

CONFIDENTIAL

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) ("*Master Agreement*") is made as of the following date: May 31, 2001 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("PG&E Energy Trading - Power, L.P." or "Party A")

Name ("California Department of Water Resources, with respect to the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System" or "Party B")

All Notices:

All Notices: California Department of Water Resources

Street: 7500 Old Georgetown Road

Street: 1416 Ninth Street

City: Bethesda, Maryland Zip: 20814

City: Sacramento, California Zip: 95814

Attn: Senior Vice President

Attn: Executive Manager Power Systems

Phone: 301-280-6600

Phone: (916) 653-5913

Facsimile: 301-280-6601

Facsimile: (916) 653-0267

Duns: 00-268-7119

Duns:

Federal Tax ID Number: [REDACTED]

Federal Tax ID Number: [REDACTED]

Invoices:

Invoices:

Attn: Director, Power Accounting

Attn: Contracts Payable

Phone: 301-280-6600

Phone: (916) 653-6404

Facsimile: 301-280-6604 or 301-280-6601

Facsimile: (916) 654-9882

Scheduling:

Scheduling:

Attn: Scheduling Desk

Attn: Chief Water and Power Dispatcher

Phone: 301-280-6600

Phone: (916) 574-2693

Facsimile: 301-280-6601

Facsimile: (916) 574-2569

Payments:

Payments:

Attn: Director, Power Accounting

Attn: Cash Receipts Section

Phone: 301-280-6600

Phone: (916) 653-6892

Facsimile: 301-280-6604

Facsimile: (916) 654-9882

Wire Transfer:

Wire Transfer:

[REDACTED]

[REDACTED]

Credit and Collections:

Credit and Collections:

Attn: Credit Manager

Attn: Deputy Controller

Phone: 301-280-6600

Phone: 916-653-6148

Facsimile: 301-280-6601

Facsimile: 916-653-8230

With additional Notices of an Event of Default to:

Attn: Assistant General Counsel

Phone: 301-280-6600

Facsimile: 301-280-6060

With additional Notices of an Event of Default to:

Attn: Deputy Controller

Phone: (916) 653-6148

Facsimile: (916) 653-8230

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The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff Tariff FERC Electric Rate Schedule No. 1 Dated January 9, 1998 Docket Number ER98-1370-000

Party B Tariff Tariff N/A Dated _____ Docket Number _____

Article Two

Transaction Terms and Conditions Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure to Deliver or Receive Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Cross Default for Party A:
N/A

Events of Default; Remedies

Party A: _____ Cross Default Amount \$ _____

Other Entity: _____ Cross Default Amount \$ _____

Cross Default for Party B: N/A

Party B: _____ Cross Default Amount \$ _____

Other Entity: _____ Cross Default Amount \$ _____

5.6 Closeout Setoff

Option A (Applicable if no other selection is made.)

Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: _____

Option C (No Setoff)

Article 8

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

Option A

Option B Specify: _____

Option C Specify: Annual audited financial statements, annual budget and all financial information sent to any seller under a power purchase agreement; Party B shall use reasonable commercial efforts to periodically prepare and make available to all sellers under power sales agreements, but not more frequently than quarterly, financial information reasonably intended to apprise all such sellers of the financial condition of the Fund.

(b) Credit Assurances:

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Not Applicable
Applicable

(c) Collateral Threshold:

Not Applicable
Applicable

If applicable, complete the following:

Party B Collateral Threshold: \$ _____; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: \$ _____

Party B Rounding Amount: \$ _____

(d) Downgrade Event:

Not Applicable
 Applicable

If applicable, complete the following:

It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's

Other:

Specify: _____

(e) Guarantor for Party B: Not applicable

Guarantee Amount: _____

8.2 Party B Credit Protection:

(a) Financial Information:

Option A

Option B Specify: PG&E Energy Trading Holdings Corporation

Option C Specify:

(b) Credit Assurances:

Not Applicable
 Applicable

(c) Collateral Threshold:

Not Applicable
 Applicable

If applicable, complete the following:

Party A Collateral Threshold: \$ _____; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ _____

Party A Rounding Amount: \$ _____

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(d) Downgrade Event:

Not Applicable
Applicable

If applicable, complete the following:

It shall be a Downgrade Event for Party A if the Credit Rating of Party A's Guarantor falls below ___ from S&P or ___ from Moody's or if Party A is not rated by either S&P or Moody's

Other:

Specify: _____

(e) Guarantor for Party A: Not Applicable

Guarantee Amount:

Article 10

Confidentiality

Confidentiality Applicable

If not checked, inapplicable.

