

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



April 24, 2008

Advice Letter 3112-E

Brian K. Cherry  
Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

Subject: Qualifying Facilities Contract Amendments and Modifications

Dear Mr. Cherry:

Advice Letter 3112-E is effective September 29, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director  
Energy Division

August 30, 2007

**Advice 3112-E**

(Pacific Gas and Electric Company ID U 39E)

Public Utilities Commission of the State of California

**Subject: Qualifying Facilities Contract Amendments and Modifications**

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter to the California Public Utility Commission (CPUC) in compliance with Decision (D.) 06-12-009, *Opinion Approving Pacific Gas and Electric Company's 2005 Energy Resource Recovery Account (ERRA) Compliance*. PG&E requests that the Commission approve the qualifying facility (QF) contract amendments and modifications which are submitted in this advice letter as directed in Ordering Paragraph (OP) 3 of D.06-12-009.

**Background**

Decision D.06-12-009 clarified the process for submitting contract amendments and modifications to the Commission for approval. Specifically, OP 3 directs the utility to request approval of contract amendments and modifications by a separate advice letter or in the annual ERRA reasonableness application. Before this decision, PG&E had submitted routine and non-controversial contract amendments and modifications for approval in its quarterly procurement transaction (also called the procurement transaction quarterly compliance review (PTQCR)) advice letters as outlined in D.02-10-062, appendix B, *Adopted Master Data Request for Monthly Advice Letters*<sup>1</sup>. D.06-12-009 stated that the quarterly advice letter filing was not the appropriate vehicle for requesting approval of contract amendments and modification. Specifically, the Decision stated:

“The PTQCR is a compliance filing that explains why and how a utility enters into a contract. As such, the PTQCR is not an appropriate vehicle

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<sup>1</sup> The term “Monthly” was changed to “Quarterly” in a subsequent decision, D.03-06-076, OP 8.

for an approval request<sup>2</sup>. The PTQCR serves a specific purpose as defined in D.04-10-062, Conclusion of Law 7. That purpose is not compatible with a request for contract modifications. PG&E should file a separate advice letter when seeking Commission approval for contract amendments and modifications.”

Accordingly, PG&E submits this advice letter to promote timely review and approval of these contract amendments and modifications.

### **Compliance Items**

The contract amendments included in this filing fall into one of two categories: Letters of Extension of Standard Offer (SO) 1 agreements or amendments to Power Purchase Agreements (PPA) of existing Qualifying Facilities (QF).

#### **PPA Term extensions by Letter Agreement**

The following letter agreement extensions were executed to facilitate completion of contract negotiations or were pursuant to the terms of the contract.

##### ***Chevron USA Inc. Fee A Project (Log Number 25C130)***

PG&E agreed to extend the term of the PPA through March 31, 2007. Further negotiations resulted in an amended PPA (see below).

##### ***Chevron Richmond Cogeneration Project (Log Number 01C202)***

The current extended term of the PPA for this project was set to expire on March 31, 2007. In compliance with the PPA, since no written notice was tendered by either party, the term was automatically extended until March 31, 2008.

##### ***Covanta Power Pacific, Stockton Project (Log Number 16P001)***

PG&E agreed to extend this SO 4 agreement through February 28, 2007. Two additional letter extensions were executed to extend the agreement through March 31, 2007 and May 31, 2007, respectively. Further negotiations resulted in an amended PPA (see below).

#### **Letters of Extension – Incremental Energy:**

##### ***Snow Mountain Hydro – Cove Project (Log Number 13H013)***

PG&E agreed to extend the term of the Letter Agreement dated December 15, 2004, for the purchase of incremental energy from

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<sup>2</sup> This issue may be considered more fully in the Long-Term Procurement Plan proceeding (R.06-02-013), where the three major energy utilities may participate in a streamlining procurement reporting process.

December 1, 2006 through November 30, 2007. All other terms remain the same.

### **Commission Ordered Five-Year Amendment Extensions**

As a result of Decision 04-01-050, PG&E offered five-year Standard Offer 1 contracts at short-run avoided cost prices to any QFs with expiring PPAs provided that the (1) QF was in operation and under contract with PG&E to sell power at any time during the period between January 1, 1998 and the effective date of D.04-01-050 and that (2) the QF contract expired or is set to expire before January 1, 2006. Subsequently, D.05-12-009 directed PG&E to continue purchasing power from any QF (under the Standard Offer 1 agreement) with a contract set to expire after December 31, 2005 and before a final decision is issued in the combined Avoided Cost Rulemaking (R.) 04-04-003 and R.04-04-025. As of this date, the Commission has not issued such a final decision. Following is a list of QFs whose SO1 extensions are included in this filing:

- Coalinga Cogeneration Company (Log Number 25C124)
- Salinas River Cogeneration Company (Log Number 18C053)
- Sargent Canyon Cogeneration Company (Log Number 18C052)
- Chevron USA, Inc. (Fee A Project) (Log Number 25C130)
- Chevron USA, Inc. (Fee C Project) (Log Number 25C168)
- Covanta Power Pacific, Inc. – Stockton (Log Number 16P001)
- Covanta Power Pacific, Inc. – Salinas (Log number 18P014)

### **Non-Confidential Appendix A**

The supporting Non-Confidential Appendix A includes the following signed agreements:

- Snow Mountain Hydro – Cove Project
- Covanta Power Pacific, Stockton (3 letters)
- Chevron USA (Fee A Project) (1 letter and one amendment)
- Coalinga Cogeneration
- Salinas River Cogeneration
- Sargent Cogeneration
- Chevron USA (Fee C Project)
- Covanta Power Pacific, Stockton
- Covanta Power Pacific, Salinas

**Confidential Appendix B**

The Confidential Appendix B contains information, which is protectable material pursuant to D.06-06-066, Appendix I, Item VII, Section B, under Public Utilities Code 454.4(g) and 583. The supporting signed agreement in Confidential Appendix B is:

- Chevron Richmond Cogeneration Project

**Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **September 19, 2007**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [jinj@cpuc.ca.gov](mailto:jinj@cpuc.ca.gov)

Copies of protests also should be sent by e-mail and facsimile to Mr. Honesto Gatchalian, Energy Division, as shown above and by U.S. mail to Mr. Gatchalian at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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

**Effective Date**

PG&E requests that this advice letter become effective on regular notice, **September 29, 2007**, which is 30 calendar days after the date of filing. PG&E submits this as a Tier 2 filing.

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list **and the parties on the service lists for Rulemaking (R.) 01-10-024 and R.04-04-003**. Address changes to the General Order 96-B service list 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>



Vice President, Regulatory Relations

cc: Service Lists for – R.01-10-024, R.04-04-003  
Procurement Review Group

Attachments:

Non-Confidential Appendix A  
Confidential Appendix B (CPUC and PRG Only)

# 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 (ID U39 M)**

Utility type:

- ELC       GAS  
 PLC       HEAT       WATER

Contact Person: David Poster

Phone #: (415) 973-1082

E-mail: DXPU@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
 PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3112-E**

**Tier: [2]**

Subject of AL: Qualifying Facilities Contract Amendments and Modifications

Keywords (choose from CPUC listing): QFs

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.06-12-009

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes. See page 4 of the advice letter.

Confidential information will be made available to those who have executed a nondisclosure agreement: All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Janos John Laszlo – (415)-973-2736

Resolution Required?  Yes  No

Requested effective date: 09/29/2007

No. of tariff sheets: N/A

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:

Service affected and changes proposed: N/A

Protests, dispositions, 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**

**Tariff Files, Room 4005**

**DMS Branch**

**505 Van Ness Ave., San Francisco, CA 94102**

**[jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)**

**Pacific Gas and Electric Company**

**Attn: Brian K. Cherry, Vice President, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

**ADVICE LETTER FILING OF  
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

**DECLARATION OF JANOS J. LASZLO IN SUPPORT OF SPECIFIC ATTACHMENTS  
IN ADVICE 3112-E**

I, Janos J. Laszlo, declare:

1. I am the manager of Qualifying Facility (QF) Program within the Energy Procurement Department at Pacific Gas and Electric Company (PG&E). I am responsible for the coordination of contract activities related to PG&E's QF contracts. In carrying out these responsibilities, I have acquired knowledge of the QF contract changes, revisions and amendments in PG&E's electric portfolio, which are the subject of this advice letter. I have reviewed PG&E's advice filing and was responsible for supervision of the preparation of narrative and related attachments. I am familiar with the information included in this response, and would testify to the facts and representations in this declaration under oath based on personal knowledge, experience, information, and belief.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for certain information in a specific attachment in Advice Letter 3112-E, submitted on August 30, 2007.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix 1 (the "IOU Matrix") of Decision 06-06-066. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is

not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on August 30, 2007, at San Francisco, California.

/s/

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JANOS J. LASZLO

**PACIFIC GAS AND ELECTRIC COMPANY**

Document: Advice 3112-E

**IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066**

Date: August 30, 2007

1								
2								
3								
4								
5								
6	Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
7	<b>Document:</b>	Y	Item VII, Section B	Y	N	N	The only information PG&E is redacting is pricing information, which is protected for three years.	3 years
8								

## **Appendix A**



January 4, 2007

Paul Pilger  
Chevron USA, Inc.  
9525 Camino Media  
Bakersfield, CA 93309

**Via Overnight Mail**

Re: Texaco Exploration and Production, Fee A Project (PG&E Log No. 25C130)

Dear Mr. Pilger:

As you discussed with John Laszlo of my staff, Pacific Gas and Electric Company ("PG&E") and Texaco Exploration and Production, Inc., ("Seller") have agreed to extend the term of the subject Power Purchase Agreement ("PPA") through March 31, 2007. Seller and PG&E also agree that this extension shall correspondingly reduce the term of any extension of the PPA the parties may execute pursuant to CPUC Decision 04-01-050 and 05-12-009. Except as contained in this Letter Agreement, the balance of the terms and conditions contained in the PPA remain in full force and effect.

If Seller is in agreement with the foregoing, please sign in the space provided below and return the original of this Letter Agreement to Mr. Laszlo's attention at the letterhead address.

Sincerely,

PACIFIC GAS AND ELECTRIC COMPANY

BY:

Roy Kuga  
Vice President – Energy Supply

ACCEPTED AND AGREED

22 DAY OF JANUARY, 2007

*Jim R Williams*  
~~TEXACO EXPLORATION AND PRODUCTION, INC., FEE A~~  
~~CHEVRON U.S.A. INC. SUCCESSOR IN INTEREST TO TEXACO~~  
~~EXPLORATION AND PRODUCTION INC.~~

BY:

PRINT: JIM R WILLIAMS

TITLE: ASSISTANT SECRETARY



February 1, 2007

Tom Wicher  
Ida-West Energy Company  
P.O. Box 7867  
Boise, Idaho 83707

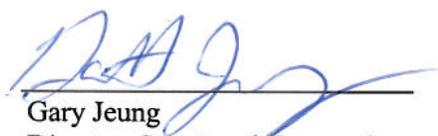
Re: Snow Mountain Hydro - Cove Project (PG&E Log No. 13H013)

Dear Mr. Wicher:

Pacific Gas and Electric Company (PG&E) agrees to extend the term of the Letter Agreement dated December 15, 2004 for the purchase Incremental Energy from the Snow Mountain Hydro Cove Facility for an additional year, from December 1, 2006 through November 30, 2007. All other terms remain the same. Please sign and return one original to John Laszlo at the letterhead address.

