STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

May 3, 2007 Advice Letter 2874-E

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: Contract for Procurement of Capacity and Energy Resources Resulting from PG&E's Request for Offers (RFO) for Intermediate Term Shapeable Energy And Resource Adequacy (RA) Issued December 8, 2005

Dear Ms. de la Torre:

Advice Letter 2874-E is effective April 12, 2007. A copy of the advice letter and resolution are returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

Pacific Gas and Electric Company®

Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
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August 4, 2006

ADVICE 2874-E

Pacific Gas and Electric Company ID U39 E

Public Utilities Commission of the State of California

Subject: **Contract for Procurement of Capacity and Energy Resources Resulting from PG&E's Request for Offers ("RFO") for Intermediate Term Shapeable Energy and Resource Adequacy ("RA") Issued December 8, 2005.**

I. PURPOSE

By this advice letter, Pacific Gas and Electric Company ("PG&E") submits for California Public Utilities Commission ("Commission") review and approval a physical tolling agreement ("Agreement") beginning in 2008[1] with Mirant Delta, LLC ("Mirant") for the capacity and associated energy from Mirant's units at the Pittsburg and Contra Costa power plants (collectively, the "Facilities").

PG&E requests the Commission issue a final resolution no later than October 5, 2006 approving the Agreement. The requested form of approval is described in more detail under the heading, "Requested Regulatory Findings", below.

In support of this request, the following confidential information is being submitted under seal. This material is protected from public disclosure by Decision (D.) 06-06-066. A separate Motion for Protective Order of that confidential information is being concurrently filed with the Commission's Docket Office setting forth the required elements to protect this information.

[1] In order to ensure a delivery start date of January 1, 2007, and for PG&E to make its year-ahead showing for Resource Adequacy, PG&E has entered into a tolling agreement for January 1, 2007 through December 31, 2007 under its authority pursuant to D.04-12-048. The multi-year tolling agreement filed today for Commission approval is for the period starting on January 1, 2008. Pricing of the entire transaction was based on the combined term of the two agreements.

Confidential Appendix A	Procurement Contract for which PG&E Seeks Commission Approval
Appendix B	Pacific Gas and Electric Company Request For Offers Dated December 8, 2005
Appendix C	Mirant Delta, LLC Request For Offers Dated December 26, 2005

II. DESCRIPTION OF THE PROCUREMENT RESOURCES

The Agreement is for 1,985 MW of gas-fired capacity at Mirant's Facilities. Each unit's specific contract term and operating characteristics are further described in the Agreement, which is provided as Confidential Appendix A.

III. CONTRACT ANALYSIS

A. Procurement Plan Decision.

1. Consistency with Utility's Long Term Resource Plan.

The Commission should evaluate the compliance of the Agreement in the context of its consistency with PG&E's Long Term Procurement Plan ("LTPP") approved in D.04-12-048 issued December 20, 2004. D.04-12-048 updates and reiterates the findings of D.02-10-062 which authorizes the IOUs to re-enter the process of procurement effective January 1, 2003. D.02-10-062 provides a set of approved products and transactions, including, but not limited to, competitive solicitations for energy and capacity, as well as providing PG&E with the authority to enter into tolling agreements with durations of up to five years. [2]

D.04-12-048, Ordering Paragraph ("O.P.") 14, authorized utilities "to enter into short-term, mid-term, and long-term contracts, with contract delivery start date through 2014, provided that the IOUs submit the necessary compliance filings." In Advice Letter ("AL") 2643-E, filed March 25, 2005, PG&E filed its updated 2005 LTPP as required by O.P. 1 of D.04-12-048. PG&E filed a supplemental AL 2643-E-A on April 1, 2005.

Pursuant to O.P. 8 of D.04-12-048, IOUs are required to "plan to meet all RA requirements as set forth in D.04-10-035[3] as they go forward with their LTPPs."

2. Residual Need

Pursuant to D.04-12-048, PG&E demonstrated its residual need via the confidential energy and capacity tables ("Tables") submitted in its LTPP and subsequently updated

[2] D.02-10-062, Table 1, pages 37-38.
[3] D.04-10-035 requires that IOUs acquire their reserve margins of 15-17% as established in D.04-01-050, by June 1, 2006.

in Advice 2643-E and Supplemental Advice 2643-E-A as described above. PG&E's Request for Offers ("RFO"), described below in Section III.C., and this resulting Agreement are justified by the net short position in energy and capacity indicated in the Tables. Further, PG&E requires RA capacity to fill a shortfall that is greater than the total purchase proposed in the Agreement.

PG&E's needs for RA and shapeable energy, with and without the transaction, were discussed with the PRG on January 12, 2006, and June 15, 2006. Having filled the majority of its 2006 needs with the Moss Landing Units 6 & 7 transaction, which was approved by the CPUC in Resolution E-4002[4], PG&E's focus on the Agreement with Mirant was for a delivery term starting after 2006.

3. Evaluation of Higher Loading Order Resources

D.04-12-048 finds that "the IOU filings comply with the direction provided in the EAP because they included the EAP targets established in the RPS, DR and EE proceedings; included, at a minimum, the DG forecasts in the 2003 IEPR, and added transmission and clean central-station generation to meet remaining energy and capacity needs." [5] As previously described, the Agreement conforms to PG&E's LTPP, fitting within the residual net short after accounting for preferred higher order resource targets.

4. Greenhouse Gas (GHG) Adder

PG&E did not apply a Greenhouse Gas Adder in the evaluation since the contract term is less than five years; therefore, a GHG Adder is not required by D. 04-12-048. However, the Agreement requires Mirant to register with the California Climate Action Registry and, if applicable, report greenhouse emissions output from the Facilities.

B. Quantitative Factors

1. Consistency of bid evaluation process with Least-Cost Best Fit (LCBF) decision.

PG&E demonstrated to its PRG on January 12, 2006, that when it applied a differentiation between local and system RA to the evaluation of offers in the RFO, the Mirant offer was the most competitive.

2. Portfolio Fit

PG&E further demonstrated to the PRG on June 15, 2006, that the Agreement fit well into PG&E's portfolio, both with respect to Local RA and shapeable energy.

[4] Resolution E-4002 approved the 2007-2010 portion of the Moss Landing transaction. The 2006 portion was filed by PG&E in its Procurement Transaction Quarterly Compliance Report First Quarter, 2006, by Advice Letter 2821-E.
[5] D.04-12-048, Finding of Fact 23, page 200.

3. Transmission

Since the Facilities are existing and operating, there were no specific transmission upgrade or expansion issues to consider.

C. Qualitative Factors – Description of RFO.

On December 8, 2005, PG&E issued a RFO to address its need for intermediate term shapeable energy and Resource Adequacy ("RA"). PG&E's RFO is included as Appendix B to this Advice Letter.

On December 19, 2005, Mirant issued a Request for Proposal ("RFP") for the Facility. Mirant's RFP is included as Appendix C to this Advice Letter.

The response to PG&E's RFO was robust. On December 22, 2006, Mirant responded with an offer for the Facility. Altogether, eight companies submitted responses totaling 8,000 MW of offers.

On January 13, 2006, PG&E submitted indicative bids[6] to Mirant. PG&E was notified thereafter that it had been selected to Mirant's short-list.

Following consultation with its Procurement Review Group ("PRG"), PG&E entered into contract negotiations with Mirant.

On May 4, 2006, Mirant announced that it submitted to the CPUC and CAISO a 90-day notice of its intent to shut down the Pittsburg 7 and Contra Costa 6 units if Mirant was unable to secure contracts for the units.

PG&E notes that three of the units at the Facility are already under contract with PG&E as part of the Second Wraparound Agreement ("Wrap") that the Commission previously approved on January 13, 2005[7]. However, even though the Wrap has a multi-year term, each unit's inclusion in the Wrap is dependent on the CAISO's designation of RMR status for such unit, which takes place one year at a time; therefore, the Wrap does not provide certainty with respect to planning more than a year ahead for PG&E's RA requirements. Furthermore, the pricing in the Wrap is fixed only through 2008 and would be subject to FERC filings by Mirant in future years, leaving PG&E customers with less certainty regarding price. The fixed pricing in the proposed contract is more attractive to PG&E customers than the remaining fixed portion of the existing Wrap and the pricing uncertainty that would continue for future years.

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[6] Decision (D.) 04-01-050, Ordering Paragraph (O.P.) 10, permits utilities to participate in RFPs and/or open seasons conducted by generators offering capacity and/or energy.

[7] The Wrap was a component of Mirant's settlement of RMR contract claims with PG&E. The settlement was approved by the Commission on January 13, 2005.

PG&E entered into the Agreement because the rigorous evaluation process conducted by PG&E in both PG&E's RFO and Mirant's RFP demonstrated that the cost of the proposed tolling agreement is competitively priced relative to market. Its value to PG&E customers is superior to PG&E's other alternatives for RA that will also satisfy local Bay Area requirements and shapeable energy. Therefore, PG&E asks the Commission to make a finding that PG&E's evaluation and process leading to the proposed contract are in compliance with approved procurement plans.

D. PRG Feedback

PG&E's needs analysis and the responses to PG&E's RFO, including Mirant's offer, as well as PG&E's pending bid into Mirant's RFP were presented to PG&E's PRG on January 12, 2006. The PRG concurred with PG&E's proposal to negotiate with Mirant. On June 15, 2006, PG&E updated the PRG of the progress in the negotiations, and the PRG requested additional information before agreeing that a contract should go forward. PG&E provided the additional information following the meeting. PG&E asked PRG members to provide any feedback or concerns to PG&E by June 30, 2006. The PRG encouraged PG&E to move forward with finalizing negotiations and did not express any reservations about PG&E entering into the Agreement.

IV. Requested Regulatory Findings

PG&E submits the proposed contract in Confidential Appendix A and requests that the Commission adopt a final resolution approving the proposed contract in its entirety, and finding that this contract and PG&E's entry into it are in compliance with all approved procurement authorities for all purposes, including, but not limited to, PG&E's recovery in rates of all payments made under this contract, for the full term of the contract, subject only to Commission review through the Energy Resource Recovery Account[8] ("ERRA") with respect to the reasonableness of PG&E's administration of this contract.

Although PG&E has sufficient procurement authority pursuant to D. 04-12-048 to enter into the proposed tolling agreement, several factors influenced PG&E's decision to ask the Commission to adopt a final resolution approving the contract:

- **Multiple-year RA:** The RA rules are continuing to evolve, and multi-year implementation is not completely clear. Additionally, the CAISO intends to publish a list of units that can support RA requirements on an annual basis, and the CAISO's criteria could change from year to year. PG&E does, however, have a need to meet its forward RA requirements, and PG&E anticipates that this contract will count toward meeting PG&E's future Local resource adequacy requirements in the Bay Area. PG&E therefore seeks a Commission finding that PG&E's actions through this contract to procure RA on a greater than just a one year-ahead basis, absent a long-term RA ruling from the Commission or long-term RA guidance by CAISO, complies with current requirements.