Schedule M

Party A is a Governmental Entity or Public Power System
 Party B is a Governmental Entity or Public Power System
Add Section 3.6. If not checked, inapplicable
Add Section 8.6. If not checked, inapplicable

Other Changes

Specify, if any: See attached list.

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IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

PG&E ENERGY TRADING - POWER, L.P.

By: PG&E Energy Trading Holdings
Corporation, its sole general partner

By: *Sarah M. Barpoulis*

Name: Sarah M. Barpoulis

Title: Senior Vice President

CALIFORNIA DEPARTMENT OF
WATER RESOURCES

By: *Raymond D. Hard*

Name: Raymond D. Hard

Title: *Deputy Director*

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

(1) Section 1.3 This section has been changed as follows: "'Bankrupt' means with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it, and such petition is not withdrawn or dismissed within 30 days after such filing, (ii) makes an assignment (other than an assignment undertaken in connection with a financing) or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due."

(2) Sections 1.6, 1.24, 1.28, 1.33, 1.34, 1.35, 1.36, 1.43, 1.44, 1.48 and 1.56 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(3) Section 1.11 is amended by adding the following sentence at the end of the current definition: "The Non-Defaulting Party shall use commercially reasonable efforts to mitigate or eliminate these Costs."

(4) Section 1.46 "Potential Event of Default" is deleted.

(5) Section 1.51, "Replacement Price" shall be amended on the fifth line by deleting the phrase "at Buyer's option" and inserting the following phrase: "absent a purchase". In addition, the following sentence shall be omitted: "For the purposes of this definition, Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point."

(6) Section 1.53, "Sales Price" shall be amended on the fifth line by deleting the phrase "at Seller's option" and inserting the following phrase: "absent a sale". In addition, the following sentence shall be omitted: "For the purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another Party at the Delivery Point."

(7) Section 1.59 is amended by changing "Section 5.3" to "Section 5.2."

(8) Sections 1.62 through 1.69 are added to Article One as follows:

1.62 "Fund" means the Department of Water Resources Electric Power Fund established by Section 80200 of the Water Code.

1.63 "Market Quotation Average Price" shall mean the average of the good faith quotations solicited from not less than three (3) Reference Market-makers; provided, however, that the Party soliciting such quotations shall use commercially reasonable efforts to obtain good faith quotations from at least five (5) Reference Market-makers and, if at least five (5) such quotations are obtained, the Market Quotation Average Price shall be determined disregarding the highest and lowest quotations.

1.64 "Market Value" shall have the meaning set forth in Section 5.3.

1.65 "Per Unit Market Price" means the applicable price per MWh determined in accordance with Section 5.3.

1.66 "Reference Market-maker" means any marketer, trader or seller of or dealer in firm energy products whose long-term unsecured senior debt is rated BBB or better by Standard & Poor's and Baa2 or better by Moody's Investor Services.

1.67 "Replacement Contract" means a contract having a term, quantity, delivery rate, delivery point and product substantially similar to the remaining Term, quantity, delivery rate, Delivery Point and Product to be provided under this Agreement.

1.68 "2001A Transaction" means the Transaction described in the attached Confirmation dated May 31, 2001.

1.69 "Trust Estate" means all revenues under any obligation entered into, and rights to receive the same, and moneys on deposit in the Fund and income or revenue derived from the investment thereof.

(b) Transactions. The Transaction shall be in writing and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5.

(c) Governing Terms. Section 2.2 is amended by adding the following sentence at the end of the current section:

"Notwithstanding the foregoing, the 2001A Transaction shall be treated as a stand-alone Transaction and accordingly, (a) provisions in the Master Agreement referring to offsetting or netting multiple Transactions shall not be applicable to the 2001A Transaction, and (b) an Event of Default or Potential Event of Default with respect to any Transaction other than the 2001A Transaction shall not affect the 2001A Transaction. Except for the attached Confirmation dated May 31, 2001, no provision of any Confirmation entered into pursuant to Section 2.4 shall affect the 2001A Transaction."

Section 3.2 Transmission and Scheduling. Adds the following sentence: "From time to time the Parties may agree to bookout Transactions. Bookouts are undertaken as a scheduling convenience and do not modify the terms of any Transaction."