Sincerely,

PACIFIC GAS AND ELECTRIC COMPANY

BY:   
Gary Jeung  
Director, Structured Transactions

ACCEPTED AND AGREED      12 DAY OF FEBRUARY, 2007

IDA-WEST ENERGY COMPANY

BY: 

PRINT: THOMAS D WICHER

TITLE: VP OPERATIONS, Ida-West Acquisition Co  
The administrative agent for  
Snow Mountain Hydro, LLC



January 5, 2007

Sami Kabbani  
Covanta Energy Corporation  
40 Lane Road  
Fairfield, NJ 07007-2615

**Via Overnight Mail**

Re: Covanta Power Pacific, Stockton Project (PG&E Log No. 16P001)

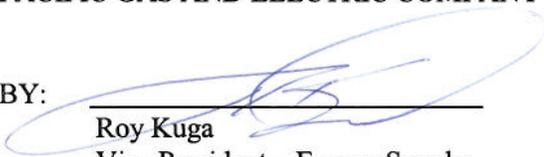
Dear Mr. Kabbani:

As you discussed with John Laszlo of my staff, Pacific Gas and Electric Company ("PG&E") and Covanta Energy Corporation, ("Seller") have agreed to extend the term of the subject Power Purchase Agreement ("PPA") through February 28, 2007. Seller and PG&E also agree that this extension shall correspondingly reduce the term of any extension of the PPA the parties may execute pursuant to CPUC Decision 04-01-050 and 05-12-009. Except as contained in this Letter Agreement, the balance of the terms and conditions contained in the PPA remain in full force and effect.

If Seller is in agreement with the foregoing, please sign in the space provided below and return the original of this Letter Agreement to Mr. Laszlo's attention at the letterhead address.

Sincerely,

PACIFIC GAS AND ELECTRIC COMPANY

BY:   
Roy Kuga  
Vice President – Energy Supply

ACCEPTED AND AGREED 22 DAY OF JANUARY, 2007

COVANTA ENERGY CORPORATION

BY:  NT  
PRINT: SETH MYONES  
TITLE: SVP



March 8, 2007

Sami Kabbani  
Covanta Energy Corporation  
40 Lane Road  
Fairfield, NJ 07007-2615

**Via Overnight Mail**

Re: Covanta Power Pacific, Stockton Project (PG&E Log No. 16P001)

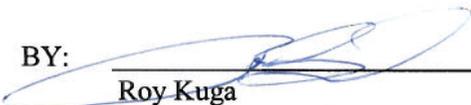
Dear Mr. Kabbani:

As you discussed with John Laszlo of my staff, Pacific Gas and Electric Company ("PG&E") and Covanta Energy Corporation, ("Seller") have agreed to extend the term of the subject Power Purchase Agreement ("PPA") through March 31, 2007. Seller and PG&E also agree that this extension shall correspondingly reduce the term of any extension of the PPA the parties may execute pursuant to CPUC Decision 04-01-050 and 05-12-009. Except as contained in this Letter Agreement, the balance of the terms and conditions contained in the PPA remain in full force and effect.

If Seller is in agreement with the foregoing, please sign in the space provided below and return the original of this Letter Agreement to Mr. Laszlo's attention at the letterhead address.

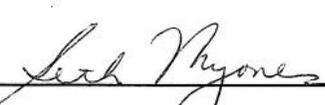
Sincerely,

PACIFIC GAS AND ELECTRIC COMPANY

BY:   
\_\_\_\_\_  
Roy Kuga  
Vice President – Energy Supply

ACCEPTED AND AGREED \_\_\_\_\_ DAY OF MARCH, 2007

COVANTA ENERGY CORPORATION

BY:  NT  
\_\_\_\_\_  
PRINT: SETH MYONES  
\_\_\_\_\_  
TITLE: SVP  
\_\_\_\_\_



Pacific Gas and Electric Company

245 Market Street  
San Francisco, CA 94105-1702  
Mailing Address  
Mail Code N12  
P.O. Box 770000  
San Francisco, CA 94177-0001

May 16, 2007

Sami Kabbani  
Covanta Energy Corporation  
40 Lane Road  
Fairfield, NJ 07007-2615

Via Overnight Mail

Re: Covanta Power Pacific, Stockton Project (PG&E Log No. 16P001)

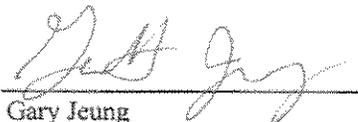
Dear Mr. Kabbani:

As you discussed with John Laszlo of my staff, Pacific Gas and Electric Company ("PG&E") and Covanta Energy Corporation, ("Seller") have agreed to extend the term of the subject Power Purchase Agreement ("PPA") through May 31, 2007. Seller and PG&E also agree that this extension shall correspondingly reduce the term of any extension of the PPA the parties may execute pursuant to CPUC Decision 04-01-050 and 05-12-009. Except as contained in this Letter Agreement, the balance of the terms and conditions contained in the PPA remain in full force and effect.

If Seller is in agreement with the foregoing, please sign in the space provided below and return the original of this Letter Agreement to Mr. Laszlo's attention at the letterhead address.

Sincerely,

PACIFIC GAS AND ELECTRIC COMPANY

BY:   
Gary Jeung  
Director - Structured Transactions

ACCEPTED AND AGREED 18 DAY OF MAY, 2007

COVANTA ENERGY CORPORATION

BY:  NT  
PRINT: SETH MYONES  
TITLE: SVP

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN COALINGA COGENERATION COMPANY AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 25C124)**

This Amendment, dated as of the latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E" or "Buyer"), a California corporation, and COALINGA COGENERATION COMPANY, a California general partnership ("Seller"). PG&E and Seller are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**RECITALS**

1. Seller's predecessor, Texaco Inc. and PG&E entered into an Interim Standard Offer No. 4 Power Purchase Agreement ("PPA") dated June 28, 1985 for the purchase and sale of electric energy from Seller's facility located in Kern County, California. The PPA was subsequently amended by agreement of the Parties. The PPA and any amendments thereto are collectively referred to herein as the "Agreement."

2. On January 26, 2004, the California Public Utilities Commission ("CPUC" or "Commission") issued Decision 04-01-050 ("the Decision"), in which it ordered the investor owned utilities ("IOUs") to offer five-year Standard Offer 1 ("SO1") contracts at short-run avoided cost prices to Qualifying Facilities ("QFs") with expiring PPAs, provided: (1) the QF was in operation and under contract with an IOU to sell power at any time during the period between January 1, 1998 and the effective date of the Decision; and (2) the QF contract expired

or was set to expire before December 31, 2005. The Decision provides that the five-year SO1 contracts must include a "provision that the pricing terms may change if the Commission subsequently modifies its policy on QF pricing methodology." (D.04-01-050, Ordering Paragraph 4).

3. On December 1, 2005, in Decision 05-12-009, the CPUC directed the IOUs to continue purchasing power pursuant to a five-year SO1 contract from any Qualifying Facility (QF) with a contract set to expire after January 1, 2006, and before the CPUC's issuance of a final decision in the combined dockets, Rulemaking (R.) 04-04-003 and R.04-04-025. The CPUC ordered that pricing terms for any such contract be "consistent with existing SRAC policy set forth in Decision (D.) 01-03-067, as modified by D.02-02-028, provided, that the pricing terms of the contract shall be modified to reflect [the CPUC's] revised QF pricing policy as of the effective date of the Commission decision adopting a revised pricing policy." (D.05-12-009, Ordering Paragraph 2)

4. The PPA is scheduled to expire on February 28, 2007.

5. At the time of the drafting of this Amendment the CPUC has not issued a decision in the combined dockets, Rulemaking R.04-04-003 and R.04-04-025 and is not expected to issue that decision before the expiration of the PPA.

6. The PPA was executed prior to the formation of the California Independent System Operator ("CAISO").

7. PG&E and Seller hereby amend the Agreement to comply with Decisions 04-01-050 and 05-12-009 and make certain other modifications to the Agreement, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

1. **DEFINITIONS**

Any term not defined herein shall have the meaning ascribed to it in the Agreement.

2. **TERM OF AMENDMENT**

The Agreement, as modified by this Amendment, shall be in effect from March 1, 2007 through February 28, 2012 (the "Extended Term").

3. **ENERGY PURCHASE**

A. PG&E shall purchase and accept delivery of Seller's Net Energy Output from the Facility.

B. PG&E shall pay Seller for energy deliveries during the Extended Term at prices equal to PG&E's short-run avoided cost ("SRAC"), according to the approved methodology that may be revised from time to time by the CPUC.

C. Payment for energy shall be based on the time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the energy associated with the Facility with the nameplate rating specified in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the

PPA, as amended, PG&E shall not be required to accept or pay for energy associated with the incremental increase in the nameplate rating.

E. Energy payments made to Seller pursuant to this Amendment will be adjusted by an energy loss adjustment factor, as approved by the CPUC and as may be modified by the CPUC from time to time.

#### 4. CAPACITY PURCHASE

A. Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity only.

B. PG&E shall pay Seller for as-delivered capacity during the Extended Term at prices authorized by the CPUC as may be modified by the CPUC.

C. Payment for as-delivered capacity shall be based on time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the as-delivered capacity associated with the Facility of the nameplate rating described in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for as-delivered capacity associated with the incremental increase in nameplate rating.

E. As-delivered capacity payments made to Seller pursuant to this Amendment shall be multiplied by a capacity loss adjustment factor ("CLAF") as approved by the CPUC and as may be modified by the CPUC from time to time.

5. **PAYMENTS**

PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month as specified in Section A-4 of the PPA.

6. **SCHEDULING ENERGY FROM THE FACILITY**

A. **Weekly Schedule.** No later than 10:00 A.M. (PST), each Thursday, Seller, based on its best estimate, shall provide PG&E with a non-binding weekly schedule forecast of energy deliveries from its Facility for the following week. The weekly schedule shall include a non-binding forecast of deliveries for the week starting on Saturday and ending on the following Friday. The format of this forecasted weekly schedule shall be a Microsoft Excel workbook file compatible and consistent with the template provided by PG&E (or such alternative format as PG&E may request. The weekly schedule shall be sent by electronic mail to [qfschedules@pge.com](mailto:qfschedules@pge.com), or as PG&E may otherwise direct.

B. **Hour-Ahead Schedule Changes.** If, for any reason, a difference of more than 5 MW from its schedule is anticipated to occur or actually occurs at any time, Seller agrees to notify PG&E of the anticipated or actual difference as soon as reasonably practicable. In the event PG&E anticipates that it will be required to interrupt or reduce energy deliveries from the Facility pursuant to Section A-7 of the PPA, PG&E shall give Seller reasonable notice of such event. These Hour-Ahead changes shall be communicated, as applicable, to PG&E's real-time trader(s) by telephone at (415) 973-4500 and to Seller by telephone at (661) 615-4630. When calling PG&E's real-time trader, Seller shall be prepared to provide the following information: (1) start time of the new schedule; (2) level of energy deliveries under this new schedule; and (3) expected return date and time to original schedule. Seller shall also give notice, by electronic mail, to [qfschedules@pge.com](mailto:qfschedules@pge.com), or to such other individuals PG&E may designate, of the

schedule changes within three hours of the change, or by the next business day if the change occurs other than between the hours of 8:00 A.M. to 5:00 P.M. on weekdays (excluding holidays).

