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: July 12, 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 ("Whitewater Energy Corporation, a California corporation" or "Party A")

All Notices: Whitewater Energy Corporation

Street: 21515 Hawthorne Blvd, Suite 1059

City: Torrance , Zip: 90503

Attn: William W. Adams
Phone: (310) 316-7337
Facsimile: (310) 316-7013
Duns: _____
Federal Tax ID Number: [redacted]

With a copy to:

Cannon Power Corporation
P.O. Box 575143
Rancho Santa Fe, CA 92067
Attn: Managing Director
Facsimile: (858) 756-0475

Invoices:
Attn: William W. Adams
Phone: (310) 316-7337
Facsimile: (310) 316-7013

Scheduling:
Attn: William W. Adams
Phone: (310) 316-7337
Facsimile: (310) 316-7013

Payments:
Attn: William W. Adams
Phone: (310) 316-7337
Facsimile: (310) 316-7013

Wire Transfer:
BNK: [TO BE PROVIDED]
Account Title: _____
ABA: _____
ACCT: _____

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: California Department of Water Resources

Street: 1416 Ninth Street

City: Sacramento, California Zip: 95814

Attn: Executive Manager Power Systems
Phone: (916) 653-5913
Facsimile: (916) 653-0267
Duns: _____
Federal Tax ID Number: [redacted]

Invoices:
Attn: Contracts Payable
Phone: (916) 653-6404
Facsimile: (916) 654-9882

Scheduling:
Attn: Chief Water and Power Dispatcher
Phone: (916) 574-2693
Facsimile: (916) 574-2569

Payments:
Attn: Cash Receipts Section
Phone: (916) 653-6892
Facsimile: (916) 654-9882

Wire Transfer:
BNK: Bank of America (Sacramento Main Branch)
for: Department of Water Resources
ABA: Routing # 121000358
ACCT: #[redacted]

Credit and Collections:
Attn: William W. Adams
Phone: (310) 316-7337
Facsimile: (310) 316-7013

With additional Notices of an Event of Default to:
Attn: _____
Phone: _____
Facsimile:_____

Credit and Collections:
Attn: Deputy Controller
Phone: (916) 653-6148
Facsimile: (916) 653-8230

With additional Notices of an Event of Default to:
Attn: Deputy Controller
Phone: (916) 653-6148
Facsimile: (916) 653-8230

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 N/A Dated _____ Docket Number _____

Party B 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

Events of Default; Remedies

Cross Default for Party A: N/A

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:

☑ 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: _____
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: $_____

(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 8.4. If not checked, inapplicable

Schedule P

Not Applicable

Other Changes

Specify, if any: See attached list.

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

	CALIFORNIA DEPARTMENT OF WATER RESOURCES
By: William W Adams	By: Neil Patel
Name: William W. Adams	Name: NEIL PATEL
Title: President	Title: Executive Manager

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.

(a) Definitions.

(1) Sections 1.6, 1.12, 1.13, 1.17, 1.22, 1.24, 1.27, 1.28, 1.33, 1.34, 1.35, 1.36, 1.37, 1.38, 1.39, 1.40, 1.41, 1.42, 1.43, 1.44, 1.45, 1.46, 1.48 and 1.56 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(2) 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."

(3) Section 1.23 is amended by addition the following phrase at the end of the first sentence ", including, without limitation, weather conditions (including high wind speeds) which prevent the safe and continuous construction or operation of the Project."

(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, Section 1.51 shall be amended by deleting the following sentence: "For 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, Section 1.53 shall be amended by deleting the following sentence: "For 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; provided that for purposes of calculating the Termination Payment, the quantity shall be based upon such reasonable assumptions on operation as determined by the Non-Defaulting Party.

1.68 "2001A Transaction" means the Transaction described in the attached Confirmation dated July 12, 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. Section 2.1 is amended by replacing the entire section with the following sentence: "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.

