premium,

(c) to the extent that payment of the interest is lawful, interest upon overdue installments of interest at the respective rates provided in the bonds for late payments of interest, and

(d) all sums paid or advanced by the trustee under the indenture and the reasonable compensation, expenses, disbursements, and advances of the trustee, its agents and counsel, and

o all events of default, other than the non-payment of the principal of the bonds that has become due solely by the acceleration, have been cured or waived as provided in the indenture;

No rescission will affect any subsequent default or impair any right consequent.

Except as otherwise specifically provided in the indenture, the holders of a majority in principal amount of the bonds will have the right to direct the time, place and method of conducting any proceeding for any remedy available to the trustee or exercising any power conferred on the trustee; so long as (1) the direction does not conflict with any law or the indenture or the collateral agency agreement and (2) the trustee may take any other action deemed proper by the trustee which is not inconsistent with the direction.

All rights and remedies available to the bondholders, or to the trustee with respect to the collateral, or otherwise under the security documents, are subject to the collateral agency agreement, including the ability to enforce any remedy and the limitations on the trustee's ability to vote the interests represented by the bonds.

Affiliate Cure Rights

Any affiliate of ours will, at its option, have the right, but not the obligation, to cure any events of default for which cures are applicable.

Trustee

The Bank of New York, as successor to IBJ Whitehall Bank & Trust Company, will act as the trustee under the indenture. The indenture provides that the trustee will not be liable in connection with the performance of its duties thereunder, except for its own gross negligence, bad faith or willful

misconduct. The trustee may become the owner of any bonds, with the same rights it would have if it were not the trustee, and may carry any monies held by the trustee on deposit with itself and will not have any liability for interest upon any the monies.

The trustee may resign at any time and be discharged from its duties and obligations under the indenture by giving written notice to us and upon appointment and acceptance of a successor. The trustee may be removed at any time by the holders of not less than a majority in principal amount of then outstanding bonds. We or any holder who has been a bona fide holder of a security for at least six months may remove the trustee if (1) the trustee fails to comply with the provisions of the indenture regarding conflicting interests, (2) the trustee ceases to be eligible as required under the indenture and fails to resign after written request, (3) the trustee becomes bankrupt or insolvent or (4) the trustee fails to carry out its obligations in a timely manner. Notwithstanding the preceding, no resignation or removal of the trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by the successor trustee.

Except during the continuance of an event of default under the indenture, the trustee will perform only the duties as are specifically described in the indenture. During the existence of an event of default, the trustee will exercise the of the rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of the person's own affairs.

The indenture contains limitations on our rights to obtain payments of claims in specific cases or to realize on specific property received by us in respect of any claim as security or otherwise. The trustee is permitted to engage in other transactions with us; however, if it acquires any "conflicting interest", as defined in the indenture, it must eliminate the conflict or resign as trustee under the indenture.

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Supplemental Indentures

Supplemental Indentures and Amendments without the Consent of Bondholders

Without the consent of the bondholders, we and the trustee, at any time and from time to time, may enter into one or more supplemental indentures in form reasonably satisfactory to the trustee and may amend any of the other financing documents, for any of the following purposes:

- to establish the form and terms of bonds of any series permitted by the indenture;
- to evidence the succession of another entity to us and the assumption by any successor of our covenants under the bonds and the indenture;
- to evidence the succession of a new trustee or a co-trustee or separate trustee under the indenture;
- to add to the covenants of us, for the benefit of the bondholders, or to surrender any right or power conferred upon us under the indenture;
- to convey, transfer and assign to the trustee, and to subject to the lien of the indenture, additional properties or assets and to correct or amplify the description of any property at any time subject to the lien of the indenture or to assure, convey and confirm unto the trustee any property subject or required to be subject to the lien of the indenture;
- to facilitate the issuance of bonds in uncertificated form;
- to change or eliminate any provision of the indenture; however, if the change or elimination would adversely affect the interests of the holders of any bonds of any series, the change or elimination will become effective with respect to the series only when no bond of the series remains outstanding;
- to comply with changes in applicable law; however, no amendment or supplement must result in a material adverse effect or otherwise adversely affect the interests of the holders of any bonds in any material respect;
- to make any changes required by Standard & Poor's or Moody's or any other nationally recognized securities rating agency as a condition to the issuance or maintenance of the then current rating on the bonds or any series thereof so long as any change does not result in a material adverse effect or otherwise adversely affect the interests of the holders of any bonds in any material respect; or
- to cure any ambiguity, to correct or supplement any provision

of the indenture that may be defective or inconsistent with any other provision of the indenture, or to make any other provisions with respect to matters or questions arising under the indenture so long as the action does not adversely affect the interest of the bondholders of any series in any material respect.

Supplemental Indentures with the Consent of Bondholders

With the consent of the bondholders of not less than a majority in aggregate principal amount of outstanding bonds of all series, we and the trustee may, and the trustee must, enter into one or more supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of, the indenture. No supplemental indenture, however, may, without the consent of each bondholder directly affected thereby: (1) change the stated maturity of any bond (or, if the principal is payable in installments, the stated maturity of the installment), or of any payment of interest, or the dates or circumstances of payment of any premium on any bond, or change the principal amount or the interest or any premium payable upon redemption, or change the place of payment where, or the currency in which, any bond or any premium or the interest is payable, or impair the right to institute suit for the enforcement of the payment of principal or interest on or after the stated maturity (or, in the case of redemption, on or after the redemption date) or the payment of premium, if any, on or after the date the premium becomes due and payable; or (2) except for permitted liens, permit the creation of any lien prior to or, equally with the lien of any of the security documents with respect to any of the collateral, or terminate the lien on any collateral or deprive any bondholder of the security afforded by the lien of the indenture; or (3) reduce the percentage in principal amount of the bonds then outstanding, the consent of whose bondholders is required for any supplemental indenture, or the consent of whose bondholders is required for any waiver provided for in the indenture, or reduce the requirements for quorum or voting; or (4) modify specified provisions of the indenture relating to remedies following an event of default, except to increase the percentage of the principal amount of the bonds required to waive past defaults.

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Satisfaction and Discharge

We may terminate the indenture by delivering all bonds then outstanding to the trustee for cancellation and by paying all sums payable under the indenture and by effecting delivery of officer's certificates and an opinion of counsel stating that all conditions precedent have been satisfied.

In addition to the preceding, bonds then outstanding will, prior to the stated maturity, be deemed to be paid, and our indebtedness will be deemed to be satisfied and discharged, at any time all the conditions described below have been satisfied:

o We have irrevocably deposited with the trustee, in trust, monies or permitted investments in an amount sufficient to pay when due, without reinvestment, the principal of and any premium and interest due and to become due on the bonds then outstanding on or prior to the stated maturity of the final installments of principal or upon redemption or prepayment;

o We have delivered to the trustee an order stating that monies deposited with the trustee or in permitted investments must be held by the trustee, in trust, as provided in the indenture;

o in the case of redemption or prepayment of the bonds then outstanding, the notice necessary for the validity of the redemption or prepayment has been given, or irrevocable authority must have been given by us to the trustee to give the notice; and

o there has been delivered to the trustee an opinion of counsel to the effect that as a result of a change in applicable law after the date of the indenture the satisfaction and discharge of the indebtedness with respect to the bonds then outstanding will not be deemed to be, or result in, a taxable event with respect to holders of bonds then outstanding for purposes of United States Federal income taxation unless the trustee has received documentary evidence that the bondholders either are not subject to, or are exempt from, United States Federal income taxation.

Collateral Agency Agreement

Project Accounts

The following trust accounts will be established and created with and in the name of the collateral agent: construction account; revenue account; operating and maintenance account; debt service reserve account; debt service reserve letter of credit reimbursement fund; construction period letter of credit reimbursement fund; restoration account; major maintenance reserve account; fuel conversion volume rebate account; subordinated debt account; and distribution account.

Collection of Project Revenues

We must arrange for the direct payment to the collateral agent of all project revenues, and to the extent any the project revenues are at any time received by us prior to the commercial operation date, we must hold all revenues

and other amounts in trust for the collateral agent and must transfer to the collateral agent for deposit of the project revenues in the construction account in each case as soon as reasonably practical but no later than three business days after receipt, duly endorsed, if necessary, to the collateral agent.