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[8] Pursuant to D.02-10-062.

- **Pittsburg 7 and Contra Costa 6 remain in service:** PG&E asks the Commission to make a finding that PG&E's decision to enter into this contract, which keeps the units in service to be available to provide reliable electric capacity as a bridge until new resources are constructed and online, complies with applicable procurement authorities.

V. Regulatory Process

A. Requested Effective Date

PG&E requests that the Commission issue a final resolution approving this Agreement no later than **October 5, 2006**.

B. Presentation of Agreement to PRG

Specific information on the proposed tolling agreement with Mirant was presented to the PRG on June 15, 2005. Follow up questions presented by the PRG were addressed in an email distributed to PRG members on June 28, 2006. In response to PG&E's request for feedback regarding execution of the transaction, PRG members expressed no concerns with the agreement and the economic results.

C. Specification of Public Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter excluding the confidential appendix is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for Rulemaking (R.) 06-02-013, R. 04-04-003. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the advice letter and accompanying confidential attachments by overnight mail. Address change requests should be directed to Rose De La Torre at (415) 973-4716 (RxDd@pge.com). Advice letter filings can also be accessed electronically at:

http://www.pge.com/tariffs/

D. Protest Period

Anyone wishing to protest this filing may do so by sending a letter by **August 24, 2006**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address. The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

E. Limited Access to Confidential Material

PG&E has submitted Confidential Appendix A to the Energy Division staff as confidential utility information pursuant to Section 454.5(g) of the Public Utilities Code and has filed a motion to protect the confidentiality of the material pursuant to D.06-06-066, ordering paragraph 2. The material in Confidential Appendix A is a contract between PG&E and a non-affiliated third party which is protected from public disclosure by item VII.(E) in Appendix I of D.06-06-066. Access to the contract will be subject to the final form of Protective Order authorized by the assigned Administrative Law Judge pursuant to D.06-06-066, ordering paragraph 14.

Brian K. Cherry /SR

Brian K. Cherry
Vice President - Regulatory Relations

cc: Service List for R.06-02-013
Service List for R.04-04-003
Donald Brooks, Energy Division

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. Pacific Gas and Electric Company (ID39E)

Utility type:	Contact Person: Shilpa Ramaiya
☒ ELC ☒ GAS	Phone #: (415) 973- 3186
☐ PLC ☐ HEAT ☐ WATER	E-mail: srrd@pge.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: **2874-E**

Subject of AL: Contract for Procurement of Capacity and Energy Resources Resulting from PG&E's Request for Offers ("RFO") for Intermediate Term Shapeable Energy and Resource Adequacy ("RA") Issued December 8, 2005

Keywords (choose from CPUC listing): Contract, Procurement

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other _______

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: ________________

Resolution Required? ☒ Yes ☐ No

Requested effective date: **10-5-06** No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed[1]: See advice letter

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Utility Info (including e-mail)
Attn: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

[1] Discuss in AL if more space is needed.

PG&E Gas and Electric Advice Filing List
General Order 96-A, Section III(G)

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Ancillary Services Coalition
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Commerce Energy
Constellation New Energy
CPUC
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright, Tremaine LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hitachi Global Storage Technologies
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
IUCG/Sunshine Design LLC
J. R. Wood, Inc
JTM, Inc
Luce, Forward, Hamilton & Scripps
Manatt, Phelps & Phillips
Marcus, David
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
Office of Energy Assessments
OnGrid Solar
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc
TFS Energy
Transcanada
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA

Confidential Appendix A

Procurement Contract for which PG&E Seeks Commission Approval

REDACTED IN FULL

Appendix B

Pacific Gas and Electric Company Request For Offers Dated December 8, 2005

REQUEST FOR OFFERS

December 8, 2005

Subject: PG&E's Request for Offers ("RFO") for Intermediate Term Shapeable Energy and Resource Adequacy ("RA"): 2006-2010

Dear Prospective Bidder:

Pacific Gas and Electric Company ("PG&E" or "Buyer") is seeking offers from sellers ("Bidders" or "Sellers") pursuant to which PG&E would enter into agreements to purchase shapeable Energy and RA ("Products") to meet a portion of its needs for the 2006 through 2010 period of time. The terms and conditions creating and defining the Products sought by PG&E are set forth the accompanying term sheet ("Term Sheet"). The Term Sheet will form the basis for a resulting Confirmation Agreement with any selected Bidders. Any Confirmation Agreement will be governed by a Master Power Purchase Agreement (either Edison Electric Institute ("EEI") or Western Systems Power Pool ("WSPP") between PG&E and Bidder. (Note: Some definitions of some terms contained in this RFO letter are as found in the Term Sheet.)

Bidders should submit the applicable bid table(s) (Term Sheet Attachment 4) containing the offer information, including indicative prices, as well as the Term Sheet and any changes thereto by December 22, 2005, 3 p.m. PPT ("Offer"). Bidders should specify additional criteria for volume, price and operational limitations if such criteria cannot be explicitly specified in Attachment 4 of the Term Sheet. For example, if a Bidder wishes to specify Energy prices based on heat rates that are seasonal, or provide a heat rate curve that does not fit the format in Attachment 4, PG&E requests that the Bidder provide such information in its indicative response.

Description of Products Solicited

Through this RFO, PG&E is seeking Energy and RA products to satisfy a portion of its resource needs through 2010. Bidders may submit one or multiple Offers meeting the terms and conditions contained in the Term Sheet. Bidders may submit multiple Product and pricing structures.

One of PG&E's objectives in this solicitation is to procure more operating flexibility than is typically acquired through standard forward and daily option contracts. The minimum flexibility requirement for products described in this RFO is an hour-ahead call on Energy, callable for a varying number of hours and a constant delivery rate. However, PG&E will strongly favor Offers that provide additional operating flexibility.

Pricing Structure for Energy (Variable Component)

Bidders may offer a strike price that is either: (1) a fixed $/MWh, or (2) a heat rate in MMBtu/MWh plus variable O&M costs on a per MWh basis. For heat rate Offers, PG&E will also accept a heat rate curve with varying output levels. Please see the Compensation Section of the Term Sheet for more exact details.

In this RFO, the following fixed price and heat rate ranges are strongly encouraged:

For fixed price Offers:
$75 to $100/MWh;

For heat rate Offers:
7.5 to 10.0 MMBtu/MWh

For heat rate based Offers, the Gas Index is Platt's Gas Daily, PG&E City-gate, Midpoint.

Operating Flexibility

Bidder options are defined in the "Energy Call and Scheduling Rights, Minimum Operating Flexibility" section of the Term Sheet. This RFO allows Bidders to provide Hour Ahead (Option A) or full flexibility (Option B).

Ancillary Services ("A/S")

This RFO allows Bidders (under Option B for operating flexibility) to provide the following A/S product: spinning reserves, non-spinning reserves, and regulating reserves. If offered, the MWs of A/S plus any deliverable Energy MWs must not exceed the total MWs offered.

Resource Adequacy ("RA")

The description of RA requirements reflects PG&E's best assessment of the terms that are likely to be in place during the term of a resulting Confirmation Agreement. Sellers are requested to identify unit(s) for RA purposes. The identified units should be within the control area of the California Independent System Operator ("CAISO"). PG&E will strongly favor Offers that provide RA in the greater Bay Area. Finally, unless Intertie MW allocations are finalized prior to the execution of a related Confirmation Agreement, imports for RA will not be considered in this RFO.

Delivery Point

For Energy products, PG&E strongly prefers delivery within NP15. In the event that LMP or nodal pricing takes effect in California during the term of a Confirmation Agreement, PG&E proposes that non-unit specific power settle at an NP15 "hub" price. If Seller defines a specific NP15 substation, then the settled price is based on the node that best represents that substation.

Term

PG&E is seeking Offers for deliveries between May 1, 2006 and December 31, 2010. Offers may be for the entire period or portions thereof and may be annual or seasonal. If seasonal, the months must include May through September for all years offered. The minimum total term is 3 years. The latest start date is May 1, 2007. Each Offer must begin on the first and end on the last day of a calendar month. Bidders are encouraged to submit multiple Offers.

Energy and RA Quantities

PG&E will consider Offers of 25 MW or more. Please explain clearly, which, if any, Offers are mutually exclusive. For example, a Bidder may state that PG&E may select any combination of Offers up to a specified quantity. Energy and RA quantities should be the same.

Scheduling Provisions

Energy deliveries will be scheduled pursuant to protocols and tariffs of the CAISO and Western Electric Coordinating Council ("WECC"). Alternate scheduling methods may include inter-scheduling coordinator ("SC") trades between SCs or any other agreed-upon method.

Requirement for CPUC Review/Confidentiality

An external review group of non-market participants (the "Procurement Review Group", or "PRG") will review the Offers under consideration. Offers will be treated as confidential by PG&E and by the PRG pursuant to non-disclosure agreements executed between the PRG and PG&E, and by the California Public Utility Commission ("CPUC") in accordance with Section 583 of the California Public Utilities Code. Successful Bidders will be required to maintain the confidentiality of their transactions with PG&E in accordance with the terms of the applicable Master Agreement.

Credit Requirements

Credit requirements shall be in accordance with the Master Agreement and Confirmation Agreement. An Independent Amount shall apply to Seller if at any time Seller does not maintain a senior unsecured debt rating at of at least BBB- from S&P and at least Baa3 from Moody's. Such Independent Amount will be comprised of two component calculations as follows: (1) Energy: an amount adequate to cover 10 days of VAR per MW (expected to be in the range of $20,000/MW to $40,000/MW depending on the Energy strike price and subject to change based on market conditions); and (2) RA: an amount equal to the greater of (i) 25% of the sum of the notional value of the RA for each year of the Contract Term, and (ii) $5000/MW-yr multiplied by the number of years of the Contract Term. The Independent Amount will be adjusted on an annual basis (on the first business day of each year) to reflect the appropriate amount for the remaining Contract Term. Bidders shall be notified by PG&E regarding the total dollar amount of the Independent Amount for the applicable Offer at least 5 business days prior to executing a Confirmation Agreement.

Schedule and Procedure for RFO

The table below provides the current schedule and procedure for this RFO, which is subject to change. The times are in Pacific Prevailing Time (PPT).