C. If Seller materially complies with its obligations under Paragraphs A and B above, PG&E shall not seek to recover from Seller Imbalance Energy Charges or Uninstructed Deviation Penalties imposed by the CAISO attributable to the Facility. PG&E agrees to keep Seller's scheduling information strictly confidential and shall use such information only for the purpose of making or changing its own schedules. PG&E shall not disclose such scheduling information to any third party without Seller's express prior written approval. If PG&E is required to disclose this information to the CPUC, PG&E shall first promptly notify Seller, and will seek confidential treatment of Seller's scheduling information.

D. The scheduling provisions set forth in this Section 6 do not modify or supersede Seller's existing communication protocols with PG&E's designated local Control Center, including the requirement to notify the designated Control Center of Facility parallel and separation times.

**7. OTHER MODIFICATIONS**

To comply with the CPUC's directive that IOUs purchase QF energy and as-delivered capacity at SRAC, the Parties agree to amend the Agreement by deleting in their entirety Articles 2, 3 (f), 4, 5, 7 and 12, and Appendices B, C, D, and E of the PPA throughout the Extended Term.

**8. RESERVATION OF RIGHTS**

PG&E is entering into this Amendment as ordered by the CPUC in Decisions 04-01-050 and 05-12-009. PG&E reserves any right that it may have to seek reimbursement of payments

made under this Amendment to the extent that such payments are determined by the CPUC, or by a court or agency of competent jurisdiction reviewing a CPUC order to exceed PG&E's avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E's efforts to seek reimbursement of payments made under this Amendment.

9. **DISPATCH DOWN/CURTAILMENT**

A. "Dispatch Down Period" means the period of time during which (i) curtailments ordered from the CAISO, for reasons including but not limited to any system emergency, as defined in the applicable CAISO Tariff ("System Emergency"); (ii) curtailments ordered by Buyer based on any warning of an anticipated System Emergency, or warning of an imminent condition or situation, which jeopardizes Buyer's electric system integrity or the integrity of other systems to which Buyer is connected, as determined by Buyer in Buyer's sole discretion; (iii) curtailments ordered by Buyer due to over generation as defined in the applicable CAISO Tariff; (iv) curtailments ordered by Buyer based upon Buyer's forecast of over generation, including, but not limited to, a request by the CAISO to manage over generation conditions pursuant to CAISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) curtailments ordered by the Participating Transmission Owner ("PG&E Transmission"), or (vi) there is scheduled or unscheduled maintenance on the PG&E Transmission's interconnection or transmission facilities that prevents (a) Buyer from receiving or (b) Seller from delivering energy and as-delivered capacity at the Delivery Point.

B. Seller shall reduce delivery amounts as directed by the CAISO, Buyer, or the Participating Transmission Owner during any Dispatch Down Period, provided that for a

Dispatch Down Period as described in Section 9.A.(ii) through (iv), such Dispatch Down Period shall be no more than fifty (50) hours during any Contract Year, shall be of a duration of a minimum of 4 hours per event, and shall be limited to one event per day.

C. PG&E shall not be obligated to accept or pay Seller for deliveries of energy and as-delivered capacity that were scheduled pursuant to Section 6 of this Agreement and subsequently interrupted or reduced pursuant to Section 9 of this Agreement.

**10. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

**11. SIGNATURES**

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

**PACIFIC GAS AND ELECTRIC COMPANY**

**COALINGA COGENERATION  
COMPANY**

By:  \_\_\_\_\_

By:  \_\_\_\_\_

Name: Roy Kuga

Name: Kelly Lucas

Title: Vice President, Energy Supply

Title: Executive Director

Date: March 2, 2007

Date: March 6, 2007

**Appendix A**

**TABLE A<sup>1</sup> - TIME PERIODS**

	<b><u>Monday through Friday<sup>2</sup></u></b>	<b><u>Saturdays, Sundays, and Holidays</u></b>
<b>Seasonal Period A (May 1 - October 31)</b>		
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon  6:00 p.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.
<b>Seasonal Period B (November 1 - April 30)</b>		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.

<sup>1</sup> This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

<sup>2</sup> Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veferan's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

April per 1992

Vickie

PACIFIC GAS AND ELECTRIC COMPANY  
STATEMENT OF CAPACITY AND ELECTRIC POWER PURCHASED

INVOICE NUMBER : 25C124-292 DATE : 29-Feb-92

ACCOUNT NUMBER : VTF T1 26001 MAILING ADDRESS: COALINGA COGENERATION CO.  
BOX 00178  
BAKERSFIELD, CA. 93380

VENDOR NUMBER: REMIT CHECK TO: COALINGA COGENERATION CO.  
BOX 00178  
BAKERSFIELD, CA. 93380

DATE DUE: 30-Mar-92

Payment computations are in accordance with the Power Purchase Agreement between Texaco Production Inc. (thermal facility in Coalinga) and PG&E dated June 28, 1985.

Examination of the data for the period 2/24 thru 3/05/92 disclosed that Coalinga Cogeneration has established a firm capacity rating of 33,000 kw effective on 3/05/92 at 0800. *EXP. DCS 3/4/07*

In accordance with the terms of the Power Purchase Agreement the 1991 Annual Energy Payment Adjustment has been calculated in the sum of \$374,779.27 as is shown as a deduction below. Attached is the detail for this calculation.

Please direct any questions regarding the computations relating to this statement or PG&E's application of the provisions set forth in the Power Purchase Agreement to Dave Harrison at (415) 973-4966.

Please call (415) 973 2144 if you have 1) not received your check for said amount shown on the statement four (4) days from the "DUE DATE" (specified on the upper left portion of the statement) or 2) general questions regarding the check.

Payment Calculation for Surplus Energy 2/1 - 2/29/92

	Energy Delivered to PG&E	PG&E Rates Period B	Payment
<b>2/1 - 2/09/92</b>			
Partial Peak	2,456,638	0.036819	90,524.59
Off Peak	4,381,874	0.034434	150,885.45
Super Off Peak	1,390,928	0.033493	46,586.35
		Rate Change	
<b>2/10 - 2/29/92</b>			
Partial Peak	7,002,528	0.031426	220,061.44
Off Peak	7,947,954	0.029425	233,868.55
Super Off Peak	2,901,934		
Curtailment Deliveries	862,455		
Net Super Off Peak	2,039,479	0.028643	58,416.80
Curtailment Deliveries @ Alternate Price			15,186.64
	<u>26,083,856</u>	TOTAL ENERGY PAYMENT =	<u>\$815,529.82</u>

Less Meter Data Printout = (75.00)

Annual Energy Payment Adjustment = (374,779.27)

Net Payment Due = \$440,715.55

cc: JKovnas/DNHarrison

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN SALINAS RIVER COGENERATION COMPANY AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 18C053)**

This Amendment, dated as of the latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E" or "Buyer"), a California corporation, and SALINAS RIVER COGENERATION COMPANY, a California general partnership ("Seller"). PG&E and Seller are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**RECITALS**

1. Seller's predecessor, Texaco Inc. and PG&E entered into an Interim Standard Offer No. 4 Power Purchase Agreement ("PPA") dated June 28, 1985 for the purchase and sale of electric energy from Seller's facility located in Monterey County, California. The PPA was subsequently amended by agreement of the Parties. The PPA and any amendments thereto are collectively referred to herein as the "Agreement."

2. On January 26, 2004, the California Public Utilities Commission ("CPUC" or "Commission") issued Decision 04-01-050 ("the Decision"), in which it ordered the investor owned utilities ("IOUs") to offer five-year Standard Offer 1 ("SO1") contracts at short-run avoided cost prices to Qualifying Facilities ("QFs") with expiring PPAs, provided: (1) the QF was in operation and under contract with an IOU to sell power at any time during the period between January 1, 1998 and the effective date of the Decision; and (2) the QF contract expired

or was set to expire before December 31, 2005. The Decision provides that the five-year SO1 contracts must include a “provision that the pricing terms may change if the Commission subsequently modifies its policy on QF pricing methodology.” (D.04-01-050, Ordering Paragraph 4).

3. On December 1, 2005, in Decision 05-12-009, the CPUC directed the IOUs to continue purchasing power pursuant to a five-year SO1 contract from any Qualifying Facility (QF) with a contract set to expire after January 1, 2006, and before the CPUC’s issuance of a final decision in the combined dockets, Rulemaking (R.) 04-04-003 and R.04-04-025. The CPUC ordered that pricing terms for any such contract be “consistent with existing SRAC policy set forth in Decision (D.) 01-03-067, as modified by D.02-02-028, provided, that the pricing terms of the contract shall be modified to reflect [the CPUC’s] revised QF pricing policy as of the effective date of the Commission decision adopting a revised pricing policy.” (D.05-12-009, Ordering Paragraph 2)

4. The PPA is scheduled to expire on March 5, 2007.

5. At the time of the drafting of this Amendment the CPUC has not issued a decision in the combined dockets, Rulemaking R.04-04-003 and R.04-04-025 and is not expected to issue that decision before the expiration of the PPA.

6. The PPA was executed prior to the formation of the California Independent System Operator (“CAISO”).

7. PG&E and Seller hereby amend the Agreement to comply with Decisions 04-01-050 and 05-12-009 and make certain other modifications to the Agreement, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

### **1. DEFINITIONS**

Any term not defined herein shall have the meaning ascribed to it in the Agreement.

### **2. TERM OF AMENDMENT**

The Agreement, as modified by this Amendment, shall be in effect from March 6, 2007 through March 5, 2012 (the "Extended Term").

### **3. ENERGY PURCHASE**

A. PG&E shall purchase and accept delivery of Seller's Net Energy Output from the Facility.

B. PG&E shall pay Seller for energy deliveries during the Extended Term at prices equal to PG&E's short-run avoided cost ("SRAC"), according to the approved methodology that may be revised from time to time by the CPUC.

C. Payment for energy shall be based on the time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the energy associated with the Facility with the nameplate rating specified in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the

PPA, as amended, PG&E shall not be required to accept or pay for energy associated with the incremental increase in the nameplate rating.

E. Energy payments made to Seller pursuant to this Amendment will be adjusted by an energy loss adjustment factor, as approved by the CPUC and as may be modified by the CPUC from time to time.

#### **4. CAPACITY PURCHASE**

A. Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity only.

B. PG&E shall pay Seller for as-delivered capacity during the Extended Term at prices authorized by the CPUC as may be modified by the CPUC.

C. Payment for as-delivered capacity shall be based on time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the as-delivered capacity associated with the Facility of the nameplate rating described in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for as-delivered capacity associated with the incremental increase in nameplate rating.

E. As-delivered capacity payments made to Seller pursuant to this Amendment shall be multiplied by a capacity loss adjustment factor ("CLAF") as approved by the CPUC and as may be modified by the CPUC from time to time.

**5. PAYMENTS**

PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month as specified in Section A-4 of the PPA.

**6. SCHEDULING ENERGY FROM THE FACILITY**

A. Weekly Schedule. No later than 10:00 A.M. (PST), each Thursday, Seller, based on its best estimate, shall provide PG&E with a non-binding weekly schedule forecast of energy deliveries from its Facility for the following week. The weekly schedule shall include a non-binding forecast of deliveries for the week starting on Saturday and ending on the following Friday. The format of this forecasted weekly schedule shall be a Microsoft Excel workbook file compatible and consistent with the template provided by PG&E (or such alternative format as PG&E may request. The weekly schedule shall be sent by electronic mail to [qfschedules@pge.com](mailto:qfschedules@pge.com), or as PG&E may otherwise direct.