Advances

Notwithstanding any other provision of the collateral agency agreement to the contrary, we may withdraw funds on deposit in or credited to any of the project accounts other than the construction account and the debt service reserve account (the a withdrawal, an "advance"). At the time of the making of the advance, however, no default or event of default has occurred and be continuing and our obligations to repay the advances must be supported by acceptable credit support. We must repay immediately or cause to be repaid any advances to the extent that the funds on deposit in the project accounts other than the construction account and the debt service reserve account are insufficient to make the necessary withdrawals and transfers. In addition, we must cause to be repaid immediately the aggregate amount of all advances upon the occurrence of:

- a default in the payment of principal of, any premium, or interest on the bonds or under the debt service reserve letter of credit and reimbursement agreement, the construction period letter of credit and reimbursement agreement or any working capital facility,

- any event of default,

- any default by an acceptable credit provider in respect of its obligations under its acceptable credit support or

- our failure to provide, within five business days, acceptable credit support in respect of its obligations to repay advances upon the failure of the acceptable credit provider to meet the requirements of the definition thereof.

Any amounts so repaid must be allocated to and deposited in the project accounts other than the construction account and the debt service reserve account to which the repayment is required to be made as directed by us in an officer's certificate.

Construction Account

On the date of original issuance of the old bonds, the net proceeds of the sale of the old bonds received by us were transferred to the collateral agent for deposit in the construction account.

On that date, the collateral agent applied the amounts in the construction account to the payment, or reimbursement, to the extent the same had been paid or satisfied by us, of project costs. Each requisition after that date must be submitted to the collateral agent no less than three business days in advance of the drawing date and must include the following:

(1) a certification that the proceeds will be used solely to pay project costs in accordance with the indenture;

(2) a certification that work performed to date has been satisfactorily performed in a good and workmanlike manner and according to the construction agreement;

(3) a statement that undisbursed funds in the construction account, together with funds available under the equity subscription agreement and other available sources of funds, are reasonably expected to be sufficient to complete our facility by December 31, 2002;

(4) a statement that no default or event of default under the indenture, the debt service reserve letter of credit and reimbursement agreement, the construction period letter of credit and reimbursement agreement or any working capital facility has occurred and is continuing;

(5) a statement that all proceeds of prior requisitions have been expended or applied under the provisions of the financing documents and that the items for which amounts are requested in the subject requisition have not been the basis for a previous requisition;

(6) a certification that required insurance, material governmental approvals and necessary project contracts are in full force and effect; and

(7) a certification that specified representations described in the indenture are true and correct in all material respects.

If we cannot satisfy the requirements of clauses (1) or (5) of the preceding paragraph, the collateral agent can not release funds from the construction account in respect of the requisition until the clauses are satisfied. If we cannot satisfy clauses (2), (3), (4), (6) or (7) of the preceding paragraph, but the collateral agent receives a requisition signed by us, the contents of which must be confirmed by the independent engineer:

o specifying and identifying the failure, and the causes for the failure, to satisfy the requirements of the clauses (2), (3), (4), (6) or (7) of the preceding paragraph and

o certifying that (i) the requirements of clauses (1) and (5) of the preceding paragraph are satisfied, (ii) there exists no bankruptcy event in respect of us or AES Ironwood, Inc. and (iii) each of the construction agreement, the power purchase agreement, required insurance policies and material governmental approvals needed for construction of our facility is in full force and effect, then the collateral agent must disburse funds in accordance with the requisition.

Within 15 days of receipt of the requisition, the collateral agent must give notice to the senior creditors describing the failure and specifying that, unless the required senior creditors give notice to the collateral agent of their objection to payment of further requisitions containing any the specified failures, the collateral agent will continue to make payment of the requisitions from available funds in the construction account, unless the collateral agent has received, by the second business day prior to the time of payment of the requisition, notice of objection from the required senior creditors.

Notwithstanding the preceding, the collateral agent will not release funds from the construction account in respect of a requisition if a Trigger Event has occurred and be continuing until the collateral agent determines that the Trigger Event is no longer continuing or the required senior creditors give instructions to the collateral agent as to application of funds.

Payments on Commercial Operation Date

Not later than 10 days after receipt by the collateral agent of a certificate from us, the contents of which must be confirmed in writing by the independent engineer, certifying, among other things, that (1) all conditions to the commencement of commercial operation under the power purchase agreement have been satisfied, (2) the construction period letter of credit has been terminated or drawn, (3) all permits then required have been obtained and (4) no default is continuing, the collateral agent must, after retaining in the construction account the amount, if any, specified by us as necessary to pay project costs which are not then due and payable, transfer all remaining funds in the construction account, plus any amounts available under and under the equity subscription agreement to the extent necessary to fund first through fifth below, by wire transfer to the following accounts and recipients in the following order of priority:

first, to the operating and maintenance account, an amount to the extent available, as specified by us but in any event, no less than one-month's non-fuel operating and maintenance costs;

second, to the bond payment account, an amount, to the extent available, as specified by us for funding of the interest payment subaccount and principal payment subaccount;

third, to the debt service reserve account, an amount as specified by us equal to the debt service reserve account required balance to the extent not already funded or provided through a debt service reserve letter of credit;

fourth, if applicable, to the construction period letter of credit provider, an amount equal to the principal of and interest on any construction period letter of credit loans outstanding on the commercial operation date;

fifth, to the major maintenance reserve account, an amount as specified by us equal to any initial deposit required therein; and

sixth, to the revenue account, any remaining amounts.

Payments During Operating Period

After the transfer specified in the above paragraphs regarding payments on the commercial operation date and upon receipt by the collateral agent of, not less than three business days prior to the date of the proposed transfer, an officer's certificate detailing the amounts to be paid, the collateral agent must transfer all remaining funds in the revenue account by wire transfer in the following order of priority:

first, as and when required, (1) to any working capital provider, an amount certified by us as the amount, if any, then payable under any working capital facility; and (2) as and when requested, to the operating and maintenance account, the amount certified by us as necessary for payment of operating and maintenance costs;

second, on a monthly basis, (1) to the trustee and the collateral agent, any amounts certified by us as the amounts then due and payable in respect of trustee claims and collateral agent claims, respectively; (2) to any debt service reserve letter of credit provider, any amounts certified by us as the amounts then due and payable in respect of debt service reserve letter of credit provider claims; and (3) to any construction period letter of credit provider, any amounts certified by us as the amounts then due and payable in respect of construction period letter of credit provider claims; however, if funds in the revenue account are insufficient on any date to make the payments specified in this paragraph second, distribution of funds must be made ratably to the specified recipients;

third, on a monthly basis, (1) to the trustee, for deposit in the interest payment subaccount, an amount equal to one-third of the interest becoming due on the bonds on the next succeeding bond payment date; (2) to the debt service reserve letter of credit reimbursement fund, (a) an amount equal to one-third of the interest becoming due on any debt service reserve letter of credit loan on the next succeeding bond payment date, plus one-third of any fees becoming due under the debt service reserve letter of credit and reimbursement agreement on the next succeeding bond payment date, (b) an amount equal to one-third of the interest becoming due on any debt service reserve bond on the next succeeding bond payment date and (c) an amount equal to one-third of the interest becoming due on any debt service reserve letter of credit term loan on the next succeeding bond payment date; and (3) to the construction period letter of credit reimbursement fund, an amount equal to one-third of the interest becoming due on any construction period letter of credit loan on the next succeeding bond payment date, plus one-third of any fees becoming due under the construction period

letter of credit and reimbursement agreement on the next succeeding bond payment date; however, if funds in the revenue account are insufficient on any date to make the payments specified in this paragraph third, distribution of funds must be made ratably to the specified recipients;

fourth, on a monthly basis, (1) to the trustee, for deposit in the principal payment subaccount, an amount equal to one-third of the principal becoming due on the bonds on the next succeeding bond payment date; (2) to the debt service reserve letter of credit reimbursement fund, (a) an amount equal to one-third of the principal becoming due on any debt service reserve bond on the next succeeding bond payment date, and (b) an amount equal to one-third of the principal becoming due on any debt service reserve letter of credit term loan on the next bond payment date; and (3) to the construction period letter of credit reimbursement fund, an amount equal to one-third of the principal becoming due on any construction period letter of credit loan on the next succeeding bond payment date; however, if funds in the revenue account are insufficient on any date to make the payments specified in this paragraph fourth, distribution of funds must be made ratably to the specified recipients;