Date/Time	Event
December 8, 2005	PG&E issues RFO
December 22, 2005 3 PM	Deadline for Bidders to submit Offer (Term Sheet Attachment 4 and mark-up to Term Sheet)
December 23, 2005 through January 12, 2006	PG&E evaluates Offers and consults with PRG
Prior to May 1, 2006	Negotiation with short listed bidders, execution of Confirmation Agreement and regulatory approval sought

Contact Information

All completed bid packages should be delivered, faxed, or emailed to:

Jim Shandalov
Manager – Power Contracts
Pacific Gas and Electric Company
Mail Code N12G
P.O. Box 770000
San Francisco, CA 94177-0001
Phone: 415.973.7114
Fax: 415.973.0585, or 415.973.9176
e-mail: j6sw@pge.com

All Offers must be received by PG&E, at this address, prior to the date and time specified in the table above. Bidders are to specify all relevant information that will allow PG&E to fully evaluate its bid. PG&E will not be responsible for any unsuccessful transmittal by email. Offers must include:

(1) the bid table attached to the accompanying Term Sheet (Term Sheet Attachment 4), with any explanatory notes; and

(2) a mark-up of the Term Sheet, if changes are proposed.

Prospective Bidders may contact Mr. Shandalov by email or phone with questions. PG&E reserves the sole and discretionary right to reject any Offer received in response to this RFO for any reason. Additionally, PG&E reserves the right, at its election, (a) not to enter into any binding Confirmation Agreements at the culmination of the RFO process, and (b) to accept or reject any Offers received after December 22, 2005. PG&E reserves the right to modify the RFO terms and conditions based on changing need and market feedback. PG&E also reserves the right to rescind the RFO process at any time prior to PG&E's execution of binding Confirmation Agreements.

During the RFO process, should global revisions to the Term Sheet be required, PG&E will provide all prospective Bidders with such necessary changes. PG&E will not be liable for any costs the Bidder incurs in preparing or submitting its Offer(s).

Thank you for your consideration of this solicitation.

Attachments

Power Purchase Agreement Term Sheet

[SERVICE PROVIDER]

PACIFIC GAS AND ELECTRIC COMPANY

POWER PURCHASE AGREEMENT

CONFIDENTIAL NON-BINDING SUMMARY OF PRINCIPAL COMMERCIAL TERMS

This Confidential, Non-Binding Summary of Principal Commercial Terms ("**Term Sheet**") is preliminary and is intended to set forth certain basic terms of, and to serve as a basis for further discussions and negotiations between the Parties with respect to the potential Transaction described herein ("**Transaction**") to be set forth in a Confirmation Agreement and pursuant to a Master Power Purchase and Sale Agreement (either Edison Electric Institute ("**EEI**") or Western System Power Pool ("**WSPP**")) (as may collectively be referred to as the "**Definitive Agreement**"). To that end, the Parties recognize that some defined terms used and contained in this Term Sheet may be modified as necessary to comply with the applicable EEI or WSPP prior to execution of the Definitive Agreement.

Parties	[SERVICE PROVIDER], a _ ("**Seller**") and Pacific Gas and Electric Company, ("**Buyer**"), referred to individually as "**Party**" or collectively as "**Parties**".
Transaction	Seller will provide and make available to Buyer and Buyer will purchase and pay for all Product provided by the Unit(s). For purposes of this Term Sheet, the term Unit or Unit(s) shall mean the unit(s) identified by Seller on Attachment 4.
Contract Term	The "**Contract Term**" will commence upon execution and delivery of the Definitive Agreement ("**Execution Date**") and continue until final settlement (after the end of the Contract Term, defined below). The Definitive Agreement may include conditions relating to regulatory approvals of the Definitive Agreement which must be satisfied prior to the time the remainder of the Parties' obligations become effective. Only upon satisfaction of such conditions will terms of the Definitive Agreement be deemed to have been met.

Delivery Term	Represents the period of the Contract Term starting with the first day Energy is available for delivery to the Buyer, and ending with the last day Energy is available for delivery to the Buyer. The Delivery Term must begin on the first, and end of the last day of a calendar month. The first day of available Energy deliveries can be no earlier than May 1, 2006, and can be no later than May 1, 2007. The last day of available Energy deliveries can be no later than December 31, 2010. The length of the Delivery Term is a minimum of 3 years. The Delivery Term may also be seasonal, but must include at least the months of May through September.
Product	"**Product**" shall mean collectively Resource Adequacy bundled with an Energy Call Option. "**Resource Adequacy** ("**RA**" or "**RA Capacity**")" means the qualified and deliverable capacity from Unit(s) that can be counted toward Buyer's Resource Adequacy Requirements ("**RAR**") as described in California Public Utilities Commission Decisions 04-10-035 and 05-10-042, and as may be amended from time to time by the CPUC in the RA phases of Rulemaking 04-04-003 or by any successor proceeding, and all other RA requirements established by any other regional entity responsible for RAR. RA Capacity does not confer to Buyer any right to the Contract Quantity of Seller's Unit(s) other than the right to count such Contract Quantity toward Buyer's RAR during the Delivery Period. "**Energy Call Option**" means a call option on CAISO Energy. "**CAISO Energy**" (or "**Energy**") means with respect to a Transaction, a product under which the Seller shall sell and the Buyer shall purchase a quantity of Energy equal to the hourly quantity without Ancillary Services (as defined in the Tariff) that is or will be scheduled as a Scheduling Coordinator ("**SC**") to SC transaction pursuant to the applicable tariff and protocol provisions of the CAISO (as amended from time to time, the "**Tariff**") for which the only excuse for failure to deliver or receive is an "**Uncontrollable Force**" (as defined in the Tariff). The Energy may be unit contingent, or it may not be associated with any particular Unit(s). However, if the Energy is not unit contingent, then the Energy behind the call option must be firm.
Resource Adequacy or RA Capacity	Eligibility to count MW toward the RA or RA Capacity requirement is determined by identifying specific Unit(s). This RA requires that unit specific capacity be identified and the physical Unit be made available to the CAISO for dispatch. Seller agrees that the Unit(s) offered to Buyer here will meet all requirements necessary to qualify as a resource capable of contributing to Buyer's RA or RA Capacity requirement and will consent in

the Definitive Agreement to take such measures as necessary to qualify as a resource that counts toward Buyer's RA Requirement. In addition, Seller agrees to comply with all associated bidding/dispatch requirements imposed through either CAISO market design and tariffs, CPUC or FERC. Such bidding requirements may be imposed in the day ahead, hour ahead or real time timeframe. Buyer will also have exclusive rights to all RA or RA Capacity related products such as capacity tags, capacity credits, or installed capacity ("**ICAP**") products, as applicable. Seller shall comply with any CPUC or CAISO requirements for meeting RA.

For the best description of RA requirements available to date, see Attachment 3.

Capacity Testing Related to Energy Payments	If the Energy being provided under this Transaction is for unit contingent Energy, each Unit may be subject to testing, as determined necessary by Buyer, within the 30 days preceding the Delivery Term and seasonally thereafter during the Contract Term, as established in the Definitive Agreement, to determine the maximum capacity of the Unit(s) at 100% Base Load ("**Maximum Capacity**") to confirm the ability of the Unit(s) to achieve the Monthly Contract fixed payment. This section is relevant only for unit contingent Energy products.
Gas Delivery Point	PG&E Citygate or Socal Gas, depending on the location of the Unit supporting the Energy portion of the Product. This section is relevant only for unit contingent Energy products (and under Option B in the section below) if Buyer supplies the fuel.
Energy Call and Scheduling Rights, Minimum Operating Flexibility	As a minimum threshold for shapeable Energy, Buyer shall have at least hour-ahead call rights. Seller shall select from one of the following: A) Hour-ahead call rights, Buyer's call on Energy must be for continuous hours and at constant rate of delivery each hour. Adjustments to the initial hour-ahead calls are allowed so long as continuous hour and constant rate of delivery criteria continue to be satisfied. First delivery hour scheduling must be consistent with prevailing CAISO protocol. Minimum number of hours may be specified by Seller ("**Option A**"); or B) Full dispatch rights, including hour-ahead call rights and real-time scheduling rights, as permitted by CAISO protocol. Seller may also offer Ancillary Services ("**Option B**"). Options A or B are applicable for unit contingent Energy. Only Option A is applicable for non-unit contingent Energy.

If Options A or B are offered and under the CAISO's market redesign ("**MRTU**") day-of or hour-ahead call rights are not deemed as beneficial by the Buyer, the operating flexibility will revert to day-ahead call rights at the discretion of the Buyer, with Buyer being able to call on Energy for any number of hours subject only to a minimum number of hours and operational constraints specified by the Seller in Attachment 4 for Options A or B.

Scheduling Protocols

For unit contingent Energy, Seller shall provide a complete notice of each Unit's availability on a month-ahead, week-ahead and day-ahead basis, to the best of the Seller's ability. In addition, Seller shall notify Buyer of any event that would constrain or reduce the output of the Unit as soon as practicable but at least within 10 minutes of the event, and shall provide an estimate of the expected duration of such event within 1 hour thereafter. If the event duration is greater than 24 hours, the Seller will update Buyer daily with any revised estimates regarding each Unit's return to full output capability. Seller must notify Buyer of any event constraining or reducing output whether or not the Unit is scheduled for operation. Seller shall notify Buyer promptly at the time the availability of capacity previously unavailable is restored, whether or not the Unit is scheduled for operation.

Notwithstanding anything to the contrary contained herein, for unit specific Energy under Option B, Buyer will be the SC for the Unit(s). Scheduling shall be in full compliance with CAISO Tariffs protocols and Western Electricity Coordinating Council ("WECC") scheduling practices for day-ahead, hour-ahead and real-time Energy and/or Ancillary Services.

For Energy provided under Option A, regardless of whether the Energy is unit contingent, the Energy will be scheduled as an SC-to-SC trade between Buyer and Seller. Hour-ahead calls for Energy are exercised at least 30 minutes before the closure of the CAISO Hour Ahead market for a given hour.

To the extent Buyer chooses to schedule energy on a day ahead basis, daily calls for Energy shall be exercised by 6:30 a.m. PPT on the industry standard trading day for day-ahead Energy. For example, the WECC practice of trading two days (Friday and Saturday) on Thursday dictates that the daily call for Friday shall be exercised on Thursday and the daily call for Saturday shall also be exercised on Thursday, but the call for each day, if any, shall be independent of the call for the other day. Likewise, the daily call for Sunday and the daily call for Monday shall be independently exercised on Friday. If Buyer schedules energy on a day-ahead basis, Buyer reserves the right to rescind or modify the Day Ahead schedule at least 30 minutes before the closure of the CAISO Hour Ahead market for the applicable hour(s).

Seller shall adhere to Buyer's schedule (provided that Buyer's schedule may be superseded by instruction of the CAISO and by law).

Uninstructed Deviations

Buyer shall have no obligation or liability of any kind with respect to any uninstructed deviations. Should Seller fail to delivery Energy and/or Ancillary Services in a manner to comply with Buyer's dispatch schedule (unless due to an Unscheduled Outage or CAISO instructed operations) and a deviation occurs between the scheduled Energy and the delivered Energy or between scheduled Ancillary Services and delivered Ancillary Services ("**Seller's Deviation**"), Seller shall reimburse Buyer for any charges Buyer incurs as a result of Seller's Deviation, including charges imposed on Buyer as the SC (if applicable), by the CAISO for Seller's Deviation, including but not limited to the costs of real-time or replacement Energy and/or Ancillary Services and penalties; Buyer's additional gas costs if any (if Buyer is fuel supplier); and any amounts paid by Buyer to Seller for Energy and/or Ancillary Services not delivered; net of the revenues Buyer as SC receives from CAISO due to Seller's Deviation ("**Deviation Charges**"). However, all CAISO-instructed deviations from Buyer's Schedule shall be for the account of Buyer.

Operational Constraints

As applicable, the operational constraints of the Unit(s) for Energy shall be those set forth in response to the RFO on Attachment 4.

Delivery Point

For unit contingent Energy Options A or B, the "**Delivery Point**" is a specified interconnection point on PG&E's transmission system (to be specified by Seller in Attachment 4) within what is presently defined as NP15. The point of interconnection of the substation must be within the CAISO-controlled grid.

For non-unit contingent Energy under Option A, the Delivery Point is what is presently defined as NP15. If at any time during the Delivery Term the CAISO or a successor organization replaces the current NP-15 zone with a nodal system, then the new delivery point for this Transaction shall be the Existing Zone Generation NP15 Trading Hub ("**NP15 EZ Gen Hub**"), as such trading hub is contemplated by the CAISO in its market design whitepaper entitled "CAISO Status Update on the Development of Trading Hubs Under LMP", dated October 26, 2004, as updated by a presentation made at the CAISO Stakeholder Meeting made on January 11, 2005 ("**CAISO Materials**"), subject to reasonable modification by the CAISO and regardless of whether (i) the NP15 EZ Gen Hub is referred to by another name, (ii) the weighting factors used to calculate the NP15 EZ Gen Hub change and/or (iii) there is physical validation at the NP15 EZ Gen Hub, if such Generation Hub is designated for Energy delivery. However, if the NP 15 Gen Hub is not so designated, the Parties shall in good faith negotiate a new delivery point that most accurately reflects the characteristics of the NP-15 zone and maintains the balance of benefits and burdens of the Parties as they exist on the date of the Definitive Agreement.

If at any time during the Delivery Term the CAISO or a successor organization replaces the current NP-15 zone with one or more new zones, then the Parties shall negotiate in good faith to select a new zone as the new delivery point and shall mutually agree in writing as to the new delivery point within 60 days of issuance by the CAISO or a successor organization of the official resolution creating such new zone or zones. However, should the Parties not so agree in writing within 60 days, the new delivery point shall be composed of a point or points that most accurately reflect the characteristics of the previous NP15 zone and which maintain the balance of benefits and burdens of the Parties as they exist on the date of the Definitive Agreement.

Electric Interconnection and Transmission Service

Seller shall be responsible for all costs related to facilities required to maintain interconnection of any specified Unit (if applicable) to the Delivery Point and enable Energy to be delivered to the grid at the Delivery Point, consistent with all standards and provisions set forth by the FERC, CAISO or any other applicable governing agency and the interconnecting transmission owner.

Seller shall be responsible for the costs of delivering its Energy to the Delivery Point consistent with all standards and provisions set forth by the FERC, CAISO or any other applicable governing agency or tariff.

This section is relevant only for unit contingent Energy products.

Fuel Supply and Transportation

Seller shall specify whether Buyer or Seller is responsible for all arrangements for and costs of fuel supply and delivery, including all ancillary services such as balancing or storage.

This section is relevant only for unit contingent Energy products and only for Energy provided under Option B, should the Seller require Buyer to provide fuel to the Unit(s).

Guaranteed

Seller shall meet the following "**Guaranteed Availability**" requirements:

Availability for Unit Contingent Energy Products

Summer Months:
96.0% Availability
Non Summer Months:
92.0% Availability

The calculation for "**Availability**" is:
$totpotenrgy_m/[cap_m*(mnthhrs_m-mainthrs_m)]$

Where:
$totpotenrgy_m$ is the total amount of Energy (measured in MWh) that the Unit(s) could have produced for the month to which the calculation applies if it had been scheduled at its full Monthly Contract Capacity ("**MCC**") for such month (measured in MW) for every hour in which the Unit(s) was available to operate for Buyer, exclusive of hours in which the Unit(s) was unavailable due to Planned Maintenance. Hours in which the Units were unavailable to Buyer (in whole or in part) due to outages other than Planned Maintenance, including forced outages and Force Majeure, or due to failure of Seller to provide notice to Buyer of the Unit's(s') availability and capability to operate or due to a failure of the Unit(s) to deliver Energy or Ancillary Services in accordance with the schedules established by Buyer (or CAISO instruction), unless attributable to ambient conditions, shall be excluded from the determination of $totpotenrgy_m$ to the extent of such unavailability (which may be less than 100%). Accordingly, $totpotenrgy_m$ will reflect a proportional downward adjustment from the MCC for deratings, partial outages of Unit(s) and partial hours of unavailability, as well as for full hours in which the Unit(s) were entirely unavailable. To the extent the Unit(s) were unavailable to Buyer due to instruction of the CAISO, the Unit(s) shall be deemed to have been available for purposes of determining $totpotenrgy_m$. If Seller's availability notice is not timely enough to permit Buyer to schedule the Unit in the Day-Ahead Market (or such other period as the Parties agree), the Unit will be deemed to be unavailable for purposes of determining $totpotEnergy_m$.

cap_m is the Monthly Contract Capacity of the Unit(s) committed to Buyer for the applicable month, as defined in the Definitive Agreement

$mnthhrs_m$ is the total amount of hours for the month

$mainthrs_m$ is the total amount of hours that the plant was unavailable due to Planned Maintenance, taken in accordance with the Maintenance Outage protocol.

This section is relevant only for unit contingent Energy products.

Non-Availability

Every month the Fixed Payment for Energy Call Rights (see definition

Discount (also known as Non-Performance Penalties) for Unit Contingent Energy Products	below) due Seller from Buyer for that month will be subject to reduction for shortfalls in Guaranteed Availability for that month. The applicable "**Non-Availability Discount**" will be equal to: Summer Months: If Availability is between 70% and 96%, then 2% reduction in Fixed Payment for Energy Call Rights for every 1% reduction in Availability below 96%; and Non-Summer Months: If Availability is between 60% and 92%, then 2% reduction in Fixed Payment for Energy Call Rights for every 1% reduction in Availability below 92%. In the event that the availability drops below 70% in any Summer Month or 60% in any Non-Summer Month, Buyer shall have no obligation to make Fixed Payment for Energy Call Rights for the month when Availability dropped below the 70% or 60% thresholds. In addition to the above, in the event that the Unit(s) are under contract to provide Ancillary Services under Option B, and fails to meet the standards established by the CAISO for the provision of Ancillary Services (e.g., Section 2.5.25 of the CAISO, or such additional or substitute standards as may be applicable from time to time), the Fixed Payment for Energy Call Rights shall be reduced by an amount equal to the charges assessed on Buyer due to such failure. This section is relevant only for unit contingent Energy products.
Availability Bonus Structure for Unit Contingent Energy Products	Every Summer Month that Seller exceeds Guaranteed Availability for such month the Capacity Payment for such month shall be determined in accordance with the following: Summer Month at 97% or above = 102.0% of Capacity Payment This section is relevant only for unit contingent Energy products.
Maintenance Outages for Unit Contingent Energy Products	Seller will be responsible for all operation and maintenance of the Unit(s) and will bear all costs related thereto. The Parties shall agree to, and include in the Definitive Agreement, detailed "**Maintenance Protocol**" for the Unit(s), subject to inclusion of the following: • Seller shall provide a schedule of its expected annual planned partial or full maintenance outages ("**Planned Maintenance**") for the next calendar year by September 1 of each year of the Contract Term; and shall update such schedule for each calendar quarter no later than 30 days before the commencement of such quarter.

- Planned Maintenance lasting longer than five consecutive days may be taken only after a minimum of 50 business days advance notice prior to the month in which the Planned Maintenance will occur. Planned Maintenance lasting longer than two consecutive days but shorter than five may be taken only after a minimum of 30 business days advance notice prior to the month in which the Planned Maintenance will occur. Planned Maintenance lasting less than two days may be taken only after a minimum of 15 business days advance notice prior to the month in which the Planned Maintenance will occur.
- There shall be no Planned Maintenance during Hours Ending ("**HE**") 7-22, Monday through Sunday, of the Summer Months and December and January, absent written pre-approval of Buyer;
- Planned Maintenance outages, be they full or partial Planned Maintenance Outages, may not exceed 1,000 hours total in any consecutive 12 month period when major maintenance overhauls are required or 250 hours total in any consecutive 12 month period without major maintenance overhauls, without the written consent of Buyer;
- Seller may schedule only one major maintenance overhaul during the Contract Term without the written consent of Buyer;
- Any Planned Maintenance outage shall be scheduled and coordinated with Buyer and the CAISO (and if Buyer is the SC, Buyer shall schedule Planned Maintenance with the CAISO); and
- Outages taken outside of the times permitted for Planned Maintenance or not otherwise in accordance with the Maintenance Protocol shall be treated as forced outages and the Unit(s) will be deemed to be unavailable during such periods for purposes of determining Availability; Capacity Payment and Fixed O&M Payment reductions due to reduced Availability may apply.

This section is relevant only for unit contingent Energy products.

Compensation:

(A). "**Fixed Payment for Energy Call Rights**"— specify the annual values in Attachment 4 as $ per kW-year (price to include right for all Energy related Products, including Ancillary Services, if applicable;

(B). "**Fixed Payment for RA**" — specify the annual values in Attachment 4 as $ per kW-year for the Resource Adequacy attribute. This fixed payment may be separate, or bundled with the fixed payment rate in (A) above;

(C). "**Variable O&M Price**"— specify the Price or prices in Attachment 4 as $ per MWh;

(D). "**Energy Price**" (if applicable)—specify the price or prices in Attachment 4 as either: (1) $ per MWh; or (2) MMBtu/MWh multiplied by Platt's Gas Daily Index, PG&E City-gate, Midpoint (the "**Spot Gas Price**").