B. Hour-Ahead Schedule Changes. If, for any reason, a difference of more than 5 MW from its schedule is anticipated to occur or actually occurs at any time, Seller agrees to notify PG&E of the anticipated or actual difference as soon as reasonably practicable. In the event PG&E anticipates that it will be required to interrupt or reduce energy deliveries from the Facility pursuant to Section A-7 of the PPA, PG&E shall give Seller reasonable notice of such event. These Hour-Ahead changes shall be communicated, as applicable, to PG&E's real-time trader(s) by telephone at (415) 973-4500 and to Seller by telephone at (661) 615-4630. When calling PG&E's real-time trader, Seller shall be prepared to provide the following information: (1) start time of the new schedule; (2) level of energy deliveries under this new schedule; and (3) expected return date and time to original schedule. Seller shall also give notice, by electronic mail, to [qfschedules@pge.com](mailto:qfschedules@pge.com), or to such other individuals PG&E may designate, of the

schedule changes within three hours of the change, or by the next business day if the change occurs other than between the hours of 8:00 A.M. to 5:00 P.M. on weekdays (excluding holidays).

C. If Seller materially complies with its obligations under Paragraphs A and B above, PG&E shall not seek to recover from Seller Imbalance Energy Charges or Uninstructed Deviation Penalties imposed by the CAISO attributable to the Facility. PG&E agrees to keep Seller's scheduling information strictly confidential and shall use such information only for the purpose of making or changing its own schedules. PG&E shall not disclose such scheduling information to any third party without Seller's express prior written approval. If PG&E is required to disclose this information to the CPUC, PG&E shall first promptly notify Seller, and will seek confidential treatment of Seller's scheduling information.

D. The scheduling provisions set forth in this Section 6 do not modify or supersede Seller's existing communication protocols with PG&E's designated local Control Center, including the requirement to notify the designated Control Center of Facility parallel and separation times.

#### **7. OTHER MODIFICATIONS**

To comply with the CPUC's directive that IOUs purchase QF energy and as-delivered capacity at SRAC, the Parties agree to amend the Agreement by deleting in their entirety Articles 2, 3 (f), 4, 5, 7 and 12, and Appendices B, C, D, and E of the PPA throughout the Extended Term.

#### **8. RESERVATION OF RIGHTS**

PG&E is entering into this Amendment as ordered by the CPUC in Decisions 04-01-050 and 05-12-009. PG&E reserves any right that it may have to seek reimbursement of payments

made under this Amendment to the extent that such payments are determined by the CPUC, or by a court or agency of competent jurisdiction reviewing a CPUC order to exceed PG&E's avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E's efforts to seek reimbursement of payments made under this Amendment.

**9. DISPATCH DOWN/CURTAILMENT**

A. "Dispatch Down Period" means the period of time during which (i) curtailments ordered from the CAISO, for reasons including but not limited to any system emergency, as defined in the applicable CAISO Tariff ("System Emergency"); (ii) curtailments ordered by Buyer based on any warning of an anticipated System Emergency, or warning of an imminent condition or situation, which jeopardizes Buyer's electric system integrity or the integrity of other systems to which Buyer is connected, as determined by Buyer in Buyer's sole discretion; (iii) curtailments ordered by Buyer due to over generation as defined in the applicable CAISO Tariff; (iv) curtailments ordered by Buyer based upon Buyer's forecast of over generation, including, but not limited to, a request by the CAISO to manage over generation conditions pursuant to CAISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) curtailments ordered by the Participating Transmission Owner ("PG&E Transmission"), or (vi) there is scheduled or unscheduled maintenance on the PG&E Transmission's interconnection or transmission facilities that prevents (a) Buyer from receiving or (b) Seller from delivering energy and as-delivered capacity at the Delivery Point.

B. Seller shall reduce delivery amounts as directed by the CAISO, Buyer, or the Participating Transmission Owner during any Dispatch Down Period, provided that for a

Dispatch Down Period as described in Section 9.A.(ii) through (iv), such Dispatch Down Period shall be no more than fifty (50) hours during any Contract Year, shall be of a duration of a minimum of 4 hours per event, and shall be limited to one event per day.

C. PG&E shall not be obligated to accept or pay Seller for deliveries of energy and as-delivered capacity that were scheduled pursuant to Section 6 of this Agreement and subsequently interrupted or reduced pursuant to Section 9 of this Agreement.

**10. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

**11. SIGNATURES**

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

**PACIFIC GAS AND ELECTRIC COMPANY**

**SALINAS RIVER COGENERATION  
COMPANY**

By: \_\_\_\_\_

Name: Roy Kuga

Title: Vice President, Energy Supply

Date: March 2, 2007

By: \_\_\_\_\_

Name: Kelly Lucas

Title: Executive Director

Date: March 6, 2007

**Appendix A**

**TABLE A<sup>1</sup> - TIME PERIODS**

	<u>Monday through Friday<sup>2</sup></u>	<u>Saturdays, Sundays, and Holidays</u>
<b>Seasonal Period A (May 1 - October 31)</b>		
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon  6:00 p.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.
<b>Seasonal Period B (November 1 - April 30)</b>		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.

<sup>1</sup> This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

<sup>2</sup> Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN SARGENT CANYON COGENERATION COMPANY AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 18C052)**

This Amendment, dated as of the latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E" or "Buyer"), a California corporation, and SARGENT CANYON COGENERATION COMPANY, a California general partnership ("Seller"). PG&E and Seller are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**RECITALS**

1. Seller's predecessor, Texaco Inc. and PG&E entered into an Interim Standard Offer No. 4 Power Purchase Agreement ("PPA") dated June 28, 1985 for the purchase and sale of electric energy from Seller's facility located in Monterey County, California. The PPA was subsequently amended by agreement of the Parties. The PPA and any amendments thereto are collectively referred to herein as the "Agreement."

2. On January 26, 2004, the California Public Utilities Commission ("CPUC" or "Commission") issued Decision 04-01-050 ("the Decision"), in which it ordered the investor owned utilities ("IOUs") to offer five-year Standard Offer 1 ("SO1") contracts at short-run avoided cost prices to Qualifying Facilities ("QFs") with expiring PPAs, provided: (1) the QF was in operation and under contract with an IOU to sell power at any time during the period between January 1, 1998 and the effective date of the Decision; and (2) the QF contract expired

or was set to expire before December 31, 2005. The Decision provides that the five-year SO1 contracts must include a “provision that the pricing terms may change if the Commission subsequently modifies its policy on QF pricing methodology.” (D.04-01-050, Ordering Paragraph 4).

3. On December 1, 2005, in Decision 05-12-009, the CPUC directed the IOUs to continue purchasing power pursuant to a five-year SO1 contract from any Qualifying Facility (QF) with a contract set to expire after January 1, 2006, and before the CPUC’s issuance of a final decision in the combined dockets, Rulemaking (R.) 04-04-003 and R.04-04-025. The CPUC ordered that pricing terms for any such contract be “consistent with existing SRAC policy set forth in Decision (D.) 01-03-067, as modified by D.02-02-028, provided, that the pricing terms of the contract shall be modified to reflect [the CPUC’s] revised QF pricing policy as of the effective date of the Commission decision adopting a revised pricing policy.” (D.05-12-009, Ordering Paragraph 2)

4. The PPA is scheduled to expire on February 21, 2007.

5. At the time of the drafting of this Amendment the CPUC has not issued a decision in the combined dockets, Rulemaking R.04-04-003 and R.04-04-025 and is not expected to issue that decision before the expiration of the PPA.

6. The PPA was executed prior to the formation of the California Independent System Operator (“CAISO”).

7. PG&E and Seller hereby amend the Agreement to comply with Decisions 04-01-050 and 05-12-009 and make certain other modifications to the Agreement, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

### **1. DEFINITIONS**

Any term not defined herein shall have the meaning ascribed to it in the Agreement.

### **2. TERM OF AMENDMENT**

The Agreement, as modified by this Amendment, shall be in effect from February 22, 2007 through February 21, 2012 (the "Extended Term").

### **3. ENERGY PURCHASE**

A. PG&E shall purchase and accept delivery of Seller's Net Energy Output from the Facility.

B. PG&E shall pay Seller for energy deliveries during the Extended Term at prices equal to PG&E's short-run avoided cost ("SRAC"), according to the approved methodology that may be revised from time to time by the CPUC.

C. Payment for energy shall be based on the time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the energy associated with the Facility with the nameplate rating specified in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the

PPA, as amended, PG&E shall not be required to accept or pay for energy associated with the incremental increase in the nameplate rating.

E. Energy payments made to Seller pursuant to this Amendment will be adjusted by an energy loss adjustment factor, as approved by the CPUC and as may be modified by the CPUC from time to time.

#### **4. CAPACITY PURCHASE**

A. Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity only.

B. PG&E shall pay Seller for as-delivered capacity during the Extended Term at prices authorized by the CPUC as may be modified by the CPUC.

C. Payment for as-delivered capacity shall be based on time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the as-delivered capacity associated with the Facility of the nameplate rating described in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for as-delivered capacity associated with the incremental increase in nameplate rating.

E. As-delivered capacity payments made to Seller pursuant to this Amendment shall be multiplied by a capacity loss adjustment factor ("CLAF") as approved by the CPUC and as may be modified by the CPUC from time to time.

**5. PAYMENTS**

PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month as specified in Section A-4 of the PPA.

**6. SCHEDULING ENERGY FROM THE FACILITY**

A. Weekly Schedule. No later than 10:00 A.M. (PST), each Thursday, Seller, based on its best estimate, shall provide PG&E with a non-binding weekly schedule forecast of energy deliveries from its Facility for the following week. The weekly schedule shall include a non-binding forecast of deliveries for the week starting on Saturday and ending on the following Friday. The format of this forecasted weekly schedule shall be a Microsoft Excel workbook file compatible and consistent with the template provided by PG&E (or such alternative format as PG&E may request. The weekly schedule shall be sent by electronic mail to [qfschedules@pge.com](mailto:qfschedules@pge.com), or as PG&E may otherwise direct.

B. Hour-Ahead Schedule Changes. If, for any reason, a difference of more than 5 MW from its schedule is anticipated to occur or actually occurs at any time, Seller agrees to notify PG&E of the anticipated or actual difference as soon as reasonably practicable. In the event PG&E anticipates that it will be required to interrupt or reduce energy deliveries from the Facility pursuant to Section A-7 of the PPA, PG&E shall give Seller reasonable notice of such event. These Hour-Ahead changes shall be communicated, as applicable, to PG&E's real-time trader(s) by telephone at (415) 973-4500 and to Seller by telephone at (661)615-4630. When calling PG&E's real-time trader, Seller shall be prepared to provide the following information: (1) start time of the new schedule; (2) level of energy deliveries under this new schedule; and (3) expected return date and time to original schedule. Seller shall also give notice, by electronic mail, to [qfschedules@pge.com](mailto:qfschedules@pge.com), or to such other individuals PG&E may designate, of the

schedule changes within three hours of the change, or by the next business day if the change occurs other than between the hours of 8:00 A.M. to 5:00 P.M. on weekdays (excluding holidays).

C. If Seller materially complies with its obligations under Paragraphs A and B above, PG&E shall not seek to recover from Seller Imbalance Energy Charges or Uninstructed Deviation Penalties imposed by the CAISO attributable to the Facility. PG&E agrees to keep Seller's scheduling information strictly confidential and shall use such information only for the purpose of making or changing its own schedules. PG&E shall not disclose such scheduling information to any third party without Seller's express prior written approval. If PG&E is required to disclose this information to the CPUC, PG&E shall first promptly notify Seller, and will seek confidential treatment of Seller's scheduling information.

D. The scheduling provisions set forth in this Section 6 do not modify or supersede Seller's existing communication protocols with PG&E's designated local Control Center, including the requirement to notify the designated Control Center of Facility parallel and separation times.

#### **7. OTHER MODIFICATIONS**

To comply with the CPUC's directive that IOUs purchase QF energy and as-delivered capacity at SRAC, the Parties agree to amend the Agreement by deleting in their entirety Articles 2, 3 (f), 4, 5, 7 and 12, and Appendices B, C, D, and E of the PPA throughout the Extended Term.

#### **8. RESERVATION OF RIGHTS**

PG&E is entering into this Amendment as ordered by the CPUC in Decisions 04-01-050 and 05-12-009. PG&E reserves any right that it may have to seek reimbursement of payments

made under this Amendment to the extent that such payments are determined by the CPUC, or by a court or agency of competent jurisdiction reviewing a CPUC order to exceed PG&E's avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E's efforts to seek reimbursement of payments made under this Amendment.

**9. DISPATCH DOWN/CURTAILMENT**

A. "Dispatch Down Period" means the period of time during which (i) curtailments ordered from the CAISO, for reasons including but not limited to any system emergency, as defined in the applicable CAISO Tariff ("System Emergency"); (ii) curtailments ordered by Buyer based on any warning of an anticipated System Emergency, or warning of an imminent condition or situation, which jeopardizes Buyer's electric system integrity or the integrity of other systems to which Buyer is connected, as determined by Buyer in Buyer's sole discretion; (iii) curtailments ordered by Buyer due to over generation as defined in the applicable CAISO Tariff; (iv) curtailments ordered by Buyer based upon Buyer's forecast of over generation, including, but not limited to, a request by the CAISO to manage over generation conditions pursuant to CAISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) curtailments ordered by the Participating Transmission Owner ("PG&E Transmission"), or (vi) there is scheduled or unscheduled maintenance on the PG&E Transmission's interconnection or transmission facilities that prevents (a) Buyer from receiving or (b) Seller from delivering energy and as-delivered capacity at the Delivery Point.

B. Seller shall reduce delivery amounts as directed by the CAISO, Buyer, or the Participating Transmission Owner during any Dispatch Down Period, provided that for a

Dispatch Down Period as described in Section 9.A.(ii) through (iv), such Dispatch Down Period shall be no more than fifty (50) hours during any Contract Year, shall be of a duration of a minimum of 4 hours per event, and shall be limited to one event per day.

C. PG&E shall not be obligated to accept or pay Seller for deliveries of energy and as-delivered capacity that were scheduled pursuant to Section 6 of this Agreement and subsequently interrupted or reduced pursuant to Section 9 of this Agreement.

**10. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

**11. SIGNATURES**

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

**PACIFIC GAS AND ELECTRIC COMPANY**

**SARGENT CANYON COGENERATION  
COMPANY**

By: \_\_\_\_\_

Name: Roy Kuga

Title: Vice President, Energy Supply

Date: March 2, 2007

By: \_\_\_\_\_

Name: Kelly Lucas

Title: Executive Director

Date: March 6, 2007

Appendix A

TABLE A<sup>1</sup> - TIME PERIODS

Seasonal Period A (May 1 - October 31)	<u>Monday through Friday</u> <sup>2</sup>	<u>Saturdays, Sundays, and Holidays</u>
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon  6:00 p.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.
<b>Seasonal Period B (November 1 - April 30)</b>		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.

<sup>1</sup> This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

<sup>2</sup> Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN CHEVRON USA, INC. (Fee A Project) AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 25C130)**

This Amendment, dated as of the latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY (“PG&E” or “Buyer”), a California corporation, and CHEVRON USA INC., a Pennsylvania corporation (“Seller”). PG&E and Seller are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

**RECITALS**

1. Seller’s predecessor, Texaco Exploration and Production Inc. and PG&E entered into a Standard Offer No. 2 Power Purchase Agreement (“PPA”) dated June 24, 1985 for the purchase and sale of electric energy from Seller’s facility located in Kern County, California. The PPA was subsequently amended by agreement of the Parties. The PPA and any amendments thereto are collectively referred to herein as the “Agreement.”

2. On January 26, 2004, the California Public Utilities Commission (“CPUC” or “Commission”) issued Decision 04-01-050 (“the Decision”), in which it ordered the investor owned utilities (“IOUs”) to offer five-year Standard Offer 1 (“SO1”) contracts at short-run avoided cost prices to Qualifying Facilities (“QFs”) with expiring PPAs, provided: (1) the QF was in operation and under contract with an IOU to sell power at any time during the period between January 1, 1998 and the effective date of the Decision; and (2) the QF contract expired

or was set to expire before December 31, 2005. The Decision provides that the five-year SO1 contracts must include a “provision that the pricing terms may change if the Commission subsequently modifies its policy on QF pricing methodology.” (D.04-01-050, Ordering Paragraph 4).

3. On December 1, 2005, in Decision 05-12-009, the CPUC directed the IOUs to continue purchasing power pursuant to a five-year SO1 contract from any Qualifying Facility (QF) with a contract set to expire after January 1, 2006, and before the CPUC’s issuance of a final decision in the combined dockets, Rulemaking (R.) 04-04-003 and R.04-04-025. The CPUC ordered that pricing terms for any such contract be “consistent with existing SRAC policy set forth in Decision (D.) 01-03-067, as modified by D.02-02-028, provided, that the pricing terms of the contract shall be modified to reflect [the CPUC’s] revised QF pricing policy as of the effective date of the Commission decision adopting a revised pricing policy.” (D.05-12-009, Ordering Paragraph 2)

4. The PPA was scheduled to expire on January 15, 2007. By letter agreement dated January 4, 2007 the PPA’s term was extended till March 31, 2007.

5. At the time of the drafting of this Amendment the CPUC has not issued a decision in the combined dockets, Rulemaking R.04-04-003 and R.04-04-025 and is not expected to issue a final decision before the expiration of the PPA.

6. The PPA was executed prior to the formation of the California Independent System Operator (“CAISO”).

7. PG&E and Seller hereby amend the Agreement to comply with Decisions 04-01-050 and 05-12-009 and make certain other modifications to the Agreement, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

### **1. DEFINITIONS**

Any term not defined herein shall have the meaning ascribed to it in the Agreement.

### **2. TERM OF AMENDMENT**

The Agreement, as modified by this Amendment, shall be in effect from January 16, 2007 through January 15, 2012 (the "Extended Term").

### **3. ENERGY PURCHASE**

A. PG&E shall purchase and accept delivery of Seller's Net Energy Output from the Facility.

B. PG&E shall pay Seller for energy deliveries during the Extended Term at prices equal to PG&E's short-run avoided cost ("SRAC"), according to the approved methodology that may be revised from time to time by the CPUC.

C. Payment for energy shall be based on the time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the energy associated with the Facility with the nameplate rating specified in Article 2 (b) of the PPA, as amended. If Seller modifies

the Facility, changing its nameplate rating to be greater than that specified in Article 2 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for energy associated with the incremental increase in the nameplate rating.

E. Energy payments made to Seller pursuant to this Amendment will be adjusted by an energy loss adjustment factor, as approved by the CPUC and as may be modified by the CPUC from time to time.

#### 4. CAPACITY PURCHASE

A. Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity only.

B. PG&E shall pay Seller for as-delivered capacity during the Extended Term at prices authorized by the CPUC as may be modified by the CPUC.

C. Payment for as-delivered capacity shall be based on time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the as-delivered capacity associated with the Facility of the nameplate rating described in Article 2 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 2 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for as-delivered capacity associated with the incremental increase in nameplate rating.

E. As-delivered capacity payments made to Seller pursuant to this Amendment shall be multiplied by a capacity loss adjustment factor (“CLAF”) as approved by the CPUC and as may be modified by the CPUC from time to time.

**5. PAYMENTS**

PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month as specified in Section A-4 of the PPA.

**6. SCHEDULING ENERGY FROM THE FACILITY**

A. Weekly Schedule. No later than 10:00 A.M. (PST), each Thursday, Seller, based on its best estimate, shall provide PG&E with a non-binding weekly schedule forecast of energy deliveries from its Facility for the following week. The weekly schedule shall include a non-binding forecast of deliveries for the week starting on Saturday and ending on the following Friday. The format of this forecasted weekly schedule shall be a Microsoft Excel workbook file compatible and consistent with the template provided by PG&E (or such alternative format as PG&E may request. The weekly schedule shall be sent by electronic mail to [qfschedules@pge.com](mailto:qfschedules@pge.com), or as PG&E may otherwise direct.

B. Hour-Ahead Schedule Changes. If, for any reason, a difference of more than 5 MW from its schedule is anticipated to occur or actually occurs at any time, Seller agrees to notify PG&E of the anticipated or actual difference as soon as reasonably practicable. In the event PG&E anticipates that it will be required to interrupt or reduce energy deliveries from the Facility pursuant to Section A-7 of the PPA, PG&E shall give Seller reasonable notice of such event. These Hour-Ahead changes shall be communicated, as applicable, to PG&E's real-time trader(s) by telephone at (415) 973-4500 and to Seller by telephone at (661)615-4630. When

calling PG&E's real-time trader, Seller shall be prepared to provide the following information: (1) start time of the new schedule; (2) level of energy deliveries under this new schedule; and (3) expected return date and time to original schedule. Seller shall also give notice, by electronic mail, to [qfschedules@pge.com](mailto:qfschedules@pge.com), or to such other individuals PG&E may designate, of the schedule changes within three hours of the change, or by the next business day if the change occurs other than between the hours of 8:00 A.M. to 5:00 P.M. on weekdays (excluding holidays).

C. If Seller materially complies with its obligations under Paragraphs A and B above, PG&E shall not seek to recover from Seller Imbalance Energy Charges or Uninstructed Deviation Penalties imposed by the CAISO attributable to the Facility. PG&E agrees to keep Seller's scheduling information strictly confidential and shall use such information only for the purpose of making or changing its own schedules. PG&E shall not disclose such scheduling information to any third party without Seller's express prior written approval. If PG&E is required to disclose this information to the CPUC, PG&E shall first promptly notify Seller, and will seek confidential treatment of Seller's scheduling information.

D. The scheduling provisions set forth in this Section 6 do not modify or supersede Seller's existing communication protocols with PG&E's designated local Control Center, including the requirement to notify the designated Control Center of Facility parallel and separation times.

## **7. OTHER MODIFICATIONS**

Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment and shall provide to PG&E as-delivered

capacity and energy only. To comply with the CPUC's directive that IOUs purchase QF energy and as-delivered capacity at SRAC prices, the Parties agree to amend the Agreement as follows:

A. The term "firm capacity" in Article 2 is hereby deleted and replaced with the term "as-delivered capacity"; and

B. Articles 2 (f), and 3, and Appendices B, C, and D are hereby deleted in their entirety.

## **8. RESERVATION OF RIGHTS**

PG&E is entering into this Amendment as ordered by the CPUC in Decisions 04-01-050 and 05-12-009. PG&E reserves any right that it may have to seek reimbursement of payments made under this Amendment to the extent that such payments are determined by the CPUC, or by a court or agency of competent jurisdiction reviewing a CPUC order to exceed PG&E's avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E's efforts to seek reimbursement of payments made under this Amendment.

## **9. DISPATCH DOWN/CURTAILMENT**

A. "Dispatch Down Period" means the period of time during which (i) curtailments ordered from the CAISO, for reasons including but not limited to any system emergency, as defined in the applicable CAISO Tariff ("System Emergency"); (ii) curtailments ordered by Buyer based on any warning of an anticipated System Emergency, or warning of an imminent condition or situation, which jeopardizes Buyer's electric system integrity or the integrity of other systems to which Buyer is connected, as determined by Buyer in Buyer's sole discretion; (iii) curtailments ordered by Buyer due to over generation as defined in the applicable

CAISO Tariff; (iv) curtailments ordered by Buyer based upon Buyer's forecast of over generation, including, but not limited to, a request by the CAISO to manage over generation conditions pursuant to CAISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) curtailments ordered by the Participating Transmission Owner ("PG&E Transmission"), or (vi) there is scheduled or unscheduled maintenance on the PG&E Transmission's interconnection or transmission facilities that prevents (a) Buyer from receiving or (b) Seller from delivering energy and as-delivered capacity at the Delivery Point.

B. Seller shall reduce delivery amounts as directed by the CAISO, Buyer, or the Participating Transmission Owner during any Dispatch Down Period, provided that for a Dispatch Down Period as described in Section 9.A.(ii) through (iv), such Dispatch Down Period shall be no more than fifty (50) hours during any Contract Year, shall be of a duration of a minimum of 4 hours per event, and shall be limited to one event per day.

C. PG&E shall not be obligated to accept or pay Seller for deliveries of energy and as-delivered capacity that were scheduled pursuant to Section 6 of this Agreement and subsequently interrupted or reduced pursuant to Section 9 of this Agreement.

#### **10. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

**11. SIGNATURES**

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHEVRON USA INC. successor in interest to  
TEXACO EXPLORATION AND  
PRODUCTION, INC.**

By: \_\_\_\_\_

Name: Roy Kuga

Title: Vice President, Energy Supply

Date: ~~March~~ April 6, 2007

By: \_\_\_\_\_

Name: JIM R WILLIAMS

Title: ASSTANT SECRETARY

Date: March 28, 2007

**Appendix A**

**TABLE A<sup>1</sup> - TIME PERIODS**

<b>Seasonal Period A (May 1 - October 31)</b>	<b><u>Monday through Friday</u><sup>2</sup></b>	<b><u>Saturdays, Sundays, and Holidays</u></b>
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon  6:00 p.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.
<b>Seasonal Period B (November 1 - April 30)</b>		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.

<sup>1</sup> This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

<sup>2</sup> Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN CHEVRON USA, INC. (Fee C Project) AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 25C168)**

This Amendment, dated as of the latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY (“PG&E” or “Buyer”), a California corporation, and CHEVRON USA INC., a Pennsylvania corporation (“Seller”). PG&E and Seller are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

**RECITALS**

1. Seller’s predecessor, Texaco Exploration and Production Inc. and PG&E entered into a Standard Offer No. 2 Power Purchase Agreement (“PPA”) dated January 29, 1986 for the purchase and sale of electric energy from Seller’s facility located in Kern County, California. The PPA was subsequently amended by agreement of the Parties. The PPA and any amendments thereto are collectively referred to herein as the “Agreement.”

2. On January 26, 2004, the California Public Utilities Commission (“CPUC” or “Commission”) issued Decision 04-01-050 (“the Decision”), in which it ordered the investor owned utilities (“IOUs”) to offer five-year Standard Offer 1 (“SO1”) contracts at short-run avoided cost prices to Qualifying Facilities (“QFs”) with expiring PPAs, provided: (1) the QF was in operation and under contract with an IOU to sell power at any time during the period

between January 1, 1998 and the effective date of the Decision; and (2) the QF contract expired or was set to expire before December 31, 2005. The Decision provides that the five-year SO1 contracts must include a “provision that the pricing terms may change if the Commission subsequently modifies its policy on QF pricing methodology.” (D.04-01-050, Ordering Paragraph 4).

3. On December 1, 2005, in Decision 05-12-009, the CPUC directed the IOUs to continue purchasing power pursuant to a five-year SO1 contract from any Qualifying Facility (QF) with a contract set to expire after January 1, 2006, and before the CPUC’s issuance of a final decision in the combined dockets, Rulemaking (R.) 04-04-003 and R.04-04-025. The CPUC ordered that pricing terms for any such contract be “consistent with existing SRAC policy set forth in Decision (D.) 01-03-067, as modified by D.02-02-028, provided, that the pricing terms of the contract shall be modified to reflect [the CPUC’s] revised QF pricing policy as of the effective date of the Commission decision adopting a revised pricing policy.” (D.05-12-009, Ordering Paragraph 2)

4. The PPA is scheduled to expire on April 23, 2007.

5. At the time of the drafting of this Amendment the CPUC has not issued a decision in the combined dockets, Rulemaking R.04-04-003 and R.04-04-025 and is not expected to issue a final decision before the expiration of the PPA.

6. The PPA was executed prior to the formation of the California Independent System Operator (“CAISO”).

7. PG&E and Seller hereby amend the Agreement to comply with Decisions 04-01-050 and 05-12-009 and make certain other modifications to the Agreement, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

### **1. DEFINITIONS**

Any term not defined herein shall have the meaning ascribed to it in the Agreement.

### **2. TERM OF AMENDMENT**

The Agreement, as modified by this Amendment, shall be in effect from April 24, 2007 through April 23, 2012 (the "Extended Term").

### **3. ENERGY PURCHASE**

A. PG&E shall purchase and accept delivery of Seller's Net Energy Output from the Facility.

B. PG&E shall pay Seller for energy deliveries during the Extended Term at prices equal to PG&E's short-run avoided cost ("SRAC"), according to the approved methodology that may be revised from time to time by the CPUC.

C. Payment for energy shall be based on the time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the energy associated with the Facility with the nameplate rating specified in Article 2 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 2 (b) of the

PPA, as amended, PG&E shall not be required to accept or pay for energy associated with the incremental increase in the nameplate rating.

E. Energy payments made to Seller pursuant to this Amendment will be adjusted by an energy loss adjustment factor, as approved by the CPUC and as may be modified by the CPUC from time to time.

#### **4. CAPACITY PURCHASE**

A. Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity only.

B. PG&E shall pay Seller for as-delivered capacity during the Extended Term at prices authorized by the CPUC as may be modified by the CPUC.

C. Payment for as-delivered capacity shall be based on time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the as-delivered capacity associated with the Facility of the nameplate rating described in Article 2 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 2 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for as-delivered capacity associated with the incremental increase in nameplate rating.

E. As-delivered capacity payments made to Seller pursuant to this Amendment shall be multiplied by a capacity loss adjustment factor ("CLAF") as approved by the CPUC and as may be modified by the CPUC from time to time.

**5. PAYMENTS**

PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month as specified in Section A-4 of the PPA.

**6. SCHEDULING ENERGY FROM THE FACILITY**

A. Weekly Schedule. No later than 10:00 A.M. (PST), each Thursday, Seller, based on its best estimate, shall provide PG&E with a non-binding weekly schedule forecast of energy deliveries from its Facility for the following week. The weekly schedule shall include a non-binding forecast of deliveries for the week starting on Saturday and ending on the following Friday. The format of this forecasted weekly schedule shall be a Microsoft Excel workbook file compatible and consistent with the template provided by PG&E (or such alternative format as PG&E may request. The weekly schedule shall be sent by electronic mail to [qfschedules@pge.com](mailto:qfschedules@pge.com), or as PG&E may otherwise direct.

B. Hour-Ahead Schedule Changes. If, for any reason, a difference of more than 5 MW from its schedule is anticipated to occur or actually occurs at any time, Seller agrees to notify PG&E of the anticipated or actual difference as soon as reasonably practicable. In the event PG&E anticipates that it will be required to interrupt or reduce energy deliveries from the Facility pursuant to Section A-7 of the PPA, PG&E shall give Seller reasonable notice of such event. These Hour-Ahead changes shall be communicated, as applicable, to PG&E's real-time trader(s) by telephone at (415) 973-4500 and to Seller by telephone at (661)615-4630. When calling PG&E's real-time trader, Seller shall be prepared to provide the following information: (1) start time of the new schedule; (2) level of energy deliveries under this new schedule; and (3) expected return date and time to original schedule. Seller shall also give notice, by electronic

mail, to [qfschedules@pge.com](mailto:qfschedules@pge.com), or to such other individuals PG&E may designate, of the schedule changes within three hours of the change, or by the next business day if the change occurs other than between the hours of 8:00 A.M. to 5:00 P.M. on weekdays (excluding holidays).

C. If Seller materially complies with its obligations under Paragraphs A and B above, PG&E shall not seek to recover from Seller Imbalance Energy Charges or Uninstructed Deviation Penalties imposed by the CAISO attributable to the Facility. PG&E agrees to keep Seller's scheduling information strictly confidential and shall use such information only for the purpose of making or changing its own schedules. PG&E shall not disclose such scheduling information to any third party without Seller's express prior written approval. If PG&E is required to disclose this information to the CPUC, PG&E shall first promptly notify Seller, and will seek confidential treatment of Seller's scheduling information.

D. The scheduling provisions set forth in this Section 6 do not modify or supersede Seller's existing communication protocols with PG&E's designated local Control Center, including the requirement to notify the designated Control Center of Facility parallel and separation times.

## **7. OTHER MODIFICATIONS**

Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment and shall provide to PG&E as-delivered capacity and energy only. To comply with the CPUC's directive that IOUs purchase QF energy and as-delivered capacity at SRAC prices, the Parties agree to amend the Agreement as follows:

A. The term “firm capacity” in Article 2 is hereby deleted and replaced with the term “as-delivered capacity”; and

B. Articles 2 (f), and 3, and Appendices B, C, and D are hereby deleted in their entirety.

## **8. RESERVATION OF RIGHTS**

PG&E is entering into this Amendment as ordered by the CPUC in Decisions 04-01-050 and 05-12-009. PG&E reserves any right that it may have to seek reimbursement of payments made under this Amendment to the extent that such payments are determined by the CPUC, or by a court or agency of competent jurisdiction reviewing a CPUC order to exceed PG&E’s avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E’s efforts to seek reimbursement of payments made under this Amendment.

## **9. DISPATCH DOWN/CURTAILMENT**

A. “Dispatch Down Period” means the period of time during which (i) curtailments ordered from the CAISO, for reasons including but not limited to any system emergency, as defined in the applicable CAISO Tariff (“System Emergency”); (ii) curtailments ordered by Buyer based on any warning of an anticipated System Emergency, or warning of an imminent condition or situation, which jeopardizes Buyer’s electric system integrity or the integrity of other systems to which Buyer is connected, as determined by Buyer in Buyer’s sole discretion; (iii) curtailments ordered by Buyer due to over generation as defined in the applicable CAISO Tariff; (iv) curtailments ordered by Buyer based upon Buyer’s forecast of over generation, including, but not limited to, a request by the CAISO to manage over generation

conditions pursuant to CAISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) curtailments ordered by the Participating Transmission Owner (“PG&E Transmission”), or (vi) there is scheduled or unscheduled maintenance on the PG&E Transmission’s interconnection or transmission facilities that prevents (a) Buyer from receiving or (b) Seller from delivering energy and as-delivered capacity at the Delivery Point.

B. Seller shall reduce delivery amounts as directed by the CAISO, Buyer, or the Participating Transmission Owner during any Dispatch Down Period, provided that for a Dispatch Down Period as described in Section 9.A.(ii) through (iv), such Dispatch Down Period shall be no more than fifty (50) hours during any Contract Year, shall be of a duration of a minimum of 4 hours per event, and shall be limited to one event per day.

C. PG&E shall not be obligated to accept or pay Seller for deliveries of energy and as-delivered capacity that were scheduled pursuant to Section 6 of this Agreement and subsequently interrupted or reduced pursuant to Section 9 of this Agreement.

#### **10. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

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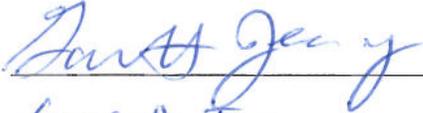
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11. SIGNATURES

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHEVRON USA INC. successor in interest to  
TEXACO EXPLORATION AND  
PRODUCTION, INC.**

By:   
Name: Garrett Young  
Title: Director  
Date: April 23, 2007

By:   
Name: JIM R WILLIAMS  
Title: ASSISTANT SECRETARY  
Date: April 17, 2007

Appendix A

TABLE A<sup>1</sup> - TIME PERIODS

Seasonal Period A (May 1 - October 31)	<u>Monday through Friday</u> <sup>2</sup>	<u>Saturdays, Sundays, and Holidays</u>
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon  6:00 p.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.
<b>Seasonal Period B (November 1 - April 30)</b>		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.

<sup>1</sup> This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

<sup>2</sup> Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN COVANTA POWER PACIFIC, Inc. AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 16P001)**

This Amendment, dated as of the latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E" or "Buyer"), a California corporation, and COVANTA POWER PACIFIC, INC., a California corporation ("Seller"). PG&E and Seller are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**RECITALS**

1. Seller's predecessor-in-interest, Central Plants, Inc. and PG&E entered into an Interim Standard Offer No. 4 Power Purchase Agreement ("PPA") dated December 19, 1983 for the purchase and sale of electric energy from Seller's facility located near Stockton in San Joaquin County, California. The PPA was subsequently amended by agreement of the Parties and assigned to Pacific Energy, the company now known as Covanta Power Pacific, Inc. The PPA and any amendments thereto are collectively referred to herein as the "Agreement."

2. On January 26, 2004, the California Public Utilities Commission ("CPUC" or "Commission") issued Decision 04-01-050 ("the Decision"), in which it ordered the investor owned utilities ("IOUs") to offer five-year Standard Offer 1 ("SO1") contracts at short-run avoided cost prices to Qualifying Facilities ("QFs") with expiring PPAs provided: (1) the QF was in operation and under contract with an IOU to sell power at any time during the period

between January 1, 1998 and the effective date of the Decision; and (2) the QF contract expired or is set to expire before January 1, 2006. The Decision provides that the “five-year SO1 contracts must include a “provision that the pricing terms may change if the Commission subsequently modifies its policy on QF pricing methodology.” (D.04-01-050, Ordering Paragraph 4.).

3. On December 1, 2005 in Decision 05-12-009 the CPUC directed the IOUs to continue purchasing power pursuant to a five-year SO1 contract from any Qualifying Facility (QF) with a contract set to expire after January 1, 2006, and before the CPUC’s issuance of a final decision in the combined dockets, Rulemaking (R.) 04-04-003 and R.04-04-025. The CPUC ordered that pricing terms for any such contract be “consistent with existing SRAC policy set forth in Decision (D.) 01-03-067, as modified by D.02-02-028, provided, that the pricing terms of the contract shall be modified to reflect [the CPUC’s] revised QF pricing policy as of the effective date of the Commission decision adopting a revised pricing policy”. (D.05-12-009, Ordering Paragraph 2.).

4. The original term of the PPA expired on January 19, 2007, but was extended by the parties until March 31, 2007 by letter Agreements dated January 5, 2007 and March 8, 2007.

5. As of the drafting of this Amendment the CPUC has not issued a final decision in the combined dockets, Rulemaking R.04-04-003 and R.04-04-025 and is not expected to issue that decision before the expiration of the PPA.

6. The PPA was executed prior to the formation of the California Independent System Operator (“CAISO”).

7. PG&E and Seller hereby amend the Agreement to comply with Decision 05-12-009 and make certain other modifications to the Agreement, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

**1. DEFINITIONS**

Any term not defined herein shall have the meaning ascribed to it in the Agreement.

**2. TERM OF AMENDMENT**

The Agreement, as modified by this Amendment, shall be in effect from January 20, 2007 through January 19, 2012 (the Extended Term); provided, however, that the Agreement, as modified by this Amendment, may be terminated by Seller upon providing six months' prior written notice of intent to terminate.

**3. ENERGY PURCHASE**

A. PG&E shall purchase and accept delivery of Seller's Net Energy Output from the Facility.

B. PG&E shall pay Seller for energy deliveries during the Extended Term at prices equal to PG&E's short-run avoided cost ("SRAC"), according to the methodology that is approved and may be revised from time to time by the CPUC for payments to QFs.

C. Payment for energy shall be based on the time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the energy associated with the Facility with the nameplate rating specified in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the

PPA, as amended, PG&E shall not be required to accept or pay for energy associated with the incremental increase in the nameplate rating.

E. Energy payments made to Seller pursuant to this Amendment will be adjusted by an energy loss adjustment factor, as approved by the CPUC and as may be modified by the CPUC from time to time.

**4. CAPACITY PURCHASE**

A. Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity only.

B. PG&E shall pay Seller for as-delivered capacity during the Extended Term at prices authorized by the CPUC as may be modified from time to time by the CPUC.

C. Payment for as-delivered capacity shall be based on time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the as-delivered capacity associated with the Facility of the nameplate rating described in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for as-delivered capacity associated with the incremental increase in nameplate rating.

E. As-delivered capacity payments made to Seller pursuant to this Amendment shall be multiplied by a capacity loss adjustment factor ("CLAF") as approved by the CPUC and as may be modified by the CPUC from time to time.

**5. COMPLIANCE WITH THE CALIFORNIA RENEWABLE PORTFOLIO STANDARD**

A. Seller warrants that it is an “eligible renewable energy resource” as defined in Cal. Pub. Util. Code 399.12 sub.(b) as of the effective date of this agreement. Seller agrees that while this Amendment is in effect, it shall satisfy the eligibility requirements, obtain and maintain certification of the Facility, and participate in the generation tracking system in the manner described by the Renewable Portfolio Standard (RPS) Program in accordance with the California Energy Commission’s (CEC) “Renewables Portfolio Standard Eligibility Guidebook” (Second Edition, publication no. 300-2007-006-CMF).

B. Seller will provide information to the generation tracking system as required by the CEC’s Renewables Portfolio Standard Eligibility Guidebook to verify that its electrical generation is counted only once for the purpose of meeting the renewables portfolio standard of this state or another state, pursuant to Pub. Util. Code section 399.13 sub.(b) and will participate in the CEC’s system for tracking and verifying renewable energy credits, pursuant to Pub. Util. Code section 399.13 sub.(c).

C. Seller agrees that this Agreement is an electricity purchase contract executed pursuant to Public Utility Regulatory Policies Act of 1978 (16 U.S.C. Sec. 2601 et seq.) and that deliveries under this contract shall be tracked and count towards the renewables portfolio standard obligations of Purchaser pursuant to Pub. Util. Code section 399.16 sub. (a)(6), whether or not the tracking system described in Pub. Util. Code section 399.13 sub.(c) is operational.

D. Seller hereby provides and conveys all Environmental Attributes from the Facility to PG&E while this Amendment is in effect. As used in this Section, the term “Environmental Attributes” means any and all credits, benefits, emissions reductions, offsets,

and allowances, howsoever entitled, directly attributable to the generation from the Facility. Environmental Attributes include all benefits attributable to the displacement of conventional energy generation from use of an Eligible Renewable Energy Resource. Environmental Attributes do not include any benefits, credits, emissions reductions, offsets or allowances attributable to the capture and elimination of pollutants associated with the production of landfill gas fuel used to produce electricity from the Facility. Seller represents and warrants that Seller holds the rights to all Environmental Attributes from the Facility, and Seller agrees to convey and hereby conveys all such Environmental Attributes to Buyer as included in the delivery of the energy and capacity from the Facility while this Amendment is in effect.

**6. PAYMENTS**

PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month as specified in Section A-4 of the PPA.

**7. OTHER MODIFICATIONS**

To comply with the CPUC's directive that IOUs purchase QF energy and as-delivered capacity at SRAC, the Parties agree to amend the Agreement by deleting in their entirety Articles 2, 3(f), 4, 5, 7 and 12, and Appendices B, C, D, and E of the PPA throughout the Extended Term.

**8. RESERVATION OF RIGHTS**

PG&E is entering into this Amendment as ordered by the CPUC in Decisions 04-01-050 and 05-12-009. PG&E reserves its right to seek reimbursement of payments made under this Amendment to the extent that such payments are determined by the CPUC, a court, or other

governmental entity to exceed PG&E's avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E's efforts to seek reimbursement of payments made under this Amendment.

**9. DISPATCH DOWN/CURTAILMENT**

A. "Dispatch Down Period" means the period of time during which (i) curtailments ordered from the CAISO, for reasons including but not limited to any system emergency, as defined in the applicable CAISO Tariff ("System Emergency"); (ii) curtailments ordered by Buyer based on any warning of an anticipated System Emergency, or warning of an imminent condition or situation, which jeopardizes Buyer's electric system integrity or the integrity of other systems to which Buyer is connected, as determined by Buyer in Buyer's sole discretion; (iii) curtailments ordered by Buyer due to over generation as defined in the applicable CAISO Tariff; (iv) curtailments ordered by Buyer based upon Buyer's forecast of over generation, including, but not limited to, a request by the CAISO to manage over generation conditions pursuant to CAISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) curtailments ordered by the Participating Transmission Owner ("PG&E Transmission"), or (vi) there is scheduled or unscheduled maintenance on the PG&E Transmission's interconnection or transmission facilities that prevents (a) Buyer from receiving or (b) Seller from delivering energy and as-delivered capacity at the Delivery Point.

B. Seller shall reduce delivery amounts as directed by the CAISO, Buyer, or the Participating Transmission Owner during any Dispatch Down Period, provided that for a Dispatch Down Period as described in Section 9.A.(ii) through (iv), such Dispatch Down Period shall be no more than fifty (50) hours during any Contract Year.

C. PG&E shall not be obligated to accept or pay Seller for deliveries of energy and as-delivered capacity pursuant to the Agreement that was interrupted or reduced pursuant to Section 9 of this Amendment.

D. PG&E shall not curtail or refuse to accept or pay for deliveries of energy and as-delivered capacity pursuant to the Agreement in order to purchase lower cost energy from another source over the same period where deliveries are curtailed or not accepted.

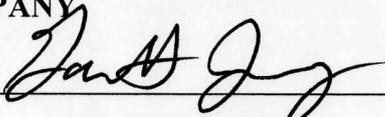
**10. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

**11. SIGNATURES**

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

**PACIFIC GAS AND ELECTRIC  
COMPANY**

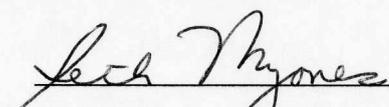
By: 

Name: Garrett Jeung

Title: Director

Date: May 31, 2007

**COVANTA POWER PACIFIC, INC.**

By: 

Name: SETH MYONES

Title: SVP

Date: May 9th, 2007

**Appendix A**

**TABLE A<sup>1</sup> - TIME PERIODS**

	<b>Monday through Friday<sup>2</sup></b>	<b>Saturdays, Sundays, and Holidays</b>
<b>Seasonal Period A (May 1 - October 31)</b>		
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon  6:00 p.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.
<b>Seasonal Period B (November 1 - April 30)</b>		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.