fifth, on a monthly basis, (1) to the debt service reserve letter of credit provider, an amount equal to the outstanding principal amount of any debt service reserve letter of credit loans that have not been converted to debt service reserve term loans or debt service reserve bonds, and (2) to the collateral agent for deposit in the debt service reserve account, an amount necessary to fund the debt service reserve account up to the debt service reserve account required balance, taking into account any amounts remaining available to be drawn under the debt service reserve letter of credit; however, if amounts available for drawing under the debt service reserve letter of credit are not being reinstated to the full extent of payments made to the debt service reserve letter of credit provider and funds in the revenue account are insufficient on any date to make the payments specified in this paragraph fifth, distribution of funds must be made ratably to the specified recipients;

sixth, on a monthly basis, to the major maintenance reserve account, amounts necessary to cause the balance to be equal to the minimum balance required at that time under the annual budget;

seventh, on a monthly basis, to us for payment to Williams Energy, the amount, if any, certified by us as required to make any non-dispatch payments, as defined in the power purchase agreement, to Williams Energy under the power purchase agreement;

eighth, on a monthly basis, to the fuel conversion volume rebate account, an amount equal to one-twelfth of the amount specified by us that would be owed to Williams Energy at the end of the then current fiscal year under the power purchase agreement;

ninth, on a monthly basis, if any subordinated debt is outstanding, to the subordinated debt account, (x) an amount equal to one-third or one-sixth, depending on the interest payment schedule of the subordinated debt, of the interest becoming due on the subordinated debt on the next succeeding interest payment date for the subordinated debt, plus (y) one-third or one-sixth, depending on the amortization schedule of the subordinated debt, of the principal becoming due on the subordinated debt on the next applicable principal payment date;

tenth, on a monthly basis, to Siemens Westinghouse, an amount equal to any subordinated bonuses payable to Siemens Westinghouse under the construction agreement; and

eleventh, on a monthly basis, to the distribution account, any remaining amounts for payment of distributions to holders of ownership interests, including any payment in respect of principal or interest then due on affiliate subordinated debt so long as the distribution conditions described in the collateral agency agreement are satisfied.

When making the transfers specified above, each transfer will be adjusted as necessary, taking into account investment gains or losses in the project account or indenture account and further adjusting the transfers by the amount of any prior over-fundings or any prior shortfalls in the project account or indenture account, to ensure that the aggregate amounts so transferred to the project accounts or indenture accounts are sufficient to pay the amount due and payable from the project accounts and indenture accounts on the applicable

payment date.

Debt Service Reserve Account

The collateral agent must hold the debt service reserve letter of credit as security agent for the trustee and the debt service reserve letter of credit provider to the extent of its interest therein. Upon the occurrence of the commercial operation date, the debt service reserve account must be funded, if necessary, from monies available in the construction account for the relevant purpose in an amount up to the debt service reserve account required balance. Subsequent to the commercial operation date, the debt service reserve account must be funded, if necessary, from monies transferred from

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the revenue account. When determining (1) the amount, if any, required to be deposited into the debt service reserve account from time to time or (2) whether the debt service reserve account has deposited therein the debt service reserve account required balance, amounts on deposit in the debt service reserve account must be aggregated with the amount available to be drawn under the debt service reserve letter of credit.

When there are insufficient monies in the bond payment account on any bond payment date to pay the interest or principal then due on the bonds, the collateral agent must, in the following order of priority: first, withdraw monies on deposit in the debt service reserve account; and second, draw on the debt service reserve letter of credit in accordance with the terms and provisions up to the amount available for the purpose thereunder, in each case, to the extent necessary to make the interest or principal payment on the bonds and transfer the monies to the trustee for deposit in the bond payment account for application against the payment.

If the collateral agent receives a written notice from us stating that there has been a reduction in the long-term debt rating of the debt service reserve letter of credit provider below the required rating, or if a responsible officer of the collateral agent otherwise becomes aware of the reduction, and the debt service reserve letter of credit has not been replaced within the time period specified therefor, the collateral agent must draw on the debt service reserve letter of credit in the amount necessary to fund the debt service reserve account up to the debt service reserve account required balance.

If the collateral agent receives a notice from the debt service reserve letter of credit provider stating that the debt service reserve letter of credit provider must terminate the debt service reserve letter of credit on the date specified in the notice, the collateral agent must, within three business days of receipt of the notice, draw on the debt service reserve letter of credit in an amount equal to the amount necessary to fund the debt service reserve account up to the debt service reserve account required balance and the debt service reserve letter of credit must automatically terminate.

If a Trigger Event has occurred and is continuing and the collateral agent has received the written request of the required senior creditors contained in senior creditor certificates and the notice has not been rescinded, then the collateral agent, upon receipt of an officer's certificate of setting forth the debt service reserve account required balance, must draw on the debt service reserve letter of credit in an amount equal to the amount necessary to fund the debt service reserve account up to the debt service reserve account required balance, and the debt service reserve letter of credit will automatically terminate.

If, subsequent to the commercial operation date, monies transferred to the debt service reserve letter of credit provider under clause third under "--Payments During Operating Period" above are insufficient to repay the interest on any debt service reserve letter of credit loans due or becoming due on the first day of the month, the collateral agent, upon receipt of a certificate of an authorized officer of the debt service reserve letter of credit provider notifying the collateral agent of the existence, and setting forth the amount, of the shortfall, within two business days of receipt of the certificate must draw on the debt service reserve letter of credit in an amount equal to the amount of the shortfall and transfer the amount to the debt service reserve letter of credit provider in payment, in whole or part, of the interest on the debt service reserve letter of credit loans. Notwithstanding the preceding, in no event must any draw on the debt service reserve letter of credit described in this paragraph individually or in the aggregate with all other the draws, less any draws previously reimbursed, exceed six months of interest on the maximum stated amount of the debt service reserve letter of credit.

Unless the debt service reserve letter of credit is not extended or replaced or unless there has been an event of default under the debt service reserve letter of credit as described under "SUMMARY OF PRINCIPAL FINANCING DOCUMENTS--Debt Service Reserve Letter of Credit and Reimbursement Agreement," amounts available for drawing under the debt service reserve letter of credit must be reinstated immediately to the extent of any reimbursement of principal of debt service reserve letter of credit loans, but not debt service reserve bonds or debt service reserve letter of credit term loans.

If we and the debt service reserve letter of credit provider agree to issue or reinstate the debt service reserve letter of credit in an amount that, when aggregated with cash on deposit in the debt service reserve account would

exceed the debt service reserve account required balance, the collateral agent must, within two business days of receipt by the collateral agent of (1) the reissued or reinstated debt service reserve letter of credit, and (2) an officer's certificate of, transfer an amount equal to the excess amount to the revenue account for application in accordance with the applicable provisions of the collateral agency agreement so long as the amount of the debt service reserve letter of credit may not exceed the debt service reserve account required balance.

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Distribution Account

The distribution account must be funded from funds transferred from the revenue accounts in accordance with the collateral agency agreement. On any date on which the conditions described below are satisfied, funds on deposit in or credited to the distribution account may be distributed to, or as directed by, us for the payment of affiliate subordinated debt, the making of distributions to the holders of ownership interests in our company or any other lawful purpose, upon receipt by the collateral agent of an officer's certificate of requesting a distribution and certifying that:

(1) all of our project accounts and the bond payment account must be funded to their required levels;

(2) no (a) default or event of default under the indenture, (b) default or event of default under the debt service reserve letter of credit and reimbursement agreement, (c) default or event of default under any construction period letter of credit and reimbursement agreement or (d) default under any working capital arrangements, if any, has occurred and is continuing;

(3) the commercial operation date has occurred and at least one complete fiscal quarter thereafter has elapsed;

(4) if the requested distribution is to be made during the power purchase agreement term, (a) the senior debt service coverage ratio for the preceding four fiscal quarters, (or with respect to any date prior to the first anniversary of the commercial operation date, for the number of complete fiscal quarters since the commercial operation date), measured as one period, is greater than or equal to 1.2 to 1 and (b) based on projections prepared by us on a reasonable basis, the projected senior debt service coverage ratio for the succeeding four fiscal quarters (including the quarter in which the distribution is to be made) (or, with respect to any date within the 12-month period prior to the end of the power purchase agreement term, the number of complete fiscal quarters, if any, until the end of the power purchase agreement term) is projected to be greater than or equal to 1.2 to 1; and

(5) if the requested distribution is to be made on or after the date which is six months prior to the end of the power purchase agreement term, (a) the senior debt service coverage ratio for the preceding four fiscal quarters (or, with respect to any date within the first 12 months of the post-power purchase agreement period, the number of complete fiscal quarters, if any, since the start of the post-power purchase agreement period) measured as one period, is greater than or equal to 1.70 to 1.0 (or 1.2 to 1.0 with respect to the period occurring prior to the end of the power purchase agreement term) and (b) based on projections prepared by us on a reasonable basis, the projected senior debt service coverage ratio for the succeeding eight fiscal quarters (including the fiscal quarter in which the distribution is to be made) or, with respect to any date within the 24-month period prior to the final maturity date for the bonds, the number of complete fiscal quarters, if any, until the final maturity date for the bonds, in each case measured as one period, is projected to be greater than or equal to 1.70 to 1 (or 1.2 to 1 with respect to the period occurring prior to the end of the power purchase agreement term), each as certified by an authorized officer; however,

- if distributions are blocked because we fail to satisfy the conditions of clause (5)(b) above, then in lieu of the coverage ratio test described in the clause, the projected senior debt service coverage ratio through the final maturity date for the bonds, measured as one period, must be 1.70 to 1 in order to satisfy clause (5)(b) in respect of amounts then on deposit in the distribution account;

- for purposes of calculating the projected senior debt service coverage ratios in clauses (5)(b) above, we must use (A) for electricity prices, either (x) the electricity prices forecasted in the most recent independent forecast furnished to the trustee, in each case, during the relevant period of calculation, or (y) if and to the extent that electricity sales during the relevant period of calculation are made under one or more power sales agreements at prices other than prices which are by their terms market prices, the electricity prices under the power sales agreements and (B) for gas prices, either (x) the gas prices forecasted in the most recent independent forecast furnished to the trustee, in each case, during the relevant period of calculation, or (y) if and to the extent that gas purchases during the relevant period of calculation are made under one or more gas purchase agreements at prices other than prices which are by their terms market prices, the gas prices under the gas purchase agreements;

- if, and to the extent that, (A) at least 75% of our facility's net capacity is subject to one or more power sales agreements on terms, other than pricing, substantially similar to the power purchase agreement, but excluding the provision for gas to be supplied for fuel conversion services by Williams Energy, or on commercially reasonable terms (other than pricing) typical of power sales agreements entered into at the time for the same term, in each case with a term of not less than one year during the relevant period

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of calculation, and (B) at least 75% of the gas supply for our facility is subject to one or more gas supply agreements on commercially reasonable terms (other than pricing) typical of gas supply agreements entered into at the time for the same term, in each case with a term of not less than one year during the relevant period of calculation (compliance with the requirements to be certified by us), then clause (5) above will be deemed satisfied, if the senior debt service coverage ratio and the projected senior debt service coverage ratio referred to in the clause (5) are each equal to or greater than 1.30 to 1 for the portions of the time periods referred to in the clause (5) in which the agreements were or are to be in effect, as certified by us; and

- if amounts on deposit in or credited to the revenue account are insufficient to make the transfers described in priorities first through sixth above under "Payments During Operating Period," amounts on deposit in or credited to the distribution account will be transferred to the revenue account to the extent necessary and applied in accordance with the collateral agency agreement.

Restoration Account

All casualty proceeds and eminent domain proceeds must be deposited into the restoration account. Subject to the provisions described below, the collateral agent must apply the amounts in the restoration account to the payment, or reimbursement to the extent the same have been paid or satisfied by us, of the costs of rebuilding, repair and restoration of our facility or any part that has been affected by an event of loss or an event of eminent domain.

The collateral agent is authorized to disburse from the restoration account the amount required to be paid for the repair or replacement of our facility or any part as specified in the preceding paragraph. The collateral agent is authorized and directed to issue its checks or transfer funds electronically for each disbursement from the restoration account, upon receipt of a restoration certificate signed by our authorized representative, and approved by the independent engineer. No approval of the independent engineer, however, will be required if less than $5,000,000 is requested under the requisition or requisitions in any one fiscal year. The collateral agent will be entitled to rely on all certifications and statements in the restoration certificate. The collateral agent must keep and maintain adequate records pertaining to the restoration account and all disbursements therefrom and must file an accounting with us and the independent engineer within three months following the last business day of each fiscal year.

If an event of loss or an event of eminent domain occurs with respect to any collateral, we must (1) diligently pursue all our rights to compensation against any person with respect to the event of loss or event of eminent domain, (2) in our reasonable judgment compromise or settle any claim against any person with respect to the event of loss or event of eminent domain and (3) hold all amounts of casualty proceeds or eminent domain proceeds, including instruments, received in respect of any event of loss or event of eminent domain, after deducting all reasonable expenses incurred by it in litigating, arbitrating, compromising or settling any claims, in trust for the benefit of the collateral agent segregated from other funds of ours and will promptly transfer to the collateral agent for deposit in the restoration account the casualty proceeds or eminent domain proceeds.

If either an event of loss or an event of eminent domain occurs, as soon as reasonably practicable but no later than the date of receipt by us or the collateral agent of eminent domain proceeds or casualty proceeds, as the case may be, we must make a reasonable good faith determination as to whether (1) our facility or any portion can be rebuilt, repaired or restored to permit operation of our facility or a portion on a commercially feasible basis and (2) the casualty proceeds or the eminent domain proceeds, as the case may be, together with any other amounts that are available to us for the rebuilding, repair or restoration, are sufficient to permit the rebuilding, repair or restoration of our facility or a portion thereof, including the making of all required payments of interest and principal on our indebtedness during the rebuilding, repair or restoration. Our determination must be evidenced by a certificate as to redemption filed with the collateral agent which, if we determines that our facility or a portion can be rebuilt, repaired or restored to permit operation on a commercially feasible basis and that the casualty proceeds or the eminent domain proceeds, as the case may be, together with any other amounts that are available to us for the rebuilding, repair or restoration, are sufficient, must also describe a reasonable good faith estimate by us of the total cost of the rebuilding, repair or restoration. We must deliver to the collateral agent at the time we deliver the certificate as to redemption, a certificate of the independent engineer, dated the date of the certificate as to redemption, stating that, based upon reasonable investigation and review of the determination made by us, the independent engineer believes the determination and the estimate of the total cost described in the certificate as to redemption to be reasonable.

If, following an event of loss or event of eminent domain, the determination is made that our facility cannot be rebuilt, repaired or restored to permit operation on a commercially feasible basis or that the casualty proceeds or the

eminent domain proceeds, together with any other amounts that are available to us for the rebuilding, repair or restoration, are not sufficient to permit the rebuilding, repair or restoration, all of the casualty proceeds or the eminent domain proceeds, as the case may be, must be distributed as provided below.

If, following an event of loss or event of eminent domain, the determination is made that the entire facility can be rebuilt, repaired or restored to permit operation on a commercially feasible basis and that the casualty proceeds or the eminent domain proceeds, together with any other amounts that are available to us for the rebuilding, repair or restoration, are sufficient to permit the rebuilding, repair or restoration, all of the casualty proceeds or the eminent domain proceeds, as the case may be, together with the other amounts as are available to us for the rebuilding, repair or restoration, must be deposited in the restoration account and applied as provided below.

If, following an event of loss or event of eminent domain, the determination is made that a portion of our facility can be rebuilt, repaired or restored to permit operation on a commercially feasible basis and that the casualty proceeds or the eminent domain proceeds, together with any other amounts that are available to us for the rebuilding, repair or restoration, are sufficient to permit the rebuilding, repair or restoration, (1) an amount equal to the estimate of the total cost of the rebuilding, repair or restoration described in the certificate as to redemption filed with the collateral agent must be deposited in the restoration account and applied as provided below, and (2) the amount, if any, by which all of the casualty proceeds or the eminent domain proceeds, as the case may be, exceed the estimate of the total cost must be distributed as provided below.

If we receive casualty proceeds or eminent domain proceeds, as the case may be, from an event of loss or an event of eminent domain that do not exceed in the aggregate $5,000,000 during any fiscal year, we will not have to make the good faith determination referred to above and the casualty proceeds or the eminent domain proceeds, as the case may be, must be deposited in the restoration account and applied for the rebuilding, repair or restoration of our facility without any approval of the independent engineer.