The Fixed Payment for Energy Call Rights and Fixed Payment for RA are allocated monthly per the schedule in Attachment 1 and multiplied by the Monthly Contract Capacity of the Unit(s) committed to Buyer for the specific month to determine the applicable total monthly fixed payment ("**Capacity Payment**"). Fixed Payment for Energy Call Rights and Fixed Payment for RA will be paid monthly, in arrears, for each month of the Contract Term. The Fixed Payment for Energy Call Rights is subject to the Non-Availability Discount, as applicable for that month. If the Contract Term includes partial years, the Fixed Payment for Energy Call Rights and Fixed Payment for RA shall only reflect the cost for such partial year, and the payment price shall be allocated monthly based on the relative value of the partial year's monthly allocation factors. That is, the specified fixed prices are what are due to the Seller for the partial year, shaped by the applicable monthly allocation factors. Ninety days prior to a start of a full calendar year, Buyer may notify Seller of modifications to Attachment 1. Buyer may not modify Attachment 1 such that any individual month has a percentage allocation of less than 4% or greater than 15%; and the total in any calendar year must equal 100%. Buyer may not modify Attachment 1 in a manner that if Seller has one or more partial years defined in its Delivery Period, that the total fixed payment to the Seller is impacted by modification of the monthly allocation factors.

"**Variable O&M Payment**": For each month of the Delivery Term, the Variable O&M Payment will equal the Variable O&M Price multiplied by the amount of Energy scheduled by Buyer in the applicable month.

Start-Up Costs

A "**Start-Up**" is any schedule adjustment by Buyer that will require that the Unit(s) begin producing Energy at no less than minimum dispatch level output from a state of no or zero production. Start-Ups can be classified in the following manner:

- Hot start: "x"number of hours or less since shutdown;
- Warm start: Greater than "x," up to and including "y," number of hours since shutdown; and
- Cold start: greater than "y" hours since shutdown.

Where the "x" and "y" are defined in Attachment 4.

For each Hot, Warm, or Cold start, Buyer will (1) provide or compensate Seller the quantities of gas per start for Unit(s) Start-Ups ("**Start Up Fuel Amounts**") (i) necessary to meet Buyer's schedule and (ii) following a shutdown of the Unit(s) at the end of a Buyer requested scheduling period, and (2) pay Seller the associated costs for each Start-Up ("**Start-Up Charge**"), each as specified by Seller in Attachment 4. Seller shall also specify in Attachment 4 the amount of time, in minutes, required for Start-Up (from zero schedule to Minimum Schedule)and the maximum number of starts allowed per year for each year of the Contract Term

Buyer will not provide fuel, or pay for a Start-Up (and such Start-Up will not be counted toward the maximum number of Start-Ups allowed) if the preceding shutdown was caused by a unit trip or an outage that was not scheduled by Seller.

This section is relevant only for unit contingent Energy products.

Billing and Payment

Each month during the Contract Term, Seller shall invoice Buyer, in arrears, for all Compensation amounts, including all fixed payment components (with Non-Availability Discounts or Availability Bonuses), the Start-Up Charges, Energy and Variable O&M Payments. Each month during the Contract Term, Buyer shall invoice Seller, in arrears, for the Deviation Charges, including those CAISO charges which have been charged to Buyer and not previously invoiced to Seller for which Seller is responsible for paying to Buyer pursuant to the Definitive Agreement (which due to delays in CAISO billing, may relate to months prior to that most recently ended); and in addition, any fuel related expenses (including without limitation the gas imbalance charges) for which Seller is responsible, and the Non-Availability Discount as it applies to Ancillary Services, if applicable, for such month. If each Party is required to pay the other an amount in the same month pursuant to the Definitive Agreement, then the Party owing the greater aggregate amount will pay to the other Party the difference between the amounts owed. Payment of all undisputed amounts owed shall be due by the later of ten days after delivery of the owed Party's invoice or the twentieth day of the month (or, in each case, if the due date is not a business day, on the next following business day). The Parties shall resolve disputed amounts pursuant to a dispute resolution process to be included in the Definitive Agreement. In the event of termination, Buyer, as calculation agent, shall determine the amount of the Termination Payment, and either (a) if Seller is the owing Party, provide Seller an invoice within ten business days of the termination date, which shall be due within 10 business days after receipt; or (b) if Buyer is the owing Party, pay Seller the Termination Payment within 20 business days of the termination date.

Events of Default

In addition to the applicable Master Agreement, a Party will be in Default under the Definitive Agreement upon the occurrence of, including but not limited to any of the following:

Applicable only to Seller:

- Any material asset of Seller is taken upon execution or by other process of law directed against Seller or if taken upon or subject to any attachment by any creditor of or claimant against Seller and the attachment is not disposed of within twenty-one (21) days after its levy.
- Upon the occurrence of any material misrepresentation or omission in any metering or any report or notice of availability required to be made or delivered by Seller to Buyer by the provisions of the Definitive Agreement, which misrepresentation or omission is caused by Seller's willful misconduct, gross negligence or bad faith.
- Seller fails to comply with Resource Adequacy requirement of the Definitive Agreement.
- During the Contract Term, the Unit(s) are below 70% Availability for a period of 6 consecutive months, and such reduction in Availability is not due to Force Majeure events. This applies only to unit contingent Energy products;
- During the Contract Term, Force Majeure events prevent the Unit from achieving at least 70% Availability for a period of 12 months over the Contract Term. This applies only to unit contingent Energy products.

Applicable to both Parties:

- A Party fails to pay an amount when due and such failure continues for ten business days after notice thereof is received.
- A Party fails to perform any of its material obligations under the Definitive Agreement and such default continues for thirty (30) Days after notice thereof is received, specifying the Event of Default; provided, however, that such period shall be extended for an additional reasonable period if cure cannot be effected in thirty (30) days and if corrective action is instituted by the defaulting Party within the thirty (30) day period and so long as such action is diligently pursued until such default is corrected.
- A Party applies for, consents to, or acquiesces in the appointment of a trustee, receiver, or custodian of its assets (including, in the case of Seller for a substantial part of the Unit(s)), or the initiation of a bankruptcy, reorganization, debt arrangement, moratorium or any other proceeding under bankruptcy laws.
- Absent the consent or acquiescence of a Party, appointment of a trustee, receiver, or custodian of its assets (including in the case of a Seller, for a substantial part of the Unit(s)), or the initiation of a bankruptcy, reorganization, debt arrangement, moratorium or any other proceeding under bankruptcy laws, which in either case, is not dismissed within sixty (60) days.
- A Party fails to comply with Credit Requirement provisions of the

Definitive Agreement including without limitation failure to post the initial Collateral Requirement when due.

- Any governmental approval necessary for a Party to be able to perform all of the transactions contemplated by the Definitive Agreement expires, or is revoked or suspended and is not renewed or reinstated within a reasonable period of time following the expiration, revocation, or suspension thereof, by reason of the action or inaction of such Party and such expiration, revocation or suspension creates a material adverse impact on the other Party.
- Upon the occurrence of any material breach of any representation, covenant, or warranty made by a Party made in the Definitive Agreement, thirty (30) days after the written notice from the other Party that any material representation, covenant or warranty made in the Definitive Agreement is false, misleading or erroneous in any material respect.

Force Majeure

"**Force Majeure**" shall mean any event or circumstance to the extent beyond the control of, and not the result of the negligence of, or caused by, the Party seeking to have its performance obligation excused thereby, which by the exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome, including but not limited to: (1) acts of God, including but not limited to landslide, lightning, earthquake, storm, hurricane, flood, drought, tornado, or other natural disasters and weather related events affecting an entire region which caused failure of the Unit(s); (2) fire or explosions; (3) sabotage, riot, acts of terrorism, war and acts of public enemy; or (4) restraint by court order or other governmental authority. Force Majeure shall not include (i) a failure of performance of any Third Party, including any party providing electric transmission service or natural gas transportation, except to the extent that such failure was caused by an event that would otherwise satisfy the definition of a Force Majeure event as defined above, (ii) failure to timely apply for or obtain Permits, (iii) breakage or malfunction of equipment, (except to the extent that such failure was caused by an event that would otherwise satisfy the definition of a Force Majeure event as defined above), or (iv) a labor strike associated with the Seller.

Except as provided above in Events of Default by Seller due to extended reduced unit Availability, a Party shall not be considered to be in default in the performance of its obligations under the Definitive Agreement to the extent that the failure or delay of its performance is due to an event of Force Majeure; and the non-affected Party shall be excused from its corresponding performance obligations to the extent due to the affected Party's failure or delay of performance. Notwithstanding the forgoing, (i) a failure to make payments accrued prior to the event of Force Majeure when due shall not be excused; and (ii) the unavailability of the capacity of the Units due to Force Majeure shall be deemed to be unavailability for purposes of determining Availability and the Non-Availability Discount.

If the Unit is available but Buyer is unable to take Energy due to Force Majeure, Buyer will continue to make Fixed Payments for Energy Call Rights and Fixed Payments for RA, but the Fixed Payments for RA shall continue only if Buyer is still able to count the RA Capacity.

Metering

The electric meters shall meet all specifications of the CAISO, and shall be checked annually by Seller, who shall provide Buyer with not less than 14 days prior notice of such tests. Similarly, gas meters must meet applicable specification of the service provider and shall be checked annually by the Seller or the service provider; and Seller shall provide Buyer with not less than 14 days prior notice of such tests. Buyer will have the right to have a representative(s) present during such tests.

Either Party may from time to time request a retest of the meters if it reasonably believes that the meters are not accurate within the tolerance limits established by the CAISO or the applicable service provider. The requesting Party shall pay for any such retest and shall provide the other Party with not less than 14 days prior notice of such retest. Such other Party will have the right to have a representative present during such retest. If any tested or retested meter is found to be not accurate within the tolerance limits established by the CAISO or the applicable service provider, Seller shall promptly arrange for the correction or replacement of the meter, at its expense, and the Parties shall use the measurements from the back-up meters to determine the amount of the inaccuracy. If the back-up meters are found to be not accurate within the tolerance limits and the Parties cannot otherwise agree as to the amount of the inaccuracy, the inaccuracy will be deemed to have occurred during the period from the date of discovery of the inaccuracy to the earlier of (a) one-half of the period from such discovery to the date of the last testing or retesting of the meters or (b) 180 days. Any amounts due by Buyer or to be refunded by Seller as a result of any meter that is not accurate within the tolerance limits will be invoiced by such Party within 15 days of the discovery of such inaccuracy, with payment due within 30 days.