(1) Section 2.2 is amended by adding the following sentence at the end of the current section:

> "The 2001A Transaction shall be governed by this Master Agreement. This Master Agreement (including all exhibits, schedules and any written supplements hereto) and the 2001A Transaction (including attached Confirmation dated July 12, 2001) shall form a single integrated agreement between the Parties. Any inconsistency between any terms of this Master Agreement and any terms of the 2001A Transaction shall be resolved in favor of the terms of the 2001A Transaction. 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, (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 and vice versa and (c) any event permitting suspension of performance with respect to any other Transaction shall not permit suspension of performance under the 2001A Transaction, and vice versa. Except for the attached Confirmation dated July 12, 2001, no provision of any Confirmation entered into pursuant to Section 2.4 shall affect the 2001A Transaction."

(2) Section 3.2 is amended by deleting the phrase "as specified by the Parties in the Transaction, or in the absence thereof, in accordance with the practice of the Transmission Providers" from the first sentence.

(3) New subsection 3.2(a) is added to Section 3.2 as follows:

> (a) Reliability Guidelines. Each Party shall adhere to accepted electric industry practices 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) Events of Default.

(1) In Section 5.1(a) and Section 5.1(c), replace "three (3)" with "ten (10)".

(2) Add the following proviso to the end of Section 5.1(c): "provided, however, that, in the case of a material default that is not reasonably capable of being cured within the applicable cure period, the defaulting Party shall have additional time to cure the default if it commences to cure the default within such cure period, it diligently pursues such cure, and such default is capable of being cured by the defaulting Party within no more than one hundred eighty (180) Days after receiving such written notice."

(3) In Section 5.1(e), add the phrase "if such failure is not remedied within twenty (20) Business Days after written notice" at the end of the sentence.

(e) 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. It is further agreed that for purposes of this paragraph, the amount of "payments under this Agreement" shall be calculated based upon reasonable assumptions on operation as determined by the Non-Defaulting Party.

(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, 6.6, 6.7, 6.8 and 8.3 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.

(g) 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".

(h) Representations and Warranties. Party B shall not be deemed to make the representations set forth in clauses (ix) and (xi) of Section 10.2. Any reference to "Potential Event of Default" shall be deleted.

(i) 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.

(j) 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) and (v) 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; or (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."

(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."

(3) Add the following sentence to the end of Section 10.5 (as amended by clauses (1) and (2) immediately above): "If Party A assigns or encumbers its interest under this Agreement in connection with any financing or other financial arrangement as permitted by Section 10.5(i) above, upon the receipt of a written request from Party A, Party B shall execute such additional documents, instruments and assurances and take such additional actions as are reasonably requested by the person extending such financing or other financial arrangement; provided, however, that Party B shall not be required to agree to obligations, liabilities or risks not contemplated in this Agreement."

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

(l) 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.

(m) Additional Provisions.

(1) Section 10.11 is deleted in its entirety.

(2) 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."

(n) 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, 80116, 80120, 80122, 80130, 80132, 80134, 80200, 80250, 80260 and 80270 of the Water Code, as amended.

(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."

(o) Schedule P. Schedule P is deleted in its entirety.

MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER

This confirmation letter shall confirm the Transaction agreed to on July 12, 2001 between Whitewater Energy Corporation ("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 if wind speeds exceed the specified units' technical specifications, 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:	Whitewater Hill Project having an estimated capacity rating of 65.1 MW (the "Project"), consisting of 41 Enron 1.5 MW turbines and 4 Enron 900 kW turbines located in Riverside County, California.
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 the Project. 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 65.1 MW of the Project, as metered at the interconnected substation.
Delivery Point:	The high side of the transformers in the 115kV substation to be built by Party A for the Project. This substation will allow the Project to

interconnect to the Southern California Edison Devers-Garnet-Windpark-Banning-Zanja 115kV transmission line. The Output shall be metered at the substation but Party A shall be responsible for the delivery of Output to the CAISO controlled grid (the "Delivery Point").

Contract Price: During the Delivery Period: $60.00/MWh.