Application of Casualty and Eminent Domain Proceeds and Buy-Down Amounts

If the determination is made that all or a portion of our facility is incapable of being rebuilt, repaired or restored to permit operation on a commercially feasible basis, all casualty proceeds or eminent domain proceeds received by the collateral agent and not deposited in the restoration account must be distributed by the collateral agent within five business days of receipt in the following order of priorities:

first, to the collateral agent, the debt service reserve letter of credit provider, the construction period letter of credit provider and the trustee, ratably, in an amount equal to the amounts owed in respect of the collateral agent claims, the trustee claims, the debt service reserve letter of credit provider claims and the construction period letter of credit provider claims, respectively, due and payable as of the date of the distribution;

second, to the senior creditors, ratably, an amount equal to the unpaid amount of all financing liabilities owed to the senior creditors, including the amount required to be applied to a mandatory redemption of the bonds under the indenture;

third, to the subordinated debt providers, ratably, an amount equal to the unpaid amount owed to the subordinated debt providers by us under any subordinated loan agreement; and

fourth, to us or our successors or assigns or to whomever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, any surplus then remaining from the proceeds.

At the time the collateral agent is to make a distribution under clause second in the immediately preceding paragraph, the collateral agent must deposit, with the same priority as that distribution, ratably into two separate trust account to be maintained by the collateral agent as follows:

o in the first account, an amount up to the amount equal to the maximum amount available to be drawn under the debt service reserve letter of credit, and not represented by a debt service reserve letter of credit loan, debt service reserve letter of credit term loan or debt service reserve bond, and

o in the second account, an amount up to the amount available to be drawn under any construction period letter of credit, and not represented by a construction period letter of credit loan; however, if funds available are

insufficient to make all payments required under clause second of the preceding paragraph and the required deposits provided for in this sentence, distribution of funds must be made ratably to the specified recipients. The collateral agent must hold the funds in the separate accounts until receipt of a written notice or notices from the debt service reserve letter

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of credit provider and/or the construction period letter of credit provider, as the case may be, to the effect that either (1) a drawing has been made on its letter of credit or (2) its letter of credit has expired or terminated without a drawing being made thereunder. Upon receipt of a notice or notices specified in clause (1) of the preceding sentence, the collateral agent must distribute to the debt service reserve letter of credit provider and/or the construction period letter of credit provider, as the case may be, that proportionate share of the amount in the relevant separate account referred to above, equal to the drawing's proportionate share of the letter of credit collateralized by the account. Upon receipt of a notice or notices specified in clause (2) of the second preceding sentence, the collateral agent must distribute from the relevant separate account, in accordance with clauses second, third and fourth above and without regard to this paragraph, to the appropriate persons an amount equal to the amount in the separate account.

All amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement must be deposited into a separate account maintained by the depositary bank on behalf of the collateral agent. If the requisite officer's certificate is delivered, the collateral agent is authorized to disburse from the separate account the amount required to be paid for the modification, repair or replacement of that portion of our facility that requires modification, repair or replacement in order to remedy the circumstances giving rise to the obligation of Siemens Westinghouse under the construction agreement to pay the amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement.

As soon as reasonably practicable following our receipt or the collateral agent's receipt of amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement, we will make a reasonable good faith determination as to whether:

o it is technically feasible to modify, repair or replace that portion of our facility that requires modification, repair or replacement in order to remedy the circumstances giving rise to the obligation of Siemens Westinghouse under the construction agreement to pay the amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement,

o the amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement, together with any other amounts that are available to us for the modification, repair or replacement, are sufficient to permit the modification, repair or replacement, including the making of all required payments of interest and principal on our indebtedness during the modification, repair or replacement,

o the projected average senior debt service coverage ratio, after giving effect to the modification, repair or replacement and the application of the amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement to accomplish the same, during the power purchase agreement term (taken as one period) and the post-power purchase agreement period (taken as one period) is equal to or greater than the projected average senior debt service coverage ratio described in the base case projections for each the period described in this prospectus and

o the projected minimum senior debt service coverage ratio, after giving effect to the modification, repair or replacement and the application of the amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement to accomplish the same, during the power purchase agreement term and the post-power purchase agreement period is equal to or greater than the projected minimum senior debt service coverage ratio for each the period described in the base case projections described in this prospectus.

Upon receipt of an officer's certificate, confirmed by the independent engineer, certifying that all modifications, repairs or replacements of that portion of our facility that requires modification, repair or replacement in order to remedy the circumstances giving rise to the obligation of Siemens Westinghouse under the construction agreement to pay amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement have been completed, the collateral agent must transfer all funds remaining in the separate account first, to the accounts as are specified in the collateral agency agreement and second, to us or to whomsoever we direct.

If we cannot provide the officer's certificate to permit the application of amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement toward the modification, repair or replacement of that portion of our facility or the independent engineer fails to confirm the officer's certificate, the collateral agent must distribute all amounts received by us from Siemens Westinghouse as performance liquidated damages under the construction agreement ratably, based on the amount owing to the specified recipient, to (1) the trustee in respect of the amount of the bonds then outstanding for redemption of bonds in accordance with the indenture, (2) the debt service reserve letter of credit provider in respect of

the outstanding amount of debt service reserve loans and

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(3) the construction period letter of credit provider in respect of the outstanding amount of any construction period letter of credit loan.

At the time the collateral agent is to make a distribution under the immediately preceding paragraph, the collateral agent must deposit into two separate trust accounts to be maintained by the collateral agent as follows:

o in the first account, an amount up to the amount available to be drawn under the debt service reserve letter of credit, and not represented by a debt service reserve letter of credit loan, a debt service reserve term loan or debt service reserve bond, and

o in the second account an amount up to the amount available to be drawn under any construction period letter of credit, and not represented by a construction period letter of credit loan; however, if funds available are insufficient to make all payments required under clause second of the first paragraph of this section and the required deposits provided for in this sentence, distribution of funds must be made ratably to the specified recipients. The collateral agent must hold the funds in the separate account until receipt of a written notice or notices from the debt service reserve letter of credit provider and/or the construction period letter of credit provider, as the case may be to the effect that either (1) a drawing has been made on the letter of credit or (2) the letter of credit has expired or terminated without a drawing being made thereunder. Upon receipt of a notice or notices specified in clause (1) in the preceding sentence, the collateral agent must distribute to the debt service reserve letter of credit provider and/or construction period letter of credit provider, as the case may be, that proportionate share of the amount in the relevant separate account referred to above, equal to the drawing's proportionate share of the letter of credit collateralized by the account. Upon receipt of a notice or notices specified in clause (2) in the second preceding sentence, the collateral agent must distribute from the relevant separate account to the appropriate persons an amount equal to the amount in the separate account.

Exercise of Rights Under Security Documents

The collateral agency agreement provides, among other things, that:

o if a Trigger Event has occurred and is continuing, and only in that event, upon the written request of the required senior creditors contained in senior creditor certificates, the collateral agent, on behalf of the trustee, the debt service reserve letter of credit provider, the construction period letter of credit provider and any other senior creditor that is a party to the collateral agency agreement, will be permitted to take any and all actions and to exercise any and all rights, remedies and options which it may have under the security documents or the collateral agency agreement; however, if the underlying event which caused the Trigger Event is a bankruptcy event in respect of us of which the collateral agent has received written notice, no written request of the required senior creditors will be required in order to permit the collateral agent following the Trigger Event to take any and all actions and to exercise any and all rights, remedies and options which it may have under the security documents or the collateral agency agreement;

o the senior creditors will give each other and the collateral agent written notice of the occurrence of an event of default and of a Trigger Event as soon as practicable after the occurrence;

o the senior creditors acknowledge and agree that all funds held by the trustee in the indenture accounts are held for the benefit of the bondholders;

o the senior creditors acknowledge and agree that all funds held in the debt service reserve account by the collateral agent is held for the benefit of the trustee on behalf of the bondholders;

o no senior creditor and no class or classes of senior creditors will have any right (1) to direct the collateral agent to take any action in respect of the collateral other than in accordance with the collateral agency agreement or (2) to take any action with respect to the collateral either independently of the collateral agent or other than to direct the collateral agent in writing to take action in accordance with the collateral agency agreement; and

o the senior creditors acknowledge and agree that if (1) there is an event of default under the indenture and the event of default is not caused directly or indirectly by a default or event of default under the power purchase agreement and (2) they direct the collateral agent to accelerate the bonds, the collateral agent will be obligated to provide Williams Energy the opportunity for 90 days to purchase our facility for an amount equal to the greater of (x) the fair market value of our facility and (y) all financing liabilities due and owing to the senior creditors and any subordinated debt provider, and if Williams Energy offers to purchase our facility for the amount within the period, the collateral agent must take the actions as required to consummate the sale as directed by the required senior creditors in senior creditor certificates.