<sup>1</sup> This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

<sup>2</sup> Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN COVANTA POWER PACIFIC, Inc. AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 18P014)**

This Amendment, dated as of the latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY (“PG&E” or “Buyer”), a California corporation, and COVANTA POWER PACIFIC, INC., a California corporation (“Seller”). PG&E and Seller are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

**RECITALS**

1. Seller’s predecessor-in-interest, Pacific Lighting Energy Systems, and PG&E entered into an Interim Standard Offer No. 4 Power Purchase Agreement (“PPA”) dated February 8, 1985 for the purchase and sale of electric energy from Seller’s facility located near Salinas in Monterey County, California. The PPA was subsequently amended by agreement of the Parties and assigned to Pacific Energy, the company now known as Covanta Power Pacific, Inc. The PPA and any amendments thereto are collectively referred to herein as the “Agreement.”

2. On January 26, 2004, the California Public Utilities Commission (“CPUC” or “Commission”) issued Decision 04-01-050 (“the Decision”), in which it ordered the investor owned utilities (“IOUs”) to offer five-year Standard Offer 1 (“SO1”) contracts at short-run avoided cost prices to Qualifying Facilities (“QFs”) with expiring PPAs provided: (1) the QF

was in operation and under contract with an IOU to sell power at any time during the period between January 1, 1998 and the effective date of the Decision; and (2) the QF contract expired or is set to expire before January 1, 2006. The Decision provides that the “five-year SO1 contracts must include a “provision that the pricing terms may change if the Commission subsequently modifies its policy on QF pricing methodology.” (D.04-01-050, Ordering Paragraph 4.).

3. On December 1, 2005 in Decision 05-12-009 the CPUC directed the IOUs to continue purchasing power pursuant to a five-year SO1 contract from any Qualifying Facility (QF) with a contract set to expire after January 1, 2006, and before the CPUC’s issuance of a final decision in the combined dockets, Rulemaking (R.) 04-04-003 and R.04-04-025. The CPUC ordered that pricing terms for any such contract be “consistent with existing SRAC policy set forth in Decision (D.) 01-03-067, as modified by D.02-02-028, provided, that the pricing terms of the contract shall be modified to reflect [the CPUC’s] revised QF pricing policy as of the effective date of the Commission decision adopting a revised pricing policy”. (D.05-12-009, Ordering Paragraph 2.).

4. The original term of the PPA is scheduled to expire on May 11, 2007.

5. As of the drafting of this Amendment the CPUC has not issued a final decision in the combined dockets, Rulemaking R.04-04-003 and R.04-04-025 and is not expected to issue that decision before the expiration of the PPA.

6. The PPA was executed prior to the formation of the California Independent System Operator (“CAISO”).

7. PG&E and Seller hereby amend the Agreement to comply with Decision 05-12-009 and make certain other modifications to the Agreement, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

**1. DEFINITIONS**

Any term not defined herein shall have the meaning ascribed to it in the Agreement.

**2. TERM OF AMENDMENT**

The Agreement, as modified by this Amendment, shall be in effect from May 12, 2007 through May 11, 2012 (the Extended Term); provided, however, that the Agreement, as modified by this Amendment, may be terminated by Seller upon providing six months' prior written notice of intent to terminate.

**3. ENERGY PURCHASE**

A. PG&E shall purchase and accept delivery of Seller's Net Energy Output from the Facility.

B. PG&E shall pay Seller for energy deliveries during the Extended Term at prices equal to PG&E's short-run avoided cost ("SRAC"), according to the methodology that is approved and may be revised from time to time by the CPUC for payments to QFs.

C. Payment for energy shall be based on the time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the energy associated with the Facility with the nameplate rating specified in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the

PPA, as amended, PG&E shall not be required to accept or pay for energy associated with the incremental increase in the nameplate rating.

E. Energy payments made to Seller pursuant to this Amendment will be adjusted by an energy loss adjustment factor, as approved by the CPUC and as may be modified by the CPUC from time to time.

#### 4. CAPACITY PURCHASE

A. Notwithstanding anything to the contrary in the Agreement, Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity only.

B. PG&E shall pay Seller for as-delivered capacity during the Extended Term at prices authorized by the CPUC as may be modified from time to time by the CPUC.

C. Payment for as-delivered capacity shall be based on time of delivery. The time periods currently in effect are shown in Appendix A to this Amendment. Time period definitions may change from time to time as determined by the CPUC.

D. PG&E has contracted to purchase the as-delivered capacity associated with the Facility of the nameplate rating described in Article 3 (b) of the PPA, as amended. If Seller modifies the Facility, changing its nameplate rating to be greater than that specified in Article 3 (b) of the PPA, as amended, PG&E shall not be required to accept or pay for as-delivered capacity associated with the incremental increase in nameplate rating.

E. As-delivered capacity payments made to Seller pursuant to this Amendment shall be multiplied by a capacity loss adjustment factor ("CLAF") as approved by the CPUC and as may be modified by the CPUC from time to time.

**5. COMPLIANCE WITH THE CALIFORNIA RENEWABLE PORTFOLIO STANDARD**

A. Seller warrants that it is an “eligible renewable energy resource” as defined in Cal. Pub. Util. Code 399.12 sub.(b) as of the effective date of this agreement. Seller agrees that while this Amendment is in effect, it shall satisfy the eligibility requirements, obtain and maintain certification of the Facility, and participate in the generation tracking system in the manner described by the Renewable Portfolio Standard (RPS) Program in accordance with the California Energy Commission’s (CEC) “Renewables Portfolio Standard Eligibility Guidebook” (Second Edition, publication no. 300-2007-006-CMF).

B. Seller will provide information to the generation tracking system as required by the CEC’s Renewables Portfolio Standard Eligibility Guidebook to verify that its electrical generation is counted only once for the purpose of meeting the renewables portfolio standard of this state or another state, pursuant to Pub. Util. Code section 399.13 sub.(b) and will participate in the CEC’s system for tracking and verifying renewable energy credits, pursuant to Pub. Util. Code section 399.13 sub.(c).

C. Seller agrees that this Agreement is an electricity purchase contract executed pursuant to Public Utility Regulatory Policies Act of 1978 (16 U.S.C. Sec. 2601 et seq.) and that deliveries under this contract shall be tracked and count towards the renewables portfolio standard obligations of Purchaser pursuant to Pub. Util. Code section 399.16 sub. (a)(6), whether or not the tracking system described in Pub. Util. Code section 399.13 sub.(c) is operational.

D. Seller hereby provides and conveys all Environmental Attributes from the Facility to PG&E while this Amendment is in effect. As used in this Section, the term “Environmental Attributes” means any and all credits, benefits, emissions reductions, offsets,

and allowances, howsoever entitled, directly attributable to the generation from the Facility. Environmental Attributes include all benefits attributable to the displacement of conventional energy generation from use of an Eligible Renewable Energy Resource. Environmental Attributes do not include any benefits, credits, emissions reductions, offsets or allowances attributable to the capture and elimination of pollutants associated with the production of landfill gas fuel used to produce electricity from the Facility. Seller represents and warrants that Seller holds the rights to all Environmental Attributes from the Facility, and Seller agrees to convey and hereby conveys all such Environmental Attributes to Buyer as included in the delivery of the energy and capacity from the Facility while this Amendment is in effect.

**6. PAYMENTS**

PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month as specified in Section A-4 of the PPA.

**7. OTHER MODIFICATIONS**

To comply with the CPUC's directive that IOUs purchase QF energy and as-delivered capacity at SRAC, the Parties agree to amend the Agreement by deleting in their entirety Articles 2, 3(f), 4, 5, 7 and 12, and Appendices B, C, D, and E of the PPA throughout the Extended Term.

**8. RESERVATION OF RIGHTS**

PG&E is entering into this Amendment as ordered by the CPUC in Decisions 04-01-050 and 05-12-009. PG&E reserves its right to seek reimbursement of payments made under this Amendment to the extent that such payments are determined by the CPUC, a court, or other

governmental entity to exceed PG&E's avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E's efforts to seek reimbursement of payments made under this Amendment.

**9. DISPATCH DOWN/CURTAILMENT**

A. "Dispatch Down Period" means the period of time during which (i) curtailments ordered from the CAISO, for reasons including but not limited to any system emergency, as defined in the applicable CAISO Tariff ("System Emergency"); (ii) curtailments ordered by Buyer based on any warning of an anticipated System Emergency, or warning of an imminent condition or situation, which jeopardizes Buyer's electric system integrity or the integrity of other systems to which Buyer is connected, as determined by Buyer in Buyer's sole discretion; (iii) curtailments ordered by Buyer due to over generation as defined in the applicable CAISO Tariff; (iv) curtailments ordered by Buyer based upon Buyer's forecast of over generation, including, but not limited to, a request by the CAISO to manage over generation conditions pursuant to CAISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) curtailments ordered by the Participating Transmission Owner ("PG&E Transmission"), or (vi) there is scheduled or unscheduled maintenance on the PG&E Transmission's interconnection or transmission facilities that prevents (a) Buyer from receiving or (b) Seller from delivering energy and as-delivered capacity at the Delivery Point.

B. Seller shall reduce delivery amounts as directed by the CAISO, Buyer, or the Participating Transmission Owner during any Dispatch Down Period, provided that for a Dispatch Down Period as described in Section 9.A.(ii) through (iv), such Dispatch Down Period shall be no more than fifty (50) hours during any Contract Year.

C. PG&E shall not be obligated to accept or pay Seller for deliveries of energy and as-delivered capacity pursuant to the Agreement that was interrupted or reduced pursuant to Section 9 of this Amendment.

D. PG&E shall not curtail or refuse to accept or pay for deliveries of energy and as-delivered capacity pursuant to the Agreement in order to purchase lower cost energy from another source over the same period where deliveries are curtailed or not accepted.

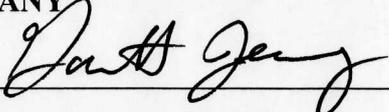
**10. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

**11. SIGNATURES**

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

**PACIFIC GAS AND ELECTRIC  
COMPANY**

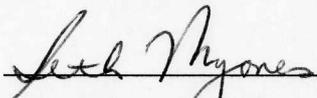
By: 

Name: Garrett Jeung

Title: Director

Date: May 31, 2007

**COVANTA POWER PACIFIC, INC.**

By: 

Name: SETH MYONES

Title: SVP

Date: May 9th, 2007

**Appendix A**

**TABLE A<sup>1</sup> - TIME PERIODS**

	<b>Monday through Friday<sup>2</sup></b>	<b>Saturdays, Sundays, and Holidays</b>
<b>Seasonal Period A (May 1 - October 31)</b>		
Peak	Noon to 6:00 p.m.	None
Partial-Peak	8:30 a.m. to noon  6:00 p.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.
<b>Seasonal Period B (November 1 - April 30)</b>		
Partial Peak	8:30 a.m. to 9:30 p.m.	None
Off-Peak	9:30 p.m. to 1:00 a.m.	
Super Off-Peak	5:00 a.m. to 8:30 a.m.  1:00 a.m. to 5:00 a.m.	5:00 a.m. to 1:00 a.m.  1:00 a.m. to 5:00 a.m.

<sup>1</sup> This table is subject to change to accord with the peak, partial-peak, off-peak, and super off-peak periods as defined by CPUC decision.

<sup>2</sup> Except for the following holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day, as specified in Public Law 90-363 (5 U.S.C.A. Section 6103(a)).

**PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV**

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