Party B shall be responsible for all charges with respect to uninstructed energy as applied to this Transaction by the CAISO, all as further provided under the caption "Scheduling."

Delivery Period: Beginning on the earlier of (i) the completion date of the first turbine described and included in the Project (regardless of its rated capacity) or (ii) December 31, 2001, and ending on the twelfth anniversary of such commencement date.

In the event Commercial Operation (as defined herein) is not achieved prior to December 31, 2001, Party A shall provide periodic construction status updates to Party B at such times as reasonably requested by Party B.

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 for each hour of the immediately succeeding day; provided, however, that such information provided on a day prior to any non-business day shall include forecasts for each day to and including the immediately succeeding business day. 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 Project, so long as such model or service is available at a commercially reasonable cost and is satisfactory to Party B. On or prior to each May 1 during the Term of this Transaction, 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 implement and use automatic forecast updates.

Party A shall be the designated Scheduling Coordinator (as defined in the CAISO tariff) for the Project and shall be responsible for scheduling the forecast of Output to the Delivery Point 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. All generation scheduling and transmission services shall be performed in accordance with all applicable operating policies, criteria, guidelines and tariff of CAISO or its successor, and any

other generally accepted operational requirements. Party A shall also fulfill contractual, metering and interconnection requirements set forth in the CAISO tariff and implementing CAISO standards and requirements, including but not limited to executing a CAISO Participating Generator Agreement, so as to be able to deliver energy to the Delivery Point which is on the CAISO controlled grid. In the event that CAISO modifies or amends its scheduling protocols in the future, Party A hereby agrees to adhere to such changes to scheduling procedures with Party B so as to effect the changes necessary and any economic benefit from such changes shall enure solely for the benefit of Party B.

Notwithstanding anything to the contrary herein, in the event Party A makes a change to its schedule on the actual date of delivery for any reason (other than an adjustment imposed by CAISO) which results in an increase to its Output (whether in part or in whole), Party A shall use its best efforts to notify Party B at least one (1) hour prior to the deadline for Party B to submit hour-ahead schedules to CAISO in its capacity as a Scheduling Coordinator.

Party B shall be responsible for any uninstructed energy charges payable to, and will receive any credits and revenues from, the CAISO as the result of differences between actual generation and schedule as calculated in accordance with the Billing Adjustment section below. To minimize such uninstructed energy charges payable by Party B, if requested by Party B, Party A agrees to submit schedules to the CAISO that are different from the current forecast. In addition, so long as reasonably determined by Party B to be the most effective method to minimize the risk of uninstructed energy charges from the CAISO, Party A shall follow such scheduling protocol requested by Party B, including the submission of the Project's Output in a supplemental bid or such other equivalent scheduling protocol as reasonably requested by Party B.

Parties agree that the scheduling protocol to be determined by Party B is solely to minimize any uninstructed energy charges from the CAISO and is not intended to change the amount of metered Output which is the basis of energy purchased from Party A.

Operating Procedures: Prior to the Commercial Operation Date and from time to time as reasonably determined necessary by the Parties, 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.

Party A shall operate and maintain, and arrange Scheduled Maintenance Outages for, the Project in accordance with Prudent Industry Practices. Scheduled Maintenance Outages shall occur during the months of November, March, April and May, unless otherwise agreed to by Party B.

"Commercial Operation" means that Party A shall have completely installed and commissioned the Project's electrical generating equipment and control systems including, but not limited to the process of starting up, testing and normalization of all operating systems and synchronization of all units with the transmission system grid, and the Project has generated and delivered power to the electrical transmission grid in accordance with any applicable operating permits, and "Commercial Operation Date" means December 31, 2001, the date on which Commercial Operation is achieved.

"Prudent Industry Practice" means any practices, methods and/or acts (i) required by the National Electric Safety Code or NERC, whether or not Party A is a member thereof, or (ii) otherwise engaged in or approved by a significant portion of the non-utility electric generation industry during the relevant time period or any of the practices, methods and acts that in the exercise of commercially reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Industry Practice is not intended to be the optimum practice, method or act to the exclusion of all others, but rather is intended to be any of the practices, methods and/or actions generally accepted in the region.