The following section is added:

3.2.1 Reliability Guidelines. Each Party shall adhere to accepted electric industry practice and, without limiting the foregoing, to the applicable operating policies, criteria and/or guidelines of the North American Electric Reliability Council ("NERC") and any regional or subregional requirements.

(d) Declaration of an Early Termination Date and Calculation of Termination Payment.

(1) The last sentence of Section 5.2 is replaced in its entirety by the following: "The Non-Defaulting Party shall be entitled to a payment upon termination of this Agreement as the result of an Event of Default (the "Termination Payment") which shall be the aggregate of the Market Value and Costs calculated in accordance with Section 5.3 which shall be paid no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date. Prior to receipt of such notice of termination by the Defaulting Party, the Non-Defaulting Party may exercise any remedies available to it at law or otherwise, including, but not limited to, the right to seek injunctive relief to prevent irreparable injury to the Non-Defaulting Party."

(2) The following shall be added to the end of Section 5.2 (as amended by clause (1) immediately above): "Notwithstanding the other provisions of this Agreement, if the Non-Defaulting Party has the right to liquidate or terminate all obligations arising under this Agreement under the provisions of this Article 5 because the Defaulting Party either (a) is the subject of a bankruptcy, insolvency, or similar proceeding, or (b) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator, or similar official for all or a substantial portion of its assets, then this Agreement and the Transaction shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 5.1."

(3) Section 5.3 is replaced in its entirety by the following:

"5.3. Termination Payment Calculations. The Non-Defaulting Party shall calculate the Termination Payment as follows:

- (a) Market Value shall be (i) in the case Party B is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under a Replacement Contract based on the Per Unit Market Price, and (B) payments under this Agreement, or (ii) in the case Party A is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under this Agreement, and (B) payments under a Replacement Contract based on the Per Unit Market Price, in each case using the Present Value Rate as of the time of termination (to take account of the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to the relevant transaction). The "Present Value Rate" shall mean the sum of 0.50% plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 a.m. (New York City, New York time) for the United States government securities having a maturity that matches the average remaining term of this Agreement. It is expressly agreed that the Non-Defaulting Party shall not be required to enter into a Replacement Contract in order to determine the Termination Payment.
- (b) To ascertain the Per Unit Market Price of a Replacement Contract with a term of less than one year, the Non-Defaulting Party may consider, among other valuations, quotations from leading dealers in energy contracts, the settlement prices on established, actively traded power exchanges, other bona fide third party offers and other commercially reasonable market information.
- (c) To ascertain the Per Unit Market Price of a Replacement Contract with a term of one year or more, the Non-Defaulting Party shall use the Market Quotation Average Price; provided, however, that if there is an actively traded market for such Replacement Contract or if the Non-Defaulting Party is unable to obtain reliable quotations from at least three (3) Reference Market-makers, the Non-Defaulting Party shall use the methodology set forth in paragraph (b).
- (d) In no event, however, shall a party's Market Value or Costs include any penalties, ratcheted demand charges or similar charges imposed by the Non-Defaulting Party.

(4) Sections 5.4, 5.5, 5.6, 6.7 and 6.8 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(5) Section 5.7 Suspension of Performance. Deletes the following language: "or (b) a Potential Event of Default" Because that clause is deleted, the caption "(a)" also is deleted as no longer necessary.

(6) Section 8.3 Grant of Security Interest/Remedies. Deletes "or deemed occurrence" from the beginning of the second sentence.

(e) Term of Master Agreement. Add the following sentence to Section 10.1: "The 2001A Transaction shall terminate on the day following the last day of the Delivery Period, unless terminated sooner pursuant to the express provisions of this Agreement or as a result of an Event of Default".

(1) Section 10.2 Representations and Warranties.

- (i) This section has been changed as follows: "it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct its business in each jurisdiction in which it will perform a Transaction"
- (vi) Deletes "or any of its Affiliates"
- (vii) Deletes "or Potential Event of Default"

(f) Representations and Warranties. Party B shall not be deemed to make the representations set forth in clauses (ix) and (xi) of Section 10.2.

(g) Indemnity. The phrase "To the extent permitted by law" is added at the beginning of the first two sentences of Section 10.4. The word "first" is deleted from the first sentence.

(h) Assignment.