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In giving directions and otherwise exercising rights under the security

documents and the collateral agency agreement, the trustee must vote, or otherwise represent, that portion of the combined credit exposure represented by all bonds then outstanding according to the votes of a majority of the principal amount of bonds held by responding bondholders. The trustee must not make requests, give directions or vote on a proportional basis.

Application of Foreclosure Proceeds

Following the receipt of proceeds under the guaranty provided by The Williams Companies, Inc. as a result of a termination of the power purchase agreement or a foreclosure or other exercise of remedies following a Trigger Event, the proceeds of any sale, disposition or other realization by the collateral agent or by a senior creditor upon the collateral under the security documents must be distributed in the following order of priorities:

first, to the collateral agent, the trustee, the debt service reserve letter of credit provider and the construction period letter of credit provider, ratably, all administrative fees, costs and expenses owed to the parties under the financing documents;

second, to the senior creditors, ratably, based on the amount owing to the specified recipients, an amount equal to the unpaid amount of all financing liabilities owed to or required to be deposited for the account of the senior creditors by us;

third, to any subordinated debt providers, ratably, an amount equal to the unpaid obligations owed to or required to be deposited for the account of the subordinated debt providers by us under any subordinated loan agreement; and

fourth, to us or to whomever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, any surplus remaining after giving effect to clauses first, second and third above.

Subordination Provisions

Any subordinated debt must be subordinate and subject in right of payment to the prior payment of all senior debt. Unless and until all senior debt, whether of principal of and interest and premium or prepayment or liquidation penalty on the senior debt and fees and expenses incurred with enforcement of the same, has been paid in full in cash, (1) no payment on account of any subordinated debt can be made to any subordinated debt provider by us or by the collateral agent or the depositary bank on behalf of us and (2) no subordinated debt provider can ask, demand, sue for, take or receive from us, by set-off or any other manner, or seek any other remedy allowed at law or in equity against us for breach of our obligations under any instrument representing subordinated debt.

Upon any insolvency, bankruptcy or similar proceeding relating to us or our creditors, or any liquidation, dissolution or other winding-up, or any assignment for the benefit of creditors or any other marshaling of our assets and liabilities, the senior creditors will be entitled to receive payment in full in cash of all amounts due or to become due on or in respect of all senior debt, or provision will be made for the payment, before any subordinated debt provider is entitled to receive any payment with respect to subordinated debt.

Subject to the payment in full in cash of all senior debt, the subordinated debt providers will be subrogated to the rights of the senior creditors to receive payments and distributions of cash, property and securities applicable to the senior debt until the subordinated debt is paid in full in cash.

Debt Service Reserve Letter of Credit and Reimbursement Agreement

Dresdner Bank AG, New York Branch, under a debt service reserve letter of credit and reimbursement agreement, has agreed to provide the debt service reserve letter of credit for use by us in connection with our project. The financing documents require that the debt service reserve account be funded in an amount equal to the debt service reserve account required balance on or before the anticipated commercial operation date. Accordingly, we have entered into the debt service reserve letter of credit and reimbursement agreement in order to satisfy this obligation.

The debt service reserve letter of credit provider will issue the debt service reserve letter of credit on or before the earlier of (1) the commercial operation date, (2) the guaranteed completion date or (3) December 31, 2002 for our account in an amount up to $17,529,452, the maximum stated amount, to be held by the collateral agent to serve as a debt service reserve facility for our project. There will be no condition precedent to the debt service reserve letter of credit provider's obligation to issue the debt service reserve letter of credit, other than the occurrence of the earliest of the dates specified in the first sentence of the following paragraph.

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The collateral agent will have the right to make drawings on the debt

service reserve letter of credit beginning on the earliest of (1) the commercial operation date, (2) the Guaranteed Completion Date and (3) December 31, 2002. The collateral agent may make drawings under the debt service reserve letter of credit upon the occurrence of the following events: (1) there being insufficient monies in the bond payment account on any interest payment date or principal payment date to pay interest or principal then due, after application of funds from the debt service reserve account; (2) upon receipt of a notice from us that the long-term debt rating of the debt service reserve letter of credit provider is less than "A" as determined by Standard & Poor's or "A2" as determined by Moody's and the debt service reserve letter of credit has not been replaced within the time period specified therein; (3) if a Trigger Event under the collateral agency agreement has occurred and is continuing; (4) upon receipt of a notice from the debt service reserve letter of credit provider on the day 45 days prior to its stated expiration date that the debt service reserve letter of credit will not be extended or replaced by the close of business; and (5) if, subsequent to the commercial operation date, moneys transferred to the debt service reserve letter of credit provider from the revenue account are insufficient to repay the interest on any debt service reserve letter of credit loans. The collateral agent will apply the proceeds of each drawing: (a) in the case of clauses (1) and (5) of the preceding sentence, to payment of the relevant obligation and (b) in the case of clauses (2), (3) and (4) of the preceding sentence, to the debt service reserve account until there is deposited therein an aggregate amount equal to the debt service reserve account required balance.

Subject to the conditions of drawing, the debt service reserve letter of credit will, unless extended, mature, expire or terminate on the earlier of (1) five years from the date of issuance of the debt service reserve letter of credit and (2) the occurrence of an event of default under the debt service reserve letter of credit. The debt service reserve letter of credit, however, may not be terminated upon the occurrence of an event of default under the debt service reserve letter of credit without the debt service reserve letter of credit provider first giving the collateral agent and the trustee written notice at least 60 days prior to the termination during which period the collateral agent is entitled to draw on the debt service reserve letter of credit as described above under "--Collateral Agency Agreement--Debt Service Reserve Account." The debt service reserve letter of credit provider must also provide a copy of the written notice to us at the time the notice is given to the collateral agent and the trustee.

We will have the right to terminate or reduce the debt service reserve letter of credit upon the receipt by the debt service reserve letter of credit provider of notice from the trustee consenting to the termination or reduction.

The debt service reserve letter of credit is subject to renewal for additional periods of one or more years at the sole discretion of the agent under the debt service reserve letter of credit and reimbursement agreement.

The amount available for drawing under the debt service reserve letter of credit will be reduced upon (1) making draws thereunder, (2) the reduction of the debt service reserve account required balance and (3) certain deposits of cash in the debt service reserve account.

Debt Service Reserve Letter of Credit Loans

Each drawing on the debt service reserve letter of credit will constitute the making of a loan to us by the debt service reserve letter of credit provider. We must pay interest on the unpaid principal amount of each outstanding debt service reserve letter of credit loan from the date the debt service reserve letter of credit loan is made until the principal amount has been repaid in full at a rate per annum equal, at our option, to either (1) the adjusted base rate plus 1% or (2) the Eurodollar rate plus the applicable margin. The adjusted base rate will equal the higher of (1) the federal funds rate plus 50 basis points and (2) the rate of interest officially announced or published by the debt service reserve letter of credit provider as its "prime" or "reference" rate. The Eurodollar rate will be determined by reference to the offered rates that appear on Telerate page 3750 for deposits in dollars two London banking days prior to the date on which the rate is to become applicable to a debt service reserve letter of credit loan.

Each debt service reserve letter of credit loan will be evidenced by a note in favor of the debt service reserve letter of credit provider. We must pay the interest on any debt service reserve letter of credit loan out of cash available in the revenue account at the same level in the flow of funds as interest on other senior debt and must repay the principal amount of any debt service reserve letter of credit loans out of cash available in the revenue account after payment of debt service on all senior debt other than principal of debt service reserve letter of credit loans. Each debt service reserve letter of credit loan will mature five years after the date the debt service reserve letter of credit loan is made.

Unless the debt service reserve letter of credit is not extended or replaced or unless there has been an event of default under the debt service reserve letter of credit as described under "--Debt Service Reserve Letter of Credit and Reimbursement Agreement," amounts available for drawing under the debt service reserve letter of credit must be

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reinstated immediately to the extent of any reimbursement of principal of debt service reserve letter of credit loans, but not debt service reserve bonds or debt service reserve letter of credit term loans.

Non-Renewal of Debt Service Reserve Letter of Credit

If the debt service reserve letter of credit is not extended or replaced at least 45 days prior to its termination date, or the credit rating of the debt service reserve letter of credit provider is less than the required rating and we do not within 45 days replace the debt service reserve letter of credit with a letter of credit issued by a financial institution which meets the required rating, the collateral agent will draw on the debt service reserve letter of credit, the drawing due to non-extension or non-replacement of the debt service reserve letter of credit, a "debt service reserve letter of credit term loan", in an amount equal to the lesser of (1) the amount available to be drawn under the letter of credit and (2) the difference between (x) the debt service reserve account required balance and (y) amounts then on deposit in the debt service reserve account, and will deposit the drawing into the debt service reserve account. A debt service reserve letter of credit term loan will amortize under a "mortgage-style" amortization schedule and the maturity date of any debt service reserve letter of credit term loan will be 10 years after the date the loan is made. Interest on and principal of any debt service reserve letter of credit term loan will be paid, respectively, at the same levels as interest on and principal of the bonds.

Conversion into Debt Service Reserve Bonds

If by the date 30 months after the making of a debt service reserve letter of credit loan, we have failed to repay at least 50% of the original amount of the debt service reserve letter of credit loan, or if by the maturity date of the debt service reserve letter of credit loan we have failed to repay the debt service reserve letter of credit loan in full, then from and after the applicable date, the debt service reserve letter of credit loan may, at the option of the debt service reserve letter of credit provider, be converted into a new security, a debt service reserve bond, having a principal amount equal to the remaining principal amount of the debt service reserve letter of credit loan so converted. Each debt service reserve bond must be amortized on the same amortization schedule as the bonds and mature on the same maturity date as the bonds. Interest on and principal of any debt service reserve bond will be paid, respectively, at the same levels as interest on and principal of the bonds.

Covenants

The covenants contained in the indenture will be incorporated by reference, with appropriate substitution of parties, in the debt service reserve letter of credit and reimbursement agreement as if described in full in the debt service reserve letter of credit and reimbursement agreement.

Debt Service Reserve Letter of Credit Events of Default

Each of the following will be an event of default under the debt service reserve letter of credit and reimbursement agreement: (1) any amount due under the debt service reserve letter of credit and reimbursement agreement or any debt service reserve letter of credit note is not paid in full within 15 days after the due date ; (2) an "event of default" under the indenture has occurred and is continuing or (3) an "event of default" under the construction period letter of credit and reimbursement agreement has occurred and is continuing.

Remedies

Upon the occurrence and during the continuation of an event of default under the debt service reserve letter of credit, at the request of the banks holding 66-2/3% or more of the debt service reserve letter of credit commitment, the debt service reserve letter of credit provider may (1) after notice as required in the financing documents, terminate the debt service reserve letter of credit, (2) declare all amounts owing under the debt service reserve letter of credit and reimbursement agreement and any debt service reserve letter of credit note to be forthwith due and payable, including amounts not yet advanced under the debt service reserve letter of credit, which will upon being so advanced be and become immediately due and payable, whereupon the obligations will become and be due and payable, without presentment, demand or protest; (3) terminate our ability to cause the reinstatement of the stated amount through the reimbursement of drawings; and (4) terminate our ability of to continue any debt service reserve letter of credit loans as, or to convert debt service reserve letter of credit loans to, Eurodollar rate loans so long as the debt service reserve letter of credit provider does not have the right to exercise any other remedies except in accordance with the provisions of the collateral agency agreement.

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Construction Period Letter of Credit and Reimbursement Agreement

Dresdner Bank AG, New York Branch, under a construction period letter of credit and reimbursement agreement, issued the construction period letter of credit for our account in the amount of $30,000,000 and in favor of Williams Energy. Williams Energy may make drawings under the construction period letter of credit if our facility has not achieved the commercial operation date by the date specified in the power purchase agreement, as the date may be extended in accordance with the provisions of the power purchase agreement.

Subject to the conditions of drawing, the construction period letter of credit will mature, expire or terminate on the earliest to occur of (1) the date on which the construction period letter of credit provider receives notice from Williams Energy that the commercial operation date has occurred; (2) four years from the date of issuance of the construction period letter of credit; and (3) the occurrence of an event of default under the construction period letter of

credit. The construction period letter of credit; however, will not be terminated upon the occurrence of an event of default under the construction period letter of credit without the construction period letter of credit provider first giving the collateral agent and Williams Energy written notice at least 45 days prior to the termination. The construction period letter of credit provider must also provide a copy of the written notice to us at the time the notice is given to the collateral agent and Williams Energy.

We will have the right to terminate or reduce the construction period letter of credit upon the receipt by the construction period letter of credit provider of notice from Williams Energy consenting to the termination or reduction. The amount available for drawing under the construction period letter of credit will be reduced upon making draws thereunder.

Construction Period Letter of Credit Loans

Each drawing on the construction period letter of credit will constitute the making by the construction period letter of credit provider of a loan. We must pay interest on the unpaid principal amount of each outstanding construction period letter of credit loan from the date the construction period letter of credit loan is made until the principal amount has been repaid in full at a rate per annum equal, at our option of, to either (1) the adjusted base rate plus the applicable margin or (2) the Eurodollar rate plus the applicable margin. The adjusted base rate will equal the higher of (1) the federal funds rate plus 0.50% and (2) the rate of interest officially announced or published by the construction period letter of credit provider as its "prime" or "reference" rate. The Eurodollar rate will be determined by reference to the offered rates that appear on Telerate page 3750 for deposits in dollars two London banking days prior to the date on which the rate is to become applicable to a construction period letter of credit loan.

The construction period letter of credit loan will be evidenced by a note in favor of the construction period letter of credit provider. We must pay the interest on and repay the principal amount, based on mortgage-style amortizations, of any construction period letter of credit loan out of cash available in the revenue account at the same level as interest on and the principal of the bonds. Each construction period letter of credit loan will mature 10 years after the date the construction period letter of credit loan is made.

Covenants

The covenants contained in the indenture will be incorporated by reference, with appropriate substitution of parties, in the construction period letter of credit and reimbursement agreement as if described in full in the construction period letter of credit and reimbursement agreement.

Construction Period Letter of Credit Events of Default

Each of the following will be an event of default under the construction period letter of credit and reimbursement agreement: (1) any amount due under the construction period letter of credit and reimbursement agreement or any construction period letter of credit note is not paid in full within 15 days after the due date; (2) an "event of default" under the indenture has occurred and is continuing; and (3) an "event of default" under the debt service reserve letter of credit and reimbursement agreement has occurred and is continuing.

Remedies

Upon the occurrence and during the continuation of an event of default under the construction period letter of credit, at the request of the banks holding 2/3 or more of the construction period letter of credit commitment, the construction period letter of credit provider may (1) terminate the construction period letter of credit, (2) declare all amounts owing under the construction period letter of credit and reimbursement agreement and any construction period

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letter of credit note to be forthwith due and payable, including amounts not yet advanced under the construction period letter of credit, which will upon being so advanced be and become immediately due and payable, whereupon the obligations will become and be due and payable, without presentment, demand or protest and (3) terminate our ability to continue construction period letter of credit loans as or to convert construction period letter of credit loans to Eurodollar rate loans so long as the construction period letter of credit provider does not have the right to exercise any other remedies except in accordance with the provisions of the collateral agency agreement.

Equity Subscription Agreement

Under an equity subscription agreement entered into by and among us, AES Ironwood, Inc. and the collateral agent, AES Ironwood, Inc. has agreed to contribute equity, or make or cause to be made subordinated loans, to us from time to time during the construction period (each loan, an "equity contribution") at the request of the collateral agent, if the amounts then on deposit in the construction account are insufficient to make the transfers required to pay project costs as specified in the collateral agency agreement. The obligation of AES Ironwood, Inc. to make equity contributions is supported by bonds issued by an insurance company. The AES Corporation is obligated to repay the insurance company any amounts drawn under the bonds. If AES Ironwood,

Inc. fails to pay any amounts due under the equity subscription agreement, the collateral agent can draw on these insurance company bonds for payment of the necessary amount. AES Ironwood, Inc.'s obligation to make equity contributions will commence when all proceeds of the offering of the old bonds have been utilized but will not at any time exceed, in the aggregate, $50,149,285. All equity contributions will be deposited in the construction account and applied as described under "--Collateral Agency Agreement--Construction Account."

The equity subscription agreement also provides that upon the occurrence of an event of default under the indenture, AES Ironwood, Inc. will be obligated to make an equity contribution to us in an amount equal to $50,149,285 less the aggregate of all equity contributions previously deposited into the construction account. Any equity contribution following an event of default will be deposited in the construction account and may be used to prepay bonds and other outstanding senior permitted indebtedness in accordance with the terms of the collateral agency agreement.

Subject to specified conditions under the equity subscription agreement, any "excess" equity which remains committed but unfunded at Final Acceptance may be canceled. Conditions to the cancellation of the "excess" equity commitments include (1) the absence of any default or event of default under the indenture or any other financing document, (2) achievement of final completion, (3) the occurrence of the commercial operation date and (4) funding of all accounts, including the debt service reserve account, under, and to the extent required by, the indenture and the collateral agency agreement.

Consents to Assignments

In connection with the collateral assignment of all contract rights held by us, including rights under our project contracts, the collateral agent will receive an executed consent to assignment from third parties party to the project contracts. In each consent, the applicable third party will, in respect of our project contracts to which it is a party, among other matters, (1) consent to the collateral assignment to the collateral agent on behalf of the senior creditors, (2) agree to pay all amounts, if any, receivable by us thereunder directly into the revenue account created under the collateral agency agreement, (3) agree to matters concerning the exercise of remedies by the collateral agent upon an event of default under the collateral agency agreement and (4) agree to the exercise by the senior creditors of specific cure rights with respect to our project contracts.

Mortgage

We, as mortgagor, will enter into the mortgage and will mortgage and grant a security interest to the collateral agent for the benefit of the senior creditors all of our rights, titles and interests in and to all real property interests, including fee interests, easement interests and leasehold interests, if any, to the facility site, our facility and any easements and all fixtures, equipment and improvements, all accounts, subject to the terms of the indenture, and personal property now owned or hereafter acquired. our rights in any leases affecting the real property, including rights to receive income, will be assigned by us to the collateral agent under the assignment of leases and income.

The events of default under the mortgage incorporate by reference those provided in the indenture. Under the terms of the mortgage, the collateral agent may, upon the occurrence and during the continuance of an event of default and satisfaction of conditions contained in the collateral agency agreement, take possession of all collateral covered by the mortgage.

Proceeds from the exercise of remedies under the mortgage will be applied in accordance with the security documents and the collateral agency agreement.

Security Agreement

We will enter into the security agreement with the collateral agent for the benefit of the senior creditors providing for the granting of a security interest in all of our personal property interests including, but not limited to, all contract rights, equipment, receivables, accounts, insurance proceeds, eminent domain proceeds, rights under any governmental approval, to the extent permitted by applicable law, and patents and trademarks, including all proceeds and all documents evidencing all monies and investment therein. Upon the occurrence of a Trigger Event under the collateral agency agreement, remedies may be exercised under the security agreement.

Under the terms of the security agreement, the collateral agent may, upon the occurrence and during the continuance of an event of default and satisfaction of conditions contained in the collateral agency agreement, take possession of all of the collateral covered by the security agreement.

Proceeds from the exercise of remedies under the security agreement will be applied in accordance with the security documents.

Pledge Agreement

Under the pledge agreement to be entered into by AES Ironwood, Inc. in favor of the collateral agent, AES Ironwood, Inc. will pledge to the collateral agent, acting on behalf of the senior creditors, all of its ownership interests in our company, and all rights under or derived therefrom, currently owned or later acquired and all distributions, cash, instruments and other property and proceeds, and all rights associated therewith, from time to time receivable or otherwise distributable with respect to or in exchange for the ownership

interests.

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PLAN OF DISTRIBUTION

Except as described below, a broker-dealer may not participate in the exchange offer in connection with a distribution of the new bonds. Each broker-dealer that receives new bonds for its own account under the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the new bonds. Based on SEC staff interpretations, a broker-dealer could use this prospectus, as it may be amended or supplemented from time to time, in connection with resales of new bonds received in the exchange offer where the beneficial interests in old bonds for which they were exchanged were acquired as a result of market-making activities or other trading activities. We have agreed that for a period not to exceed 270 days to make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any resale. In addition, until 120 days after the consummation of the exchange offer, all dealers effecting transactions in the new bonds may be required to deliver a prospectus.

The information described above concerning SEC staff interpretations is not intended to constitute legal advice, and broker-dealers should consult their own legal advisors with respect to these matters.

We will not receive any proceeds from the exchange offer or any sale of new bonds by broker-dealers. New bonds received by broker-dealers for their own account under the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new bonds or a combination of those methods of resale, at market prices prevailing at the time of resale, at the time of resale, at prices related to those prevailing market prices or negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer and/or the purchasers of any new bonds. Any broker-dealer that resells new bonds that were received by it for its own account under the exchange offer and any broker or dealer that participates in a distribution of the new bonds may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any resale of new bonds and any commissions or concessions received by any of those persons may be deemed to be underwriting compensation under the Securities Act. Any broker or dealer registered under the Exchange Act who holds old bonds that were acquired for its own account as a result of market-making activities or other trading activities, other than old bonds acquired directly from us, may exchange those old bonds under the exchange offer; however, that broker or dealer may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of the new bonds received by the broker or dealer in the exchange offer. This prospectus delivery requirement may be satisfied by the delivery by that broker or dealer of this prospectus. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

We have agreed to pay the expenses of registration of the new bonds and will indemnify the holders of the new bonds, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

Prior to the exchange offer, there has been no public market for the old bonds. We do not intend to apply for listing of the new bonds on any securities exchange. There can be no assurance that an active market for the new bonds will develop. To the extent that a market for the new bonds develops, the market value of the new bonds will depend on market conditions (including yields on alternative investments general economic conditions), our financial condition and other conditions. Those conditions might cause the new bonds, to the extent that they are actively traded, to trade at a significant discount from face value. We have not entered into any arrangement or understanding with any person to distribute the new bonds to be received in the exchange offer.

We have not agreed to compensate broker-dealers who effect the exchange of old bonds on behalf of holders.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Because the new bonds will be identical to the old bonds in all relevant economic respects, the exchange of the old bonds for the new bonds will not be treated as an exchange for United States federal income tax purposes. Consequently, there will be no United States federal income tax consequences to the exchange, and holders of the new bonds will continue to account for the bonds for federal income tax purposes as if the exchange had not taken place.

LEGAL MATTERS

The validity of the new bonds will be passed upon for us by Hunton & Williams, New York, New York.

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EXPERTS

The independent engineer's report included as Annex B to this prospectus has been prepared by Stone & Webster and is included herein in

reliance upon the authority of the firm and its affiliates as experts in the review of the design, construction and operation of electric generating facilities. The independent power consultant's report included as Annex C to this prospectus has been prepared by Hagler Bailly and is included herein in reliance upon the authority of the firm as experts in the analysis of power markets, including future market demand, future market prices for electric energy and capacity and related matters, for electric generating facilities.

This document has been prepared by the management of our company and includes financial statements audited by Deloitte & Touche LLP as stated in their independent auditors' report accompanying those financial statements. These financial statements are included in this prospectus in reliance upon the independent auditors' report of the firm given upon their authority as experts in accounting and auditing. The management of our company is responsible for the accuracy and completeness of this document, including the "Prospective Financial Information" appearing in Annex B, and Deloitte & Touche LLP makes no warranty as to any of the information contained herein, and no representations except as contained in its independent auditors' report.

WHERE YOU CAN FIND MORE INFORMATION

Upon consummation of the exchange offer, we will be subject to the informational requirements of the Exchange Act and will file reports and other information with the SEC. Reports and other information filed by us with the SEC can be inspected without charge and copied, upon payment of prescribed rates, at the public reference facilities maintained by the SEC located at Room 1024, 450 Fifth Street, NW, Washington, DC 20549, and at the regional offices of the SEC located at 7 World Trade Center, 13th Floor, New York, New York 10048 and the Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of the material and any part will also be available by mail from the Public Reference Section of the SEC, located at 450 Fifth Street, NW, Washington, DC 20549, at prescribed rates.

The AES Corporation and The Williams Companies, Inc. are subject to the informational requirements of the Exchange Act and, in accordance, file reports, proxy statements and other information, including financial statements, with the SEC. The reports, proxy statements and other information may be inspected without charge and copied, upon payment of prescribed rates, at the offices of the SEC located at Room 1024, 450 Fifth Street, NW, Washington, DC 20549, and at the regional offices of the SEC located at 7 World Trade Center, 13th Floor, New York, New York 10048 and the Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of the material and any part will also be available by mail from the Public Reference Section of the SEC, located at 450 Fifth Street, NW, Washington, DC 20549.

The SEC also maintains a Website that contains reports and other information regarding registrants that file electronically with the SEC. The address of that site is (http:\\www.sec.gov).

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AES IRONWOOD, L.L.C.
(A Development Stage Enterprise, An Indirect Wholly Owned Subsidiary of The AES Corporation, Inc.)

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