To support invoice settlement purposes, Seller shall provide Buyer with access to all real-time meters, billing meters and back-up meters (i.e., all metering). Seller shall authorize Buyer to view the Project's CAISO on-line meter data and any gas real-time metering. Within Schedule 3 of Seller's Meter Service Agreement with the CAISO, Seller shall identify Buyer as an authorized user with "read only" privileges.

This section is relevant only for unit contingent Energy products;

Compliance with Law, Environmental Risk and Indemnity	Seller, as owner and operator of the Unit(s), will be responsible for complying with all applicable requirements of law, the CAISO, NERC and the WECC, whether imposed pursuant to existing law or pursuant to changes enacted or implemented during the Contract Term, including all risks of environmental matters relating to the Unit(s) or the site. Seller will indemnify Buyer against any and all claims arising out of or related to such environmental matters and against any costs imposed on Buyer as a result of Seller's violation of any applicable law, or CAISO, NERC or WECC requirements. For the avoidance of doubt, Seller will be responsible for procuring, at its expense, all permits and all emissions credits required for operation of the Unit(s) in compliance with law.
Credit Requirements	"**Credit Requirements**" The Credit Requirements for this Transaction shall be in accordance with the Master Agreement and with either the EEI Master Agreement or WSPP Master Agreement language below as applicable:

EEI Master Agreement

Notwithstanding anything to contrary contained in the Master Agreement, during the full term of Transaction the Parties agree that should Seller not maintain at least a senior unsecured debt rating or issuer rating of at least BBB- by Standard & Poor's ("**S&P**") and Baa3 by Moody's an Independent Amount shall apply to the Seller. The Independent Amount shall be equal to $_____ multiplied by the Contract Quantity. Such Independent Amount will be comprised of two component calculations as follows: (1) Energy: an amount adequate to cover 10 days of VAR per MW; and (2) RA: an amount equal to the greater of (i) 25% of the sum of the notional value of the RA for each year of the Contract Term, and (ii) $5/kw-year multiplied by the number of years of the Contract Term. The Independent Amount will be adjusted on an annual basis (on the first business day of each year) to reflect the appropriate amount for the remaining Contract Term.

The Parties also agree that during the full term of this Transaction Gains and Losses shall equal the difference between the initial monthly intrinsic value ("**Initial MIV**") and the current monthly intrinsic value ("**Current MIV**") as set forth in Attachment 2. Initial MIVs and Current MIVs shall represent full calendar months only, and shall never represent a mixing of two partial calendar months. Following Execution Date, the Initial MIVs shall be calculated for each individual calendar month of the Contract Term and the resulting Initial MIVs shall remain fixed throughout the Contract Term. The Current MIV shall be calculated weekly throughout the Contract Term and shall apply only to the remaining calendar months of the Delivery Term.

WSPP Master Agreement:

Notwithstanding anything to the contrary in the Master Agreement, the Parties agree that the following shall apply for the full Contract Term:

The "**Collateral Requirement**" is the amount calculated which is equal to (x) less (y), but no less than zero, where:

(x) is

the Termination Payment, if any, that would be owed to the Beneficiary Party (where "**Beneficiary Party**" means the Party entitled to receive, or that has received and is the beneficiary of, Performance Assurance provided by, or on behalf of, the Posting Party) if the Posting Party (where "**Posting Party**" means the Party required to post, or that has posted, Performance Assurance to, or for the benefit of, the Beneficiary Party) were the Defaulting Party under Section 22.1 of the WSPP Agreement. The Parties also agree that during the full Contract Term of Gains and Losses shall equal the difference between the initial monthly intrinsic value ("**Initial MIV**") and the current monthly intrinsic value ("**Current MIV**") as set forth in Attachment 2. Initial MIVs and Current MIVs shall represent full calendar months only, and shall never represent a mixing of two partial calendar months. Following the Execution Date, the Initial MIVs shall be calculated for each individual calendar month of the Contract Term and the resulting Initial MIVs shall remain fixed throughout the Contract Term. The Current MIV shall be calculated weekly throughout the Contract Term.
<u>plus</u>

the damages, if any, solely under Section 21.3 of the WSPP Agreement that would be owed to the Beneficiary Party if the Posting Party were the Non-Performing Party,
<u>plus</u>

any further and additional amounts due for rendered performance by the Beneficiary Party to the Posting Party under any WSPP Agreement transactions, whether or not invoiced or due,
<u>plus</u>

when the Beneficiary Party is the Buyer and the Posting Party is the Seller (the Independent Amount shall not be used in the Collateral Requirement calculation as it applies to Buyer as the Posting Party), the Parties agree that should Seller not maintain at least a senior unsecured debt rating or issuer rating of at least BBB- by Standard & Poor's ("**S&P**") and Baa3 by Moody's an Independent Amount shall apply to the Seller. Such Independent Amount shall be equal to $_____ multiplied by the Contract Quantity. ("**Independent Amount**"). Such Independent Amount will be comprised of two component calculations as follows: (1) Energy: an amount adequate to cover 10 days of VAR per MW; and (2) RA: an amount equal to the greater of (i) 25% of the sum of the notional value of the RA for each year of the Contract Term, and (ii) $5/kw-year multiplied by the number of years of the Contract Term, The Independent Amount will be adjusted on an annual basis (on the first business day of each year) to reflect the appropriate amount for the remaining Contract Term.

(y) is

the amount of Performance Assurance previously provided by or otherwise credited to the Posting Party for the benefit of the Beneficiary Party and not released as of the time the Beneficiary Party made the demand
plus

the Collateral Threshold applicable to the Posting Party.

Non-Inclusive; Non-Binding; Definitive Agreement	This Term Sheet does not contain all matters upon which agreement must be reached in order for the Transaction to be completed. This Term Sheet does not create and is not intended to create a binding and enforceable contract between the Parties with respect to the Transaction. A binding commitment with respect to the Transaction can only result from the execution and delivery of a mutually satisfactory Definitive Agreement and the satisfaction of the conditions set forth therein, including the approval of such Definitive Agreement by all applicable governing and/or regulatory body(ies) and the management of PG&E, which approval shall be in the sole subjective discretion of the respective governing and/or regulatory body(ies) and management.

Attachment 1 – Fixed Payment Allocations by Month

January	8%
February	5%
March	4%
April	4%
May	4%
June	8%
July	14%
August	15%
September	11%
October	9%
November	9%
December	9%

Attachment 2 -- Valuation Formulae for Credit Requirements

Formula Definitions:

t0 – date Definitive Agreement approved by the appropriate regulatory bodies
t - ongoing Transaction date after Execution Date
Ppeak(i, t) - price of monthly forward NP-15 defined peak Energy for month *i* as observed at the moment of time *t* measured in $/MWh
Poff-peak(i, t) - price of monthly forward NP-15 defined off-peak Energy for month *i* as observed at the moment of time *t* measured in $/MWh
Pgas(i, t) - price of monthly forward gas for month *i* as observed at the moment of time *i* measured in $/MMBtu
VOM, - Variable O&M (measured in $/MWh) for year of current month set forth in Definitive Agreement for month *i*
HR – the Heat Rate at Maximum Capacity set forth in the Definitive Agreement at ISO Conditions
HourlyVolume – Maximum MW size set forth the Definitive Agreement for the specific month
NumberofPeakHours(i) - number of WECC defined peak hours in month *i*
NumberofOff-PeakHours(i) - number of WECC defined off-peak hours in month *I*

Calculation of "Mark-to-Market Value":

Mark-to-Market Value = Sum Over Remaining Calendar Months [Gains or Losses(i)]

Gains or Losses(i) = MIV(i,t) - MIV(i,t0)

Initial MIV calculation formula:

MIV(i,t0) = [NumberOfPeakHours(i) * max[(Ppeak(i,t0) - HR*Pgas(i,t0) - VOM,), 0] * HourlyVolume] + [NumberOfOff-PeakHours(i) * max[(Poff-peak(i,t0) - HR * Pgas(i,t0) - VOM,), 0] *HourlyVolume]

Initial MIV will be calculated once at *t0* for the expected delivery life of the Transaction.

Current MIV calculation formula:

MIV(i,t) = [NumberOfPeakHours(i) * max[(Ppeak(i,t) - HR*Pgas(i,t) - VOM(i)), 0] * HourlyVolume] + [NumberOfOff-PeakHours(i) * max[(Poff-peak(i,t) - HR * Pgas(i,t) - VOM(i)), 0] *HourlyVolume]

Attachment 3— Resource Adequacy Requirements

1. Definitions for purposes of Attachment 3 to this Term Sheet:

1.1 "Resource Adequacy ("RA") Capacity Product, or RA Capacity" means the qualified and deliverable capacity from Unit(s) that can be counted toward Buyer's Resource Adequacy Requirements ("RAR") as described in D.04-10-035 and D.05-10-042, and as may be amended from time to time by the California Public Utilities Commission ("CPUC") in the Resource Adequacy phases of Rulemaking 04-04-003 or by any successor proceeding, and all other resource adequacy requirements established by any other regional entity responsible for RAR. RA Capacity does not confer to Buyer any right to the Contract Quantity of Seller's Unit(s) other than the right to count such Contract Quantity toward Buyer's RAR during the Delivery Period. Specifically, no Energy associated with Seller's Unit(s) is required to be made available to Buyer as part of this RA Capacity obligation, and Buyer shall in no way be responsible to compensate Seller for any commitments to CAISO as set forth in this Transaction.

1.2 "Contract Quantity" means the amount of RA Capacity as set forth in this Transaction.

1.3 "Unit" or "Units" shall mean the generation assets described as follows [Note: to be repeated for each Unit if more than one.]:

Name (not applicable for imports): ____________________________________

Location (not applicable for imports):__________________________________

Substation Name (point of interconnection with the CAISO Controlled Grid) ("Substation") or point of import (COB or other point specified by Seller) at which Energy will be scheduled ("Import Point"):

____

Current CAISO Zone (NP15, ZP26, or SP15) in which Substation resides (not applicable for imports): ____

2. Representation and Warranties:

2.1 Seller and Buyer represent and warrant that throughout the Delivery Term they shall take all commercially reasonable actions and execute any and all documents or instruments reasonably necessary to ensure Buyer's right to the use of the Contract Quantity for the sole benefit of Buyer's RAR. Such commercially reasonable actions may include but are not be limited to the following:

A. Cooperating with and encouraging the regional entity responsible for resource adequacy administration to certify or qualify the Contract Quantity for RAR purposes. This includes meeting requirements established by the CPUC in its resource adequacy counting protocols, including demonstration of the ability to deliver the Contract Quantity over all hours required for full RAR eligibility, and demonstrating that the Contract Quantity can be delivered to the CAISO Controlled

Grid, pursuant to "deliverability" standards established by the CPUC or other regional entity or entities responsible for RA administration;

B. Negotiating in good faith to make necessary amendments, if any, to this Transaction to conform this Transaction to subsequent clarifications, revisions or decisions rendered by the CPUC or regional entity or entities responsible for RA administration, so as to maintain the benefits of the bargain struck by the Parties; and

C. Using "Good Utility Practice," as defined in the CAISO Tariff, with respect to maintenance of Unit(s); however, such commercially reasonable actions shall not include any obligation that the Seller undertake capital improvements, facility enhancements, or the construction of new facilities.

2.2 Seller represents and warrants that throughout the Delivery Term:

A. Seller has ownership of, or a demonstrable exclusive right[1] to control the Unit(s) located within the CAISO Control Area or connected to the CAISO Controlled Grid;

B. Buyer has the exclusive right to count the Contract Quantity from Unit(s) toward Buyer's RAR;

C. No portion of the Contract Quantity has been committed by Seller to any third party in order to satisfy RAR, or analogous obligations in other markets, unless through a Reliability Must Run ("RMR") contract between Seller and CAISO;

D. Should Seller schedule Contract Quantity as Energy outside the CAISO, or commit Energy to a third party in a manner that would result in scheduling up to the Contract Quantity as Energy outside the CAISO, it shall do so only as allowed by, and in accordance with, the CAISO Tariff and final RA rules approved by the CPUC; and

E. Seller shall abide by all applicable CAISO rules and procedures approved by the FERC, and RA rules approved by the CPUC.

3. CAISO Dispatch Requirements:

3.1 Unless Unit(s) are forced out of service, are undergoing planned maintenance or are affected by an event of force majeure that results in a partial or full outage, Seller shall commit the full remaining Contract Quantity to the CAISO in compliance with one or more of the following. In addition, imports shall be subject to the CPUC and CAISO subsequent rules and conditions that may be developed in order for imports to meet RA requirements:

A. Seller shall Self-Schedule the Contract Quantity for Energy delivery within the CAISO control area; if Seller schedules less than the full Contract Quantity, the remaining Contract Quantity will be subject to provisions of 3.1B, C or D below;

[1] Such rights could be acquired through bilateral contracting.

B. Seller shall bid the Contract Quantity[2] into the CAISO Day-Ahead integrated forward market ("DA IFM") for all hours of the operating day when such a market is established, and to the extent such bids are cleared in such CAISO DA IFM, Seller shall provide that portion of the Contract Quantity cleared in the DA IFM to the CAISO in accordance with the CAISO Tariff. To the extent the Contract Quantity is not cleared in such DA IFM, Seller shall schedule, or submit supplemental Energy or Ancillary Services bids regarding the remaining Contract Quantity volumes into the CAISO Hour-Ahead Scheduling Process ("HASP") (if such a market is established); however, any Unit(s) not committed through the DA IFM or Day-Ahead Residual Unit Commitment ("RUC")[3] and whose start-up time do not permit such Unit(s) to be committed in HASP will be relieved of its obligations for that operating day. Seller's Unit(s) will remain available to CAISO through its RUC process after each market closes, if such a process is developed.

C. If FERC's Must Offer Obligation ("MOO") is operative, Seller shall make all Unit(s) subject to MOO. In the event of a Must Offer Waiver Denial ("MOWD") by the CAISO, Seller shall submit supplemental Energy or Ancillary Service bids[2] to the CAISO from the Unit(s); and/or

D. If FERC's MOO is no longer operative and the CAISO has not implemented its Market Redesign Technical Update ("MRTU"), Seller shall make Unit(s) subject to the same obligations to the CAISO and timelines that exist under the current MOO process. Seller shall submit Hour-Ahead (if it exists) schedules and/or supplemental Energy or Ancillary Services bids[2] for the Contract Quantity for all hours for which the Unit(s) has been committed by the CAISO pursuant to the following rights granted by the Parties to the CAISO through this Transaction: (1) the CAISO shall have the right to commit any type of Unit(s) on a Day-Ahead basis; and (2) the CAISO shall have the right, on an intra-hour or Hour-Ahead basis, to call on supplemental Energy and/or Ancillary Services from only those Unit(s) whose start-up time permits such a call. The CAISO and appropriate stakeholders will work together to consider what, if any, successor tariff language is needed after the MOO obligation expires.

4. RA Capacity Delivery Point.

The Delivery Point for each Unit shall be the Substation Name or Import Point for each Unit as set forth in Section 1.3.

5. Other Payments if Seller is Scheduling Coordinator: Seller may keep any revenues received from CAISO in relation to (i) start-up and minimum load costs, (ii) capacity revenue for Ancillary Services, and (iii) Energy sales. If the CAISO compensates Seller with any non-Energy payments, excluding (i) and (ii) above, Buyer's payment obligation to the Seller shall be reduced by the amount of such non-Energy payments excluding (i)

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[2] The intent of referencing the CAISO Tariff is that Seller is not constrained on bidding Energy or Ancillary Services prices other than what is contained in the CAISO Tariff, unless otherwise agreed by Buyer and Seller.

[3] Seller's bid for capacity availability in the RUC process shall be priced at zero. Units contracted for RA purposes are intended to be price takers for capacity since that element has already been compensated for through this RA contract.

and (ii). However, Seller shall not be obligated to pay Buyer if non-Energy payments exceed Buyer's payment to Seller under the Definitive Agreement.

6. Indemnity Against Penalties: Seller agrees to indemnify Buyer for: 1) any monetary penalties assessed by the CPUC and/or the CAISO against the Buyer for Buyer's failure to meet the requirements of the CPUC and/or the CAISO related to the Buyer's obligation to submit an approved RA demonstration to the extent any such penalties were the result of Seller not fulfilling any of its obligations under this Confirmation Agreement and to the extent Seller has not provided Buyer sufficient notice to take action necessary to avoid such monetary penalties being assessed; and 2) costs incurred by Buyer to replace, if required, any RA Capacity to bring the total volume back to Contract Quantity specified in Section 1 for the applicable period. Notwithstanding the foregoing, Seller may replace any Product necessary for Buyer to make its equivalent RA demonstration.

Attachment 4
Intermediate Term Request For Offers Data Sheet
Fixed and Variable Pricing

		Pricing (fixed components)		Pricing (variable components)	
	Calendar year	Fixed Payment for Energy Call Rights ($/KW - year)	Fixed Payment for RA ($/KW - year)	Energy Price [**$/MWh** or (**specified HR**) * (Platt's Gas Daily, PG&E City-gate, Midpoint)]	Variable O&M Price ($/MWh)
1	2006				
2	2007				
3	2008				
4	2009				
5	2010				

<u>Note:</u>
For a variable energy price that is indexed to gas, enter HR in MMBtu/MWh

If the term includes partial years, the specified fixed charges for the applicable months of any partial year will be multiplied by the monthly allocation factors in Attachment 1 (Bidder does not receive the full specified fixed payment in that year)
To specify more detailed HR pricing, go to the worksheet labeled "Heat Rate"

Attachment 4

Intermediate Term Request For Offers Data Sheet

Declared Capacity for Resource Adequacy Purposes (repeat this worksheet as necessary for each Unit if multiple Units are bid)

Seller ______________________

Unit Name(s): ______________________

Delivery Location* ______________________ *Nearest substation or transmission line, if unit specific, otherwise state CAISO zone

CAISO ID ______________________

Gas Delivery Point* *Meter Set Location, if unit specific

Start date ______________________

End date ______________________

Size (MW) Complete Table Below

		Capacity Offered for RA											
	Calendar year	Jan. (MWs)	Feb. (MWs)	Mar. (MWs)	Apr. (MWs)	May (MWs)	Jun. (MWs)	Jul. (MWs)	Aug. (MWs)	Sep. (MWs)	Oct. (MWs)	Nov. (MWs)	Dec. (MWs)
1	2006												
2	2007												
3	2008												
4	2009												
5	2010												

Attachment 4
Intermediate Term Request For Offers Data Sheet
Heat Rate for Energy (if applicable)* * Not applicable for fixed price energy
(repeat this worksheet as necessary for each Unit if multiple Units are bid)

Seller ______________________
Unit Name(s): ______________________ If unit specific
Delivery Location* ______________________ * Nearest substation or transmission line, if unit specific, otherwise state CAISO zone, if unit specific
CAISO ID ______________________ If unit specific
Gas Delivery Point* ______________________ *Meter Set Location, if unit specific

Start date ________________
End date ________________
Size (MW) ________________

		Contract Guarantee MMBtus/MWh (HHV) @											
	Calendar year	Max Output		90% Output		75% Output		50% Output		25% Output		Minimum Output	
		Heat Rate	MWs	Heat Rate	MWs	Heat Rate	MWs	Heat Rate	MWs	Heat Rate	MWs	Heat Rate	MWs
1	2006												
2	2007												
3	2008												
4	2009												
5	2010												

Notes:
If energy can only be taken at the contract quantity, enter heat rate associated with Max Output
If bidder prefers to supply a HR curve, it may do so (applicable only for unit contingent energy under Option B)
There is no separate price for providing A/S. It should be embedded in the other cost components.

Attachment 4
Intermediate Term Request For Offers Data Sheet
Ancillary Services
(repeat this worksheet as necessary for each Unit if multiple Units are bid)

Seller ______________________
Plant Address ______________________
Delivery Location* ______________________ * Nearest substation or transmission line
CAISO ID ______________________
Gas Delivery Point* ____________________ 0 *Meter Set Location

		Ancillary Services		
	Calendar year	Spinning Reserve (Max MWs)	Non-Spinning Reserve (Max MWs)	Regulating Reserves (Max MWs)
1	2006			
2	2007			
3	2008			
4	2009			
5	2010			

Note:
Applicable only some for unit contingent energy offers under Option B

Attachment 4
Intermediate Term Request For Offers Data Sheet
Operating Flexibility
(repeat this worksheet as necessary for each Unit if multiple Units are bid)

Seller		
Plant Address		If unit specific
Delivery Location*		* Nearest substation or transmission line, if unit specific, otherwise state CAISO zone, if unit specific
CAISO ID		If unit specific
Gas Delivery Point*	0	*Meter Set Location, if unit specific

Energy Call Right Option (select one)
Option A ☐
Option B ☐

min # of hours if called,(if applicable) ☐

	Operating Constraints									
	Calendar year	Annual Maintenance (Hours)	Annual Energy Limit (GWh)	Minimum Scheduled (MWs)	Maximum Ramp Rate (MWs/Min)	Minimum UpTime after start (Hours)	Minimum DownTime after shutdown (Hours)	Cold Start Fuel (MMBtus)	Warm Start Fuel (MMBtus)	Hot Start Fuel (MMBtus)
1	2006									
2	2007									
3	2008									
4	2009									
5	2010									

		Operating Constraints (continued)										
	Calendar year	Cold Start Cost ($s)	Warm Start Cost ($s)	Hot Start Cost ($s)	Cold Start Time (minutes)	Warm Start Time (minutes)	Hot Start Time (minutes)	y: Cold Start Shut Down Time (> # Hours)	x: Hot Start Shut Down Time (< # Hours)	Cold Start Number Allowed Per year	Warm Start Number Allowed Per year	Hot Start Number Allowed Per year
1	2006											
2	2007											
3	2008											
4	2009											
5	2010											

Note:
Operating Constraints table applicable only to unit contingent energy offers
Bidder may specify additional conditions, as needed.

Appendix C

Mirant Delta, LLC Request For Offers
Dated December 26, 2005

Mirant Americas Energy Marketing, LP
Request for Proposal dated December 19, 2005 ("RFP")

RFP Description:	Mirant Americas Energy Marketing, LP ("Mirant") is seeking indicative pricing proposals for a tolling agreement for all Units (as defined below) which includes the sale of resource adequacy capacity, if available from the Units. "Units" shall mean (i) units #6 and #7 at the Contra Costa generating facility located in Antioch, California and (ii) units #5, #6 and #7 at the Pittsburg generating facility located in Pittsburg, California.
RFP Schedule:	Mirant plans to conduct the RFP according to the following schedule:

December 19, 2005	Issuance of RFP
December 21, 2005, 4:00 p.m. EPT	Notices of Intent to Bid due
December 21, 2005, 5:00 p.m. EPT	Confidentiality Agreement sent to Bidders
December 21, 2005 – December 29, 2005, 4:00 p.m. EPT	Tolling Agreement sent to bidders following execution of Confidentiality Agreement
January 4, 2006, 4:00 p.m. EPT	Submission of bids
January 9, 2006	Bidder(s) short-listed and contract negotiations begin
January 31, 2006	Finalize contract

Mirant reserves the right to revise the schedule as necessary.

Transaction:	The transaction structure is a tolling agreement for all Units, which includes the sale of resource adequacy capacity, if available, from the Units for a minimum delivery term of three (3) years. Mirant's preferred delivery term is five (5) years.
Tolling Agreement:	The interested bidder ("Buyer") will deliver fuel to Mirant's Units and Mirant will convert such fuel into energy and/or ancillary services when scheduled by Buyer ("Tolling Agreement"). The Tolling Agreement will include the commercial terms described in this RFP and provisions such as planned maintenance and operational limitations for each of the Units.
Resource Adequacy:	The Tolling Agreement will also govern Mirant's sale of resource adequacy capacity ("RA Capacity") to Buyer. RA Capacity means capacity from the Units that can be counted towards Buyer's resource adequacy requirements ("RAR") as described in Decision 04-10-035 dated October 28, 2004 and Decision 05-10-042 dated

October 27, 2005, issued by the California Public Utilities Commission ("CPUC") in Rulemaking 04-04-003. If, during the Delivery Period, a capacity product is established by the CPUC as a replacement to RA Capacity, Mirant and Buyer shall negotiate in good faith to convert the RA Capacity product into the newly established capacity product while attempting to restore to the parties, to the greatest extent possible, the benefit of their respective bargains on the effective date of the agreement(s).

Agreements: Following execution of the Confidentiality Agreement, Mirant will provide a draft Tolling Agreement to Buyer. Any winning bid(s) resulting from this RFP shall be conditioned on the negotiation of a mutually acceptable Tolling Agreement.

Unit Descriptions: Contra Costa Unit 6 ("CC6") and Contra Costa Unit 7 ("CC7")

CC6 and CC7 are 337 MW (net) natural gas fueled drum type steam generating units. They are interconnected to the 230 kV transmission system of Pacific Gas and Electric Company. The units have heat rates (at full load) of approximately 10,000 MMBtu/kWh and ramp rates of approximately 10 MW/minute through most of their load ranges. Minimum operating load is 45 MW. CC7 is equipped with low NOx burners and an SCR for NOx emissions reduction. CC6 is equipped with low NOx burners and FGR but is not equipped with an SCR. Full load NOx emissions on CC6 exceed 15ppm.

Pittsburg Unit 5 ("Pitt5") and Pittsburg Unit 6 ("Pitt6")

Pittsburg Units 5 and 6 are 312 MW and 317 MW (net) natural gas fueled drum type steam generating units. They are interconnected to the 230 kV transmission system of Pacific Gas and Electric Company. The units have heat rates (at full load) of approximately 10,000 MMBtu/kWh and ramp rates of approximately 5 MW/minute through most of their load ranges. Minimum operating load is 45 MW. Pitt5 and Pitt6 are equipped with low NOx burners and SCRs for NOx emissions reduction.

Pittsburg Unit 7 ("Pitt7")

Pitt7 is a 682 MW (net) natural gas fueled supercritical steam type generating unit. It is interconnected in NP-15 to the 230 kV transmission system of Pacific Gas and Electric Company. The unit has a heat rate (at full load) of approximately 10,000 MMBtu/kWh and a ramp rate of approximately 10 MW/minute through most of its load range. Minimum operating load is 85

MW. Pitt7 is not equipped with an SCR for NOx emissions reduction. Full load NOx emissions exceed 15ppm. Pitt7 is equipped with a closed cooling water system and is therefore not load restricted relative to cooling water.

Environmental Limitations:

Certain of the Units are subject to significant environmental limitations including, but not limited to, Delta Dispatch (as defined below) and NOx emissions limitations. Following execution of a Confidentiality Agreement by a Buyer, Mirant will provide a draft Tolling Agreement to such Buyer, which will describe the environmental limitations applicable to each Unit in greater detail.

Prior to submitting the Notice of Intent to Bid form, potential bidders should consider the following limitations related to the operation of the Units:

<u>Delta Dispatch Operating Restrictions</u>

Excluding Pitt7, as of the date of the issuance of this RFP, any operation of the Units during the striped bass entrainment season (May 1 through July 15) (the "Season") is restricted and may result in the payment of certain mitigation fees for operation ("Delta Dispatch"). Buyer will be liable for any such fees. The limitations described above may restrict dispatch during the Season and require coordination of the operation of the Units.

<u>Air Emissions Limitations</u>

The "Bay Area NOx Bubble" rule (Regulation 9, Rule 11 of the Bay Area Air Quality Management District - BAAQMD) requires that the combined NOx emissions from the Units does not exceed 15 ppm or 0.018 lb/MMBtu (the "Bubble Limit") during the Delivery Term. Given that the operation of certain Units could exceed 15 ppm, the dispatch of those Units will be subject to the dispatch and operation of the other Units in order to manage in total the Bubble Limit.

Bid Terms:

A bid should include, without limitation, the following proposed terms:

Delivery Term:

The "Delivery Term" shall (i) commence, at the earliest, on January 31, 2006, and, at the latest, on May 1, 2006, and (ii) end no later than December 31, 2016. Notwithstanding the foregoing, with respect to any Unit

		("RMR Unit"), which is subject to a Must-Run Service Agreement ("RMR Agreement") with the California Independent System Operator Corporation, the Delivery Term shall not commence until such time as the applicable RMR Unit is no longer subject to the applicable RMR Agreement.
	Pricing:	Indicative pricing broken out for energy call rights and RA Capacity.

Bid Checklist: Each bid must include the following minimum information:

1. The Credit Rating of the bidder or it proposed guarantor. If the bidder or its proposed guarantor has a Credit Rating of at least BBB- by Standard & Poor's Ratings Group and Baa3 by Moody's Investor Services, Inc. ("Investment Grade"), the bidder shall submit its audited, consolidated financial statements for 2005 or that of its guarantor, in either case, prepared in accordance with Generally Accepted Accounting Principles. If neither the bidder nor its proposed guarantor is Investment Grade, then the bidder shall detail the form of credit support that it or its guarantor can provide to support any performance and payment obligations under the Tolling Agreement. "Credit Rating" means with respect to a bidder, or its proposed guarantor, the respective ratings then assigned to such entity's unsecured, senior long-term debt (not supported by third party credit enhancement).

2. A summary or list of any proposed changes to the Tolling Agreement.

Confidentiality: Following Mirant's receipt of a Notice of Intent to Bid form, Mirant will email a Confidentiality Agreement to the bidder. Execution of such Confidentiality Agreement between Mirant and the potential bidder will be a condition precedent to Mirant providing the Tolling Agreement and/or any other information regarding the Units to the bidder. The Confidentiality Agreement will protect all information disclosed by Mirant to the bidder in connection with this RFP and any bid submitted by a bidder.

RFP Rules: 1. Mirant shall have the right, in its sole discretion, to accept or decline any bids submitted by participants.

2. Mirant shall have the right to select bids for each of the Units from different bidders or the same bidder.

3. Among all bids submitted, Mirant shall have the right to select a bid for any one or combination of the Units or no Unit.

4. The issuance of this RFP shall not be construed as an obligation or requirement of Mirant to select a winning bidder or enter into a binding agreement with such bidder.

5. Mirant shall have the right to modify or waive the commercial terms and/or the RFP rules described herein at anytime. By submitting a bid, a participant automatically relinquishes any claim or cause of action against Mirant related to the outcome or conduct of this RFP.

6. Mirant may withdraw or terminate this RFP at anytime.

Contact Information: All questions, requests for additional information, and submission of proposals should be directed in writing to Mirant's contact listed below:

Mirant Americas Energy Marketing, LP
1155 Perimeter Center West
Atlanta, GA 30338
Attention: Tim Delay
Telephone: 678.579.3143
Facsimile: 678.579.5815
Email: tim.delay@mirant.com

Mirant reserves the right to provide written responses to all bidders if it is deemed necessary to ensure that all bidders have equal access to the same information.

Exhibit A
Notice of Intent to Bid Form

The company named below ("Bidder") hereby gives notice to Mirant Americas Energy Marketing, LP ("Seller") of its intent to submit one or more bids to Seller pursuant to Seller's Request for Proposals issued December 16, 2005. Bidder acknowledges that this Notice of Intent to Bid is non-binding and does not form an obligation to submit a bid.

Bidder Information:

Company (full legal name):	
Company Mailing Address:	
Contact:	
Title:	
Phone:	
Fax:	
Email:	

Please return completed form to Tim Delay via email at tim.delay@mirant.com or via facsimile at 678.579.5815.

Authorized Signature: ____________________________

Name: ____________________________

Title: ____________________________

Date: ____________________________