(1) In Section 10.5, the phrase "either Party may, without the consent of the other Party (and without relieving itself from liability hereunder)" shall be replaced with "Party A (or, with respect to clause (i) (iv) or (v), Party B) may, without the consent of the other Party" and add the following clauses (iv), (v) and (vi) in the first proviso in Section 10.5: "(iv) transfer and assign all of its right, title and interest to this Agreement and the Fund to another governmental entity created or designated by law to carry out the rights, powers, duties and obligations of the Department under the Act; (v) transfer or assign this Agreement to any electrical corporation, as defined in the Act, whose long-term unsecured senior debt is rated BBB or better by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.), or its successor, and Baa2 or better by Moody's Investor Services, Inc., or its successor; or (vi) transfer or assign all of its right, title and interest in the 2001A Transaction to an affiliate of Party A which, at the time of such transfer, owns or controls the output of the units specified in the 2001A Transaction."

(2) Add the following proviso to the end of Section 10.5: ":provided, further, however, that in the event this Agreement is pledged or assigned to a bond trustee pursuant to clause (i) as collateral for bonds issued by Party B, such bond trustee shall not be required to agree in writing to be bound by the terms and conditions hereof."

(i) Governing Law. In Section 10.6, "New York" shall be replaced with "California."

(j) General. The phrase "Except to the extent herein provided for," shall be deleted from the fourth sentence of Section 10.8, and the phrase "and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5" shall be added to the end of such fourth sentence.

(k) Additional Provisions. New Section 10.12 is added to Article 10 as follows:

"10.12. No Retail Services; No Agency. (a) Nothing contained in this Agreement shall grant any rights to or obligate Party A to provide any services hereunder directly to or for retail customers of any person.

(b) In performing their respective obligations hereunder, neither Party is acting, or is authorized to act, as agent of the other Party."

(l) Schedule M. Schedule M shall be amended as follows:

(1) In Section A, "Act" will mean Sections 80000, 80002, 80002.5, 80003, 80004, 80010, 80012, 80014, 80016, 80100, 80102, 80104, 80106, 80108, 80110, 80112, 80114, 80116, 80120, 80122, 80130, 80132, 80134, 80200, 80250, 80260 and 80270 of the Water Code.

(2) "Special Fund" will mean the Fund.

(3) In Section A, the defined term "Governmental Entity or Public Power System" shall be replaced with the term "Governmental Entity" using the following definition "'Governmental Entity' means the State of California Department of Water Resources separate and apart from its powers and responsibilities with respect to the State Water Resources Development System"; and all references to (A) "Governmental Entity or Public Power System" (and cognates) and (B) "Public Power System" (and cognates) in Schedule M shall be replaced with the new defined term "Governmental Entity" (using the applicable cognate).

(4) In Section D, delete Section 3.5 and replace it with the following:

Section 3.5 No Immunity Claim. California law authorizes suits based on contract

against the State or its agencies, and Party B agrees that it will not assert any immunity it may have as a state agency against such lawsuits filed in state court.

(5) In Section G, specify that the laws of the State of California will apply.

(6) Add a new Section H, which shall read as follows:

"Section 3.7. Payments Under Agreement an Operating Expense. Payments under this Agreement shall constitute an operating expense of the Fund payable prior to all bonds, notes or other indebtedness secured by a pledge or assignment of the Trust Estate or payments to the general fund."

(7) Add a new Section I, which shall read as follows:

"Section 3.8. Rate Covenant; No Impairment. In accordance with Section 80134 of the Water Code, Party B covenants that it will, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys on deposit in the Fund, to provide for the timely payment of all obligations which it has incurred, including any payments required to be made by Party B pursuant to this Agreement. As provided in Section 80200 of the Water Code, while any obligations of Party B pursuant to this Agreement remain outstanding and not fully performed or discharged, the rights, powers, duties and existence of Party B and the Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests and rights of the Seller under this Agreement."

(8) Add a new Section J, which shall read as follows:

"3.9. No More Favorable Terms. Party B shall not provide in any power purchase agreement payable from the Trust Estate for (i) collateral or other security or credit support with respect thereto, (ii) a pledge or assignment of the Trust Estate for the payment thereof, or (iii) payment priority with respect thereto superior to that of Party A, without in each case offering such arrangements to Party A."

(9) Add a new Section K, which shall read as follows:

"Section 3.10. Sources of Payment; No Debt of State. Party B's obligation to make payments hereunder shall be limited solely to the Fund. Any liability of Party B arising in connection with this Agreement or any claim based thereon or with respect thereto, including, but not limited to, any Termination Payment arising as the result of any breach or Potential Event of Default or Event of Default under this Agreement, and any other payment obligation or liability of or judgment against Party B hereunder, shall be satisfied solely from the Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS AGREEMENT. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising under this Agreement."

(10) Add a new Section L, which shall read as follows:

"Section 3.11. Application of Government Code and the Public Contracts Code. Party A has stated that, because of the administrative burden and delays associated with such requirements, it would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements would apply to or be required to be incorporated in this Agreement. Accordingly, pursuant to Section 80014(b) of the Water Code, Party B has determined that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the Water Code to make such provisions applicable to this Agreement and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement."

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

This confirmation letter shall confirm the Transaction agreed to on May 31, 2001 between PG&E Energy Trading-Power, L.P. (“Party A”) and California Department of Water Resources, acting solely under the authority and powers created by California Assembly Bill AB1-X, codified as Sections 80000 through 80270 of the Water Code (the “Act”), and not under its powers and responsibilities with respect to the State Water Resources Development System (“Party B”) regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party A

Buyer: Party B

Product: As Available, which means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a generation asset or assets specified in the Transaction. Seller’s failure to deliver under an “As Available” Transaction shall be excused: (i) if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines); (ii) by an event or circumstance that affects the specified generation asset(s) so as to prevent Seller from performing its obligations, and which is not within the reasonable control of, or the result of the negligence of, the Seller, (iii) by Buyer’s failure to perform, (iv) if there is insufficient wind power for the specified units to generate energy, or (v) by scheduled maintenance outages of the specified units. In any of such events, Seller shall not be liable to Buyer for any damages, including any amounts determined pursuant to Article Four.

Specified Units: Mountainview I Wind Project, having an estimated capacity rating of 44.4 MW consisting of 74 Mitsubishi MWT – 600 turbines located in Riverside County, California and Mountainview II Wind Project, having an estimated capacity rating of 22.2 MW, consisting of 37 Mitsubishi MWT – 600 turbines located in Riverside County, California (each, a “Project” and collectively, the “Projects”).

Contract Quantity: During the Delivery Period, except as specified in the Curtailments section below, Party A shall deliver, and Party B shall receive and pay for, All of the Output (as defined below) of each Project which has reached its Commercial Operation Date.

For the purposes of this Transaction, "Output" means all electrical energy produced, which may, on an instantaneous basis, be greater or less than the total estimated capacity of 66.6 MW of the Projects, adjusted by the loss factor assigned by the California Independent System Operator or successor entity ("CAISO") to the Projects.

Delivery Point: The high side of the transformers in the 115kV substation to be built by Party A for the Projects. This substation will allow the Projects to interconnect to the Southern California Edison Devers-Farrell-Windland 115kV transmission line.

Contract Price: \$58.50/MWh. Party B shall be responsible for all charges applied to this Transaction by the CAISO except losses (which shall be paid by Party A in accordance the Contract Quantity section).

Delivery Period: Beginning on the later of (i) October 1, 2001, or (ii) the Commercial Operation Date of either Project and ending September 30, 2011.

Scheduling: By 6:00 AM Pacific Prevailing Time on the Business Day immediately preceding the date of delivery, Party A shall provide Party B with an hourly forecast of deliveries. Party A shall update such forecast anytime information is available indicating a change in forecasted Output from the then current forecast. Party A shall prepare such forecasts and updates by utilizing the best wind speed and direction prediction model or service that is commercially available and utilized by other wind producers or purchasers in the vicinity of the Projects, so long as such model or service is available at a commercially reasonable cost. Party A shall determine in good faith which such model or service to utilize after consultation with Party B. Party A shall not be required to update such forecasts more frequently than once per hour. To the extent possible the Parties shall cooperate to automate forecast updates.

Party A shall be the designated Scheduling Coordinator (as defined in the CAISO tariff) for the Projects and shall be responsible for scheduling the forecast of Output into the CAISO during the Delivery Period. Party A shall submit schedules and any updates to such schedules to the CAISO based on the most current forecast of Output consistent with all scheduling protocols of the CAISO. Party B shall be responsible for any imbalance charges or penalties payable to, and will receive any credits from, the CAISO as the result of differences between actual generation and scheduled as calculated in accordance with the Billing Adjustment section

below. At any time, Party B may direct Party A to submit schedules to the CAISO that are different from the current forecast, and that, in the determination of Party B, will minimize the risk of imbalance charges to Party B.

Operating Procedures: Prior to the Commercial Operation Date (as defined below), the Parties shall agree upon written operating procedures (“Operating Procedures”) addressing how the Parties will perform their respective obligations under this Transaction, including, but not limited to: (1) the method of day-to-day communications; (2) key personnel lists for each Party; (3) procedures for Forced Outage and Scheduled Maintenance Outage reporting; (4) procedures for daily capacity level and energy output reporting; (5) procedures for record keeping; and (6) scheduling procedures; provided that the failure to agree on Operating Procedures will not relieve the Parties of their respective obligations under this Transaction.

For the purposes of this Transaction, “Commercial Operation Date” means the date which is the later of: (i) the date on which the electrical generating equipment and control systems of either Project have been completely installed and commissioned including, but not limited to the process of starting up, testing and normalization of all operating systems and synchronization of all units comprising such Project with the transmission system grid, and that such Project has demonstrated that it has generated and delivered power to the electrical transmission grid in a safe and reliable operation and in accordance with any applicable operating permits, in each case as determined by Party A in its reasonable discretion, and (ii) the date on which control of the output of either Project has transferred to an affiliate of Party A.

Curtailments: At the request of Party B, Party A shall reduce the Projects’ Output during any hour provided that a) Output during such hour is greater than the energy scheduled to the CAISO during such hour, and b) the CAISO has directed the scheduling coordinator for the Projects to reduce the Output of the Projects to manage an overgeneration condition in the CAISO control area (due to a lack of decremental bids from other generation resources). During such curtailments, Party B shall pay Party A the Contract Price for the Output that would have been generated without such curtailment, based upon the latest forecast, as it may be updated in the ordinary course during such Curtailment.

Delivery & Metering: All Output shall be delivered to Party B at the Delivery Point. All meters and equipment used for the measurement of Output shall be provided, owned, maintained, inspected tested, and read at no cost to Party B by Party A.

Billing Adjustments: Billing to Party B shall include adjustments that reflect the imbalance charges and credits resulting in differences between schedules submitted by Party A to the CAISO and Output delivered to the Delivery Point hereunder (“Imbalance Adjustments”). Imbalance Adjustments shall be calculated by Party A pursuant to CAISO methodologies then in effect and reasonably applied by Party A as if the Projects were the only projects scheduled and delivered to the CAISO by Party A, and not netted against other generation scheduled to the CAISO by Party A.

Party A reserves the right to submit a bill to Party B for Imbalance Adjustments, separate from regular monthly billing for delivery of Output, as soon as the CAISO settlements are finalized. Such bill is due and payable within 10 days of receipt by Party B. Party A shall only credit Party B for positive generation imbalances after Party A receives payment for such imbalance generation from the CAISO.

Special Conditions: All rights and interests in the renewable attributes, emission reductions or credits (offsets) relating to the Projects shall remain the property of Party A.

Early Termination: In the event neither Project reaches its Commercial Operation Date by October 1, 2001 Party B shall have the right to terminate this Transaction upon 30 days’ written notice delivered to Party A no later than November 1, 2001. In the event only one Project reaches its Commercial Operation Date by October 1, 2001, Party B shall have the right to terminate this Transaction, solely with respect to the Project which has not reached its Commercial Operation Date, upon 30 days’ written notice delivered to Party A no later than November 1, 2001, and this Transaction shall continue, with respect to the Project which has reached its Commercial Operation Date.

Confidentiality: If either Party is compelled by court order, the Federal Energy Regulatory Commission, or other regulatory agency, regulatory requirement or legal process, binding on such Party, to disclose such confidential information, such Party shall provide advance written notice to the other Party.

CONFIDENTIAL

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated May 31, 2001 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Party A]

PG&E ENERGY TRADING - POWER, L.P.
By: PG&E Energy Trading Holdings
Corporation, its general partner

By: EM Raupman
Title: SENIOR VICE PRESIDENT
Phone No: (301) 280-10615
Fax: (301) 280-5727

[Party B]

California Department of Water Resources,
acting solely under the authority and powers
created by AB1-X, codified as Sections
8000 through 80270 of the Water Code
(the "Act"), and not under its powers and
responsibilities with respect to the State
Water Resources Development System

By: PA D'Heub
Title: Deputy Director
Phone No: (916) 574-2733
Fax: (916) 572-2512