Curtailments: At the request of Party B, Party A shall reduce the Project's Output during any hour provided that a) Output during such hour is greater than the energy scheduled to the CAISO during such hour, or b) the CAISO has directed the scheduling coordinator for the Project to reduce the Output of the Project to manage an overgeneration condition in the CAISO control area (due to a lack of decremental bids from other generation resources). In addition, Party A shall reduce the Project's Output if notified by the CAISO to curtail deliveries, or if deliveries are otherwise curtailed by the CAISO.

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 product of (i) the number of hours of curtailment and (ii) the hourly forecast relating to each hour of curtailment; provided, however, that the Output relating to any curtailment less than one (1) hour

shall be calculated based on the actual Output for the immediately preceding 60 minutes preceding such curtailment.

Delivery & Metering: All Output shall be delivered to Party B at the Delivery Point and such delivered Output shall be metered in real-time basis at the interconnected substation. A copy of such meter information shall be included in each monthly invoice. 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 uninstructed energy charges and / or 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 based on the calculations provided by CAISO pursuant to the methodologies then in effect. In the event that Imbalance Adjustments are provided by CAISO on an aggregate basis based on Party A's role as scheduling coordinator role on behalf of other projects in addition to the Project, Party A shall provide its basis for allocation in writing to Party B and, if the methodology is reasonably accepted by Party B, allocate such Imbalance Adjustments to the Project as if the Project was the only project scheduled and delivered to the CAISO by Party A, and not netted against other generation scheduled to the CAISO by Party A.

Party A shall include the amount of each component of such Imbalance Adjustments in no less detailed fashion as provided by CAISO and shall include such information in the monthly invoice prepared and sent to Party B. Such Imbalance Adjustments, together with power purchase amount, shall be paid by Party B in arrears in each month as provided in the Master Agreement. In preparing the monthly invoices to be sent to Party B, Party A shall credit and debit such uninstructed energy charges or credits to the extent that such amounts have been actually credited or debited by CAISO on the invoice forwarded to Party A's Scheduling Coordinator.

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

Early Termination: Upon 30 days' written notice, Party B may terminate this Transaction relating to any portion of the Project which has not achieved Commercial Operation by June 1, 2002. Upon exercising such right by Party B, the term Project as referred to in this Confirmation Letter shall not include such portion of the Project which has been terminated by Party B.

In addition, in the event that during the Delivery Period no energy is generated and delivered to the Delivery Point for a period of six (6) months for reasons other than weather related conditions, Party B shall in

its sole discretion have the right to terminate this Transaction without any further obligations under the Master Agreement.

Credit Standards: Parties agree that the security provisions set forth below shall be in place by the Commercial Operation Date:

1. Credit rating of unsecured long-term debt for Party A, or an affiliate that provides a guarantee, of BBB or better from Standard & Poor's or Baa or better from Moody's Investors Service or

2. Security for Party A's performance obligations in the form of (i) a mortgage on and security interest in the facility, (ii) collateral assignment of contracts for support services, transmission rights, permits and related rights, (iii) a right to receive notices of default from secured lenders and from parties to the assigned contracts, (iv) a right to step in and cure defaults of developer to lender, and (v) if rights under clause (iv) are exercised, a right to step in and operate the Project. If there is a senior lender that already has a mortgage on and security interest in the Project, Party B will accept a second mortgage and security interest will prohibit Party B from taking any action to foreclose on the collateral until the senior lender has been paid in full. Subordination provisions must be reasonably satisfactory to the senior lender or

3. A guaranty to Party B, in a form acceptable to Party B, from a corporate parent that satisfies the credit criteria described in part 1.

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated July 12, 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]

Whitewater Energy Corporation, a California corporation

By:

Title:

Phone No: 310-316-7337

Fax: 310-316-7013

[Party B]

California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections8000 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:

Title:

Phone No:

Fax: