

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

PRODUCT D TRANSACTION

This confirmation letter shall confirm the Product D Transaction agreed to on November 11, 2002 between WILLIAMS ENERGY MARKETING & TRADING COMPANY (“Party A”) and CALIFORNIA DEPARTMENT OF WATER RESOURCES separate and apart from 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:

- Into _____, Seller’s Daily Choice
- Firm (LD)
- Firm (No Force Majeure)
- System Firm
(Specify System: _____)
- Unit Firm
(Specify Unit(s): _____)
- Other

All capacity and energy from the Designated Units as provided in the AES Agreement and Schedule 1 hereto, subject to Force Majeure as provided in the Product D Master Agreement (defined below). All capitalized terms not otherwise defined herein shall have the meanings set forth in Schedule 1.

- Transmission Contingency (If not marked, no transmission contingency)
 - FT-Contract Path Contingency Seller Buyer
 - FT-Delivery Point Contingency Seller Buyer
 - Transmission Contingent Seller Buyer
 - Other transmission contingency

(Specify: Buyer shall be responsible for transmission contingencies at and after the Delivery Point and Seller shall be responsible for transmission contingencies prior to the Delivery Point.)

Contract Quantity:

All Dependable Capacity of the Designated Units and associated energy during the periods as provided in Schedule 1 as follows, subject to adjustment pursuant to the Settlement Agreement:

Start Date through June 30, 2003 from HB 1 and HB 2
July 1, 2003 through December 31, 2007 from AL 5, AL 6 and HB 1
January 1, 2008 through Dec. 31, 2010 from AL 1, AL 5, HB 1 and RB6

Delivery Point: As specified as in the AES Agreement.

Contract Price: As provided in Schedule 1, subject to adjustment pursuant to the Settlement Agreement.

Energy Price: As provided in Schedule 1.

Other Charges: As provided in Schedule 1.

Delivery Period: Start Date through Dec. 31, 2010

Special Conditions: See Schedule 1 hereto.

Option Buyer: N/A

Option Seller: N/A

Type of Option: _____

Strike Price: _____

Premium: _____

Exercise Period: _____

This Product D confirmation letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement, dated November 11, 2002 (the "Product D Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Product D Master Agreement.

This Product D confirmation letter, together with the Product D Master Agreement and the Amended and Restated Master Power Purchase and Sale Agreement and related amended and restated Product A, B, and C confirmation letter (both of even date herewith), collectively supersedes the Amended and Restated Master Power Purchase and Sale Agreement dated February 16, 2001, and related amended and restated confirmation dated February 21, 2001. Terms used but not defined herein shall have the meanings ascribed to them in the Product D Master Agreement or in Schedule 1 hereto.

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WILLIAMS ENERGY MARKETING &
TRADING COMPANY

Name: _____

Title: _____

Phone No: _____

Fax: _____

CALIFORNIA DEPARTMENT OF
WATER RESOURCES separate and apart
from its powers and responsibilities with respect to
the State Water Resources Development System

Name: _____

Title: _____

Phone No: _____

Fax: _____

Section 1. Definitions. All capitalized terms in this Schedule 1 not otherwise defined herein shall have the meanings set forth in the Capacity and Tolling Agreement (the "AES Agreement"), dated as of May 1, 1998, among AES Alamitos, L.L.C., AES Huntington Beach, L.L.C., AES Redondo Beach L.L.C. and Party A, (f/k/a Williams Energy Services Company), as amended by Amendment No. 1, dated May 1, 1998, and Amendment No. 2, dated March 5, 2002, a copy of which is attached hereto as Appendix A and any other amendments.

"AL 1" means Alamitos Unit No. 1.

"AL 5" means Alamitos Unit No. 5.

"AL 6" means Alamitos Unit No. 6.

"AL 7" means Alamitos Unit No. 7.

"ADC" means

with respect to AL 1, the Dependable Capacity in excess of 175 MW;

with respect to AL 5, the Dependable Capacity in excess of 480 MW;

with respect to AL 6, the Dependable Capacity in excess of 480 MW;

with respect to HB 1, the Dependable Capacity in excess of 215 MW;

with respect to HB 2, the Dependable Capacity in excess of 215 MW;

with respect to RB 6, the Dependable Capacity in excess of 175 MW;

"Additional Capacity Payment" means for the period from the Start Date to Dec. 31, 2010, with respect to a given month, the sum of the Fixed Payments for the Designated Unit(s) for such month attributable to the ADC.

"Adjustment Factor" means, when used with respect to any particular "nth" Contract Year, shall be determined as follows:

$$AF = 1 + [(CPI_{n-1} - CPI_{n-2}) / CPI_{n-2}]$$

Where,

CPI_{n-1} = The average of the 12 monthly CPI values occurring in the Contract Year preceding the Contract Year with respect to which a calculation is to be made hereunder.

CPI_{n-2} = The average of the 12 monthly CPI values for the Contract Year two years preceding the Contract Year for which a determination is to be made.

“Base Capacity Payment” means:

For the period from the Start Date to December 31, 2007, a monthly capacity payment, payable in arrears, of \$11.67/kW-month times the total Base Dependable Capacity of the Designated Units.

For the period from January 1, 2008- Dec. 31, 2010, a monthly capacity payment, payable in arrears, of \$9.75/kW-month times the total Base Dependable Capacity of the Designated Units.

“Base Dependable Capacity” shall mean the Dependable Capacity as defined in the AES Agreement with respect to each Designated Unit, minus such Unit’s ADC.

“Capacity Payment” means the Base Capacity Payment and the Additional Capacity Payment.

“Contract Year” means any period of June 1 to May 31 during the Delivery Period.

“CPI” means the Consumer Price Index as defined in the AES Agreement.

“Default Fuel Supply Plan” means the Gas supply plan attached hereto as Appendix B.

“Designated Unit(s)” means any of AL 1, AL 5, AL 6, HB 1, HB 2, and RB 6, but only to the extent such Units are obligated to provide Contract Quantity hereunder, subject to change as provided in Section 8(f).

“Extended-Term Obligations” means obligations provided by either Party that extend beyond the then current Fuel Supply Period.

“Event of Default” means, with respect to this Transaction, any Event of Default as set forth in Section 5.1 of the Product D Master Agreement; provided, however, that Event of Default shall not include any determination by any court or regulatory authority that this Transaction is not a Priority Long Term Power Contract.

“Fuel Payment” means (a) a fuel management fee of one cent (1¢) per decatherm of Hourly Fuel Consumption for all hours during such month, plus (b) in the event Party A is responsible for supplying Gas to the Designated Units, the amount payable by Party B to Party A pursuant to a Fuel Supply Plan pursuant to Section 6, or, in the absence of a Fuel Supply Plan, the amount payable to Party A pursuant to the Default Fuel Supply Plan.

“Fuel Supply Period” means the twelve-month period commencing on the termination of the Initial Fuel Supply Period and the anniversary thereof.

“HB 1” means Huntington Beach No. 1.

“HB 2” means Huntington Beach No. 2.

“HB 5” means Huntington Beach No. 5.

“Hourly Fuel Consumption” means with respect to a Designated Unit the hourly fuel consumption as metered at such Designated Unit adjusted back on a pro rata basis to the total quantity metered at the revenue meter of Southern California Gas Company or its successor (“RMT”), calculated as follows:

$$\text{Hourly Fuel Consumption} = \text{RMT} * (\text{DM}/\text{FMT})$$

Where:

“DM” means with respect to a Designated Unit the hourly fuel consumption as metered at such Designated Unit; and

“FMT” means the sum of the hourly fuel consumption quantities at each Unit at a Facility connected to the same revenue meter as the Designated Unit.

“Initial Fuel Supply Period” means the period commencing on the Start Date and continuing until June 30, 2003.

“Initial Fuel Supply Plan” means the Gas supply plan attached hereto as Appendix C.

“MRA” means Must Run Agreement between Party A or Party B and CAISO for a generating unit on an individual unit basis.

“RB 6” means Redondo Beach No. 6.

“Scheduling Coordinator Fee” means \$16,667 per month payable in arrears as adjusted annually by the Adjustment Factor each June commencing June, 2004.

“Settlement Agreement” means the Settlement Agreement, dated as of November 11, 2002, among the parties thereto, including the parties hereto.

“Start Date” means January 1, 2003.

Section 2. Intent of the Parties. Party A and Party B acknowledge and agree that (i) this Transaction has resulted from and is a part of the renegotiation of the Master Power Purchase and Sale Agreement, dated as of February 16, 2001, between Party A and Party B and the related Amended and Restated Confirmation Letter dated February 21, 2001 referred to in the Rate Agreement (“Rate Agreement”) between Party B and State of California Public Utilities Commission (“CPUC”) adopted by the CPUC on February 21, 2001 in Decision 02-02-051 (such Amended and Restated Master Power Purchase and Sale Agreement and related amended and

restated confirmation being referred to as the “Existing Transaction”), and (ii) because of certain benefits to be derived by Party A, constituting part of the consideration for the renegotiation of the Existing Transaction, Party A and Party B have determined to set forth the agreements resulting from the renegotiation of the Existing Transaction as two separate Transactions, including this Transaction. It is further the intent of Party A and Party B that both resulting Transactions, including this Transaction, each constitute a “Priority Long Term Power Contract” as that term is defined in the Rate Agreement.

Section 3. Scheduling and Dispatch. (a) Subject only to the limitations set forth herein and in the AES Agreement, Party B shall have (i) all of Party A’s rights to Dispatch the Designated Units, utilize the Net Electric Energy and Ancillary Services associated with the Dependable Capacity of the Designated Units and market the Dependable Capacity of the Designated Units, the associated Net Electric Energy and the associated Ancillary Services as set forth in Section 8.2 of the AES Agreement and Party A shall Dispatch the Designated Units as directed by Party B except to the extent a Designated Unit is dispatched by the CAISO or any successor entity, and (ii) subject to the provisions of subsection 3(d), any and all related and ancillary rights of Party A under the AES Agreement that in any way bear on, affect or relate to the Dispatch and scheduling of the Designated Units or otherwise affect the value thereof to Party B.

(b) Party A shall Dispatch the Designated Units as directed by Party B, subject to the limitations set forth in the AES Agreement and except as otherwise required in applicable laws or regulations, or any requirements of the CAISO or any successor entity.

(c) Party B will not Dispatch or cause Party A to Dispatch the Designated Units in violation of the limitations set forth in the AES Agreement or of any applicable laws, regulations or any requirements of the CAISO or any successor entity.

(d) (i) Party A shall not change June, July, August, September, and October as Designated Months for any Facility which includes a Designated Unit without the written approval of Party B. Party A shall consult with Party B before selecting the remaining two Designated Months for any Facility which includes a Designated Unit as permitted by the AES Agreement (which as of the Start Date is a single selected month: May).

(ii) Party A shall consult with Party B before agreeing to any alternative index or method for determining the Hourly Gas Price with respect to a Designated Unit pursuant to Section 1.54 of the AES Agreement.

(iii) Except as specifically provided for in Section 3(d)(i) or (ii), if at any time the exercise of any rights by Party B pursuant to Section 3(a)(ii) interferes with or adversely affects Party A’s rights with respect to any Units which are not Designated Units, Party A shall notify Party B thereof in writing. If the Parties are unable to establish mutually agreeable procedures for the exercise of such rights, the Parties shall submit the question of the reasonable and equitable apportionment of Party B’s ancillary rights pursuant to Section 3(a)(ii) and Party A rights with respect to any Units which are not Designated Units to binding arbitration pursuant to Section 15.

Section 4. Notices, Information and Other Documentation. (a) Party A shall provide to Party B any all notices, information and other documentation and material provided to Party A by the AES Subsidiaries under the AES Agreement, pertaining to the Designated Units, including, but not limited to, any (i) Availability Notices for the Designated Units received by Party A pursuant to Sections 8.1 or 8.2(a) of the AES Agreement, (ii) each weekly Unit status Notice for each Designated Unit, (iii) any monthly reports of outage hours (Maintenance Outage Notice, Force Outage Notice), Start-ups, commodities consumed, actual Net Electric Energy delivered and actual MVARs, (iv) all availability and status notices, including Unit Status Change Notice for each Designated Unit, (v) any notice of inability to meet scheduled dispatch of a Designated Unit, (vi) any certificate of compliance delivered pursuant to Section 9.7 of the AES Agreement, (vii) any certificates of insurance pursuant to Section 16.3 of the AES Agreement, (viii) any forecasts of Planned Outages or Planned Outage Schedules for the Designated Units and updates thereof, any notice of Maintenance Outages and Maintenance Deratings, (ix) notice of any other event which could result in the inability of a Designated Unit to return to schedule service, (x) notice of any Forced Outages or Forced Deratings or any change thereto, (xi) any outage request, (xii) response rates received pursuant to Section 9.4 of the AES Agreement, (xiii) all other notices, requests and information delivered pursuant to Schedule 8.2 of the AES Agreement, and (xiv) any Notice of an Event of Default pursuant to Section 18.2(a) of the AES Agreement.

(b) To the extent any notices, information and other documentation and material are not provided, but may be requested by Party A under the AES Agreement with respect to the Designated Units, Party A shall, upon the request of Party B, request any such notices, information and other documentation and material under the AES Agreement and deliver any such notices, information and other documentation and material received under the AES Agreement to Party B, including, but not limited to, all Planned Outage and operation and maintenance records pertaining to the Designated Units pursuant to the AES Agreement.

(c) Party B shall be responsible for all incremental out of pocket costs and expenses incurred by Party A with respect to requests made by Party B pursuant to subsections 4(a) and (b) above, including but not limited to, costs of additional meters, communications software and equipment, and other equipment required to provide gas and electric meter data. Party B shall not be responsible for any of Party A's personnel or general overhead costs allocable to complying with subsections 4(a) and 4(b) above.

(d) The time period for the delivery of notices, information or other material hereunder shall be established by the Operating Committee established pursuant to Section 14 hereof. To the extent that a specific time or time period is not expressly specified by the Operating Committee with respect to any particular notice, action, consent or right hereunder, Party A shall provide to Party B all notices, or afford Party B the opportunity to take actions, give consents, or otherwise exercise the rights of Party A contracted to Party B hereunder as soon as reasonably possible.

Section 5. Exercise of Rights and Performance of Obligations. (a) In order to accomplish the purpose of Section 3 hereof, Party A shall not exercise any of the rights referred to in Section 3 hereof, including in cases where Party B does not Dispatch any Designated Unit, without the approval of Party B (which shall be in writing except with respect to subsection 5(a)(v), which

may be an oral approval), including, but not limited to, the rights to (i) agree to any amendment of Schedule 8.2 of the AES Agreement with respect to or affecting the Designated Units in accordance with Section 8.2(a) thereof, or (ii) give consent pursuant to Section 8.2(d) of the AES Agreement with respect to or affecting the Designated Units, (iii) agree to the operation of any Designated Unit using any fuel other than Gas pursuant to Section 8.9 of the AES Agreement, (iv) designate an alternate or additional Delivery Point with respect to any Designated Unit pursuant to Section 8.10 of the AES Agreement, (v) approve or change any dispatch request with respect to the Designated Units, (vi) consent to the reduction of Dependable Capacity of the Designated Units pursuant to Section 4.5 of the AES Agreement, (vii) approve the schedule of Planned Outages for the Designated Units, any proposed 15-month Planned Outage Schedule, any request for 24-hour approval and confirmation of a Planned Outage, or any preferred outage dates, with respect to the Designated Units, (viii) waive any right or remedy with respect to an Event of Default by any AES Subsidiary with respect to a Designated Unit other than Party A's right to terminate the AES Agreement which Party A may waive at any time without the approval of Party B, (ix) use of the maximum ramp rate in bidding spinning reserve as provided in Section 9.4(b) of the AES Agreement with respect to the Designated Units, (x) change or modify any performance standards such as heat rate guarantees and availability guarantees of the Designated Units, and (xi) exercise any other or similar right to approve, consent, agree, direct or cause an AES Subsidiary to act with respect to the Designated Units.

(b) In order to accomplish the purpose of Section 3 hereof, Party B may direct or cause Party A to exercise such rights, take such actions or otherwise perform under the AES Agreement with respect to the Designated Units, including but not limited to, the rights to direct Party A to (i) provide written consent pursuant to Section 8.2(d) of the AES Agreement, (ii) agree to the operation of any Designated Unit using any fuel other than Gas pursuant to Section 8.9 of the AES Agreement (provided, however, Party A shall not be required to incur any additional expense as a result), (iii) designate an alternate or additional Delivery Point with respect to any Designated Unit pursuant to Section 8.10 of the AES Agreement (provided, however, Party A shall not be required to incur any additional expense as a result), (iv) provide the AES Subsidiaries with any anticipated daily Unit forecast for each Designated Unit received from Party B, (v) approve or change any dispatch request with respect to the Designated Units, (vi) approve the schedule of Planned Outages for the Designated Units, any proposed 15-month Planned Outage Schedule for the Designated Units, any request for 24-hour approval and confirmation of a Planned Outage for the Designated Units, or any preferred outage dates for the Designated Units, (vii) direct Party A to make use of the maximum ramp rate in bidding spinning reserve as provided in Section 9.4(b) of the AES Agreement with respect to the Designated Units, (viii) direct Party A regarding operation of Designated Units with automatic generating control equipment in service pursuant to the last sentence of Section 9.3 of the AES Agreement, and (ix) take any other or similar actions under the AES Agreement to approve, consent, agree, direct or cause an AES Subsidiary to act with respect to the Designated Units. Notwithstanding the foregoing provisions or any other provision herein, in no event shall Party B have the right to direct Party A to amend the AES Agreement.

(c) In addition to obligations specified elsewhere herein, Party B shall with respect to the Designated Units: (i) provide to Party A a three-year unit forecast (or such shorter forecast if the remaining time in the Deliver Period is less than three (3) years) for run hours, megawatt hours, and starts, and (ii) to the extent applicable to Party B, comply with all CAISO and other

regulatory requirements related to dispatch and bidding, including without limitation any “must offer requirements”.

(d) Party B shall treat as confidential any information provided by Party A to Party B hereunder with respect to the Designated Units to the extent that such information would be treated as confidential pursuant to Section 23.5 of the AES Agreement. If any person requests the disclosure of any such confidential information, Party B shall provide notice thereof to Party A as soon as reasonably possible after receipt by Party B of such request and if Party B is not California Department of Water Resources, Party B shall defend against any such request. If Party B is California Department of Water Resources, upon Party A’s request, California Department of Water Resources shall use its reasonable efforts to assist Party A in defending against any such request, provided Party A shall reimburse Party B for its reasonable out of pocket expenses for such assistance.

Section 6. Gas. As further set forth in this Section 6, either Party A or Party B shall provide all Gas with respect to the Dispatch of any of the Designated Units as required by and in accordance with Article VI and Section 8.4 of the AES Agreement; provided, in no event shall Party A be deemed obligated to install additional Gas meters. Party A shall act as fuel manager hereunder for the Delivery Period.

(a) Initial Fuel Supply Period. During the Initial Fuel Supply Period, Party A will supply Gas to the Designated Units pursuant to the Initial Fuel Supply Plan. The Initial Fuel Supply Plan will provide information such that Party B can evaluate the expected cost of Gas needed to generate energy provided under this Schedule 1. Party A shall act in accordance with the Initial Fuel Supply Plan.

(b) Subsequent Fuel Supply Periods. At least ninety (90) Days prior to the commencement of each succeeding Fuel Supply Period, Party A shall provide for Party B’s approval a proposed Fuel Supply Plan for the next succeeding Fuel Supply Period.

(c) Parties’ Failure to Execute Fuel Supply Plan.

(i) In the event the Parties do not agree to a Fuel Supply Plan by sixty (60) Days prior to the next succeeding Fuel Supply Period, Party B may elect, at Party B’s sole option, to provide, or cause to be provided, for the next succeeding Fuel Supply Period, as appropriate, Gas necessary to supply the Designated Units hereunder from Party B’s own Gas purchases. Party B’s election to provide, or cause to be provided, Gas to the Designated Units under this Section 6(c)(i) shall be expressed in writing to Party A no later than thirty (30) Days prior to the commencement of the next succeeding Fuel Supply Period.

(ii) If the Parties do not agree on a Fuel Supply Plan and Party B does not timely elect to provide Gas to the Designated Units from Party B’s own Gas purchases pursuant to Section 6(c)(i), Party A will provide, pursuant to the Default Fuel Supply Plan, Gas necessary to supply the Designated Units hereunder during the next succeeding Fuel Supply Period, or until the Parties have agreed to and executed a Fuel Supply Plan for such Fuel Supply Period. However, in the event that the Parties are involved in good faith negotiations with respect to a Fuel Supply Plan for a Fuel Supply Period, then Party B may elect to, and upon making such election Party B

shall, provide Gas necessary to supply the Designated Units hereunder until (x) the Parties have agreed to and executed a Fuel Supply Plan for such Fuel Supply Period, (y) the Parties have discontinued negotiations with respect to the Fuel Supply Plan for such Fuel Supply Period, or (z) Party B has elected pursuant to Section 6(c)(i) to provide Gas to the Designated Units from Party B's own Gas purchases.

(iii) In the event the Parties have not agreed to and executed a Fuel Supply Plan, Party B has not elected to provide Gas to the Designated Units from Party B's own Gas purchases for the entire Fuel Supply Period pursuant to Section 6(c)(i), Party B has not elected to supply Gas from its own Gas purchases during continuing negotiations with respect to a Fuel Supply Plan pursuant to Section 6(c)(ii), and Party A is unable, using commercially reasonable efforts, at any time during the Fuel Supply Period, to provide Gas necessary to supply the Designated Units hereunder, then Party B will provide Gas necessary to supply the Designated Units hereunder. In the event Party A is unable to provide Gas necessary to supply the Designated Units hereunder, and Party B is unable to provide Gas necessary to supply the Designated Units hereunder, such inability to provide Gas shall constitute a Force Majeure.

(d) Party B Delivery of Gas Notwithstanding Agreed Fuel Supply Plan. If Party A is unable to provide Gas to the Designated Units during any Fuel Supply Period for which the Parties have executed a Fuel Supply Plan, Party B may provide Gas to the Designated Units.

(e) Extended-Term Obligations. The Parties acknowledge that any Fuel Supply Plan may include Extended-Term Obligations. Extended-Term Obligations may include, but are not limited to, long-term commitments for pipeline capacity, storage rights, or financial risk products pertaining to the commodity price (such as fixed prices, costless collars, basis purchases, caps, or other price management mechanisms). Any Extended-Term Obligation that the Parties specifically approve in a separate binding agreement shall be deemed effective and approved for the duration of the period to which it applies, regardless of whether such period extends beyond the term of any Fuel Supply Plan.

(f) Fuel Cost Responsibility. Party B shall be solely responsible, without reimbursement from Party A, for any costs or charges imposed on or associated with Gas it provides the Designated Units pursuant to Sections 6(c) or 6(d). In no event shall Party B pay more than one cent per decatherm for fuel manager's services. Party A shall cause AES to maintain all gas meters in good working order and in compliance with the requirements of the AES Agreement; provided, to the extent Party A is responsible for metering costs under the AES Agreement, Party B shall pay Party A for all such metering costs associated with the Designated Units and a pro rata share of costs associated with shared meters at the Facilities.

(g) Fuel Imbalances. The Parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Party A or Party B receives an invoice from a Transporter that includes Imbalance Charges, the Parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Party A's actions or inactions (which shall include, but not be limited to, Party A's failure to accept scheduled quantities of Gas), then Party A shall pay for such Imbalance Charges, or reimburse Party B for such Imbalance Charges paid by the Party B to the Transporter. If the Imbalance Charges were incurred as a result of Party B's actions or inactions (which shall

include, but shall not be limited to, Party B's failure to deliver scheduled quantities of Gas), then Party B shall pay for such Imbalance Charges, or reimburse Party A for such Imbalance Charges paid by the Party A to the Transporter. Any imbalance penalties require documentation of penalty assessment by a non-related third party applicable to the imbalance determination. Party B may direct Party A to use Party B's gas storage to minimize imbalances. Party B shall have the right to direct the fuel manager to use Party B's gas buying pool (including storage) to minimize imbalance charges to Party B. It is the Parties' intent that services provided by the fuel manager shall include balancing provisions within each month that offer no less benefit than the then-effective applicable local natural gas distribution utility tariff would provide for the same period for the Designated Units. Party A shall allow Party B to nominate through the fuel manager all Gas volumes required for Energy Dispatched by Party B and fuel manager shall be available to Party B to coordinate Party B's Gas activity for all four gas nomination cycles each Day. If a transporter curtailment is in existence during any period during which Party B is supplying Gas to the Designated Units, the available gas volumes under the transporter curtailment shall be apportioned between Party B and Party A in proportion to Party B's Energy Dispatched for that period and Party A's scheduled dispatch for that period.

(h) Curtailments. To the extent there is a curtailment of gas deliveries on the applicable transporters, the available gas volumes under the transporter curtailment shall be apportioned between Party B and Party A in proportion to the Party's respective dispatch schedules for the curtailment period.

(i) Authorization and Effectiveness of Fuel Plan as to Party B; Conflicts. Party B's acceptance of a Fuel Plan shall be evidenced by written acceptance thereof an authorized representative of Party B and upon acceptance thereof by such authorized representative Party B shall be bound by the terms of such Fuel Plan; provided, however, that such authorized representative of Party B shall not have any authority to agree to any terms and provisions of a Fuel Plan that conflict with the provisions of this Section 6 and in the event any Fuel Plan contains terms and provisions that conflict with this Section 6, such terms and provisions shall be void and the provisions of this Section 6 shall govern such Fuel Plan.

Section 7. Payments. (a) Each month of the Delivery Period of this Transaction, Party B shall, subject to the provisions of subsection (c) of this Section 7, pay to Party A, the following:

(i) the Capacity Payment, as adjusted pursuant to Section 8 and Section 12.

(ii) any Variable Payment applicable to the Designated Units payable in such month pursuant to Section 5.2 of the AES Agreement;

(iii) any Startup Payment applicable to the Designated Units payable in such month pursuant to Section 5.4 of the AES Agreement;

(iv) the Fuel Payment;

(v) any Additional Ancillary Services Payment applicable to the Designated Units payable in such month pursuant to Section 5.3 of the AES Agreement;

(vi) any amount payable in such month pursuant to Article VI of the AES Agreement, associated with the Designated Unit(s); and

(vii) the Scheduling Coordinator Fee.

(b) amounts payable pursuant to subsection (a) of this Section 7 shall be in addition to amounts payable by Party B to Party A pursuant to the Product D Master Agreement.

(c) Amounts payable in such month by Party B to Party A pursuant to subsection (a) of this Section 7 in each month shall be reduced by the following amounts:

(i) any amount paid or payable in such month by the AES Subsidiaries to Party A pursuant to Article VI of the AES Agreement, associated with the Designated Unit(s).

(ii) where Party A is serving as scheduling coordinator, an amount equal to $[A + B] - C$

Where,

A = Amounts paid or payable in such month to Party A by the CAISO for such month as a result of Party A acting as scheduling coordinator for the Designated Unit(s) in accordance with tariffs established by CAISO.

B = Amounts not otherwise already reflected in "A" above, paid or payable in such month to CAISO or withheld by CAISO from payments due Party A or Party B due to the negligence or willful misconduct of Party A or the breach by Party A of its scheduling coordinator agreement with respect to the Designated Unit(s).

C = Amounts paid or payable in such month by Party A as a result of Party A acting as scheduling coordinator for the Designated Unit(s) in accordance with tariffs established by CAISO.

(iii) where a MRA entered into pursuant to Section 8(f) with respect to the Designated Unit(s) is in effect, an amount equal to $[A + B + C] - [D + E + F]$

Where:

A = Amounts paid or payable in such month to Party A by the CAISO under the terms of any MRA with respect to the Designated Unit(s).

B = Amounts not otherwise already reflected in "A" above, paid or payable in such month by Party A to the CAISO with respect to the Designated Unit(s) under the terms of an MRA to the extent such amounts paid or payable in such month are due to the negligence or willful misconduct of Party A or the breach by Party A of such MRA.

C = Amounts not otherwise already reflected in "A" above, paid or payable in such month by the CAISO for Gas under such MRA with respect to

such Designated Unit(s) to the extent that such Gas has been has paid for by Party B or provided from storage by Party B or Party B is otherwise economically obligated with respect thereto.

D = Amounts paid or payable in such month by Party A to the CAISO with respect to the Designated Unit(s) under the terms of such MRA.

E = Amounts not otherwise already reflected in “D” above, paid or payable in such month to the AES Subsidiaries for capital improvements to such Designated Unit(s) to the extent such improvements were made with the approval of CAISO and added to the cost recovery formulae.

F = Amounts not otherwise already reflected in “D” above, paid or payable in such month by the CAISO for Gas under such MRA with respect to such Designated Unit(s) to the extent that such Gas has been has paid for by Party A or provided from storage by Party A or Party A is otherwise economically obligated with respect thereto.

(d) If in any month the amounts payable by Party B in a month is less than an amount of aggregate of reductions permitted to Party B under this Transaction, any portion of such reductions not made in such month shall be made in the following month(s); provided, however, that any reductions permitted to Party B which are not made in full by the month following the final month of the Delivery Period shall be settled in such month by a payment in the amount of the reduction not made from Party A to Party B.

Section 8. Reliability Provisions. (a) Non-Dispatch. Any amounts received (through payment or netting) from the AES Subsidiaries pursuant to Section 8.6 of the AES Agreement as the result of the Non-Dispatch of any Designated Unit shall be automatically netted against amounts payable by Party B to Party A pursuant to Section 7(a). Such pass through shall be in lieu of any liability of Party A to Party B pursuant to Article Four of the Product D Master Agreement with respect to delivery of energy hereunder by Party A. Party A shall not, without the approval of Party B, which shall not be unreasonable withheld, waive its right to receive any amounts from the AES Subsidiaries pursuant to Section 8.6 of the AES Agreement. To the extent required by the provisions of Section 8.6 of the AES Agreement to receive payment thereunder, Party B may, but shall not be obligated to, make such purchases and Party A shall not be required to make any purchases pursuant to said section with respect to any Dispatch Notice provided by Party B. Any amounts that Party A shall be obligated to pass through to Party B shall be net of (i) any amounts payable by Party A to CAISO which are the direct result of the failure of Party B to make any purchase required by Section 8.6 of the AES Agreement and which are not otherwise paid by the AES Subsidiaries, provided, however, in no event shall Party B be required to make a payment to Party A pursuant to this Section 8(a) and (ii), to the extent that Party A and the AES Subsidiaries apply the provisions of Section 8.6 of the AES Agreement to require actual purchases to be made in order for the AES Subsidiaries to be obligated to make a payment to Party A thereunder, any portion of a purchase price of a purchase made by Party B in excess of the price of a purchase made in a commercially reasonable manner.

(b) Capacity Payment Adjustments. (i) The Capacity Payment payable by Party B shall be adjusted pursuant to the provisions of Section 4.3 of the AES Agreement, except that Section 1.79 of the AES Agreement shall be replaced by the following with respect to the Designated Units:

“Non-Availability Discount” means, as of the end of each month, if a Unit’s Year-to-Date Availability shall be less than its Guaranteed Availability, the amount computed in accordance with the following formula:

$$(GA-YTDA)/GA \times ((FP/12) \times ADC + BCP \times BDC) \times M \times \text{Shortfall Factor}$$

where: “GA” is Guaranteed Availability; “YTDA” is Year-to-Date Availability (except for periods prior to June 1, 2003, it shall be measured from the Start Date); “FP” is the Fixed Payment for such Unit (\$/kWyr.); “BCP” is the relevant dollar per kW-month rate for the Base Capacity Payment; “M” is the number of months elapsed in the then-current Contract Year (except for periods prior to June 1, 2003, it shall be measured from the Start Date); “ADC” is the additional capacity made available as defined in Section 1; “BDC” is Base Dependable Capacity; and the Shortfall Factor applicable to the amount of Availability Shortfall is determined from Schedule 4.3 of the AES Agreement. The term “Availability Shortfall” refers to (i) GA minus YTDA, divided by (ii) GA. For this formula, a negative numeric value (i.e., when YTDA is greater than GA) shall be treated as zero.

(ii) In the event of an Availability Shortfall under the AES Agreement with respect to a Designated Unit of less than 50 percent (50%) resulting in amounts payable by the AES Subsidiaries to Party A with respect to the Designated Units, Party A shall be obligated only to pass through to Party B (through payment or netting) any such amounts received (through payment or netting) from the AES Subsidiaries as the result of the application of Section 4.3 of the AES Agreement to the Designated Units, and in no event shall Party A be liable to Party B for an amount in excess of ten percent (10%) of the Fixed Payment for such Designated Unit.

(iii) Party A shall not otherwise be obligated to make payments or adjustments to Party B as the result of the operation of this subsection 8(b) related to such Capacity Payment. Adjustment of the Capacity Payment pursuant to this subsection 8(b) shall be in lieu of any liability of Party A to Party B pursuant to Article Four of the Product D Master Agreement with respect to Party A’s providing capacity and ancillary services hereunder. Party A shall not, without the approval of Party B, which shall not be unreasonable withheld, waive its right to receive any amounts from the AES Subsidiaries pursuant to Section 4.3 of the AES Agreement.

(c) Availability Bonus.

(i) The Capacity Payment payable by Party B shall be increased by an amount (the “Availability Bonus”) calculated as follows: if the Availability of any Designated Unit during Peak Times of any Designated Month (each, in respect of the relevant Designated Unit, the “Peak Time Unit Availability”) is greater than 86%, then, subject to Section 8(c)(ii), the Availability Bonus for such Designated Unit in respect of such Designated Month shall equal:

For AL 1 \$4,039 multiplied by (Peak Time Unit Availability minus 86%),

- For AL 5 \$11,077 multiplied by (Peak Time Unit Availability minus 86%),
- For AL 6 \$11,077 multiplied by (Peak Time Unit Availability minus 86%),
- For HB 1 \$5,000 multiplied by (Peak Time Unit Availability minus 86%),
- For HB 2 \$5,000 multiplied by (Peak Time Unit Availability minus 86%), and
- For RB 6 \$4,008 multiplied by (Peak Time Unit Availability minus 86%).

If the Peak Time Unit Availability is less than 86% for a Designated Unit, then the Availability Bonus for such Designated Unit for such Designated Month shall be zero.

(ii) From the Start Date through calendar year 2004, Availability Bonus amounts calculated pursuant to Section 8(c)(i) shall be reduced by 50%.

(d) Contract Quantity Adjustments. In the event of (i) the exercise by AES Subsidiaries of the buyout rights with respect to a Designated Unit pursuant to Section 18.3 of the AES Agreement, or (ii) termination of all or a portion of the AES Agreement with respect to a Designated Unit(s) pursuant to Article XVIII of the AES Agreement, or (iii) termination of this Agreement with respect to a Designated Unit pursuant to Section 5.8 of the Product D Master Agreement or Section 12(a) of this Transaction, such Designated Units shall be deleted from the Contract Quantity and Party B's obligations hereunder with respect to such Contract Quantity correspondingly reduced. Party B shall not be entitled to receive any payment payable by the AES Subsidiaries to Party A pursuant to Section 18.3 of the AES Agreement.

(e) CAISO Stage Emergencies. For any hour in which a CAISO stage emergency alert has been issued or remains in effect, if, after the close of the CAISO hour-ahead scheduling window for such hour, Party A has uncommitted energy and/or capacity available from its Facilities other than the Designated Units, unless otherwise required by the CAISO or the FERC, Party A shall bid such uncommitted energy and capacity from all such Facilities into the CAISO imbalance energy market or shall otherwise make such capacity or energy available to CAISO pursuant to any applicable CAISO tariff provisions, provided, the foregoing shall not be construed to prohibit Party A from also bidding Ancillary Services into the CAISO market. From time to time (but not more frequently than monthly) at Party B's request, for the purposes of determining compliance with this subsection 8(e), Party A shall provide Party B information reasonably satisfactory to Party B in sufficient detail to enable Party B to verify that undelivered energy and/or capacity from such Facilities was previously sold, scheduled, and/or bid into the CAISO imbalance energy market or has otherwise been made available to CAISO pursuant to any applicable CAISO tariff provisions.

(f) Reliability Must-Run Agreements. (i) Notwithstanding any provision herein, Party B's rights and obligations shall at all times be subject to any MRA applicable to any Designated Unit.

(ii) (A) For any calendar year after 2003, to the extent that any Designated Unit may be subject to any MRA (a "MRA Designated Unit"), Party A may, subject to the limitations set forth in this subsection (f), designate alternate Unit(s) with Dependable Capacity approximately equal to the Base Dependable Capacity for such calendar year, at least sixty (60) days prior to the date established for entering into the MRA for such MRA Designated Unit. If Party A in fact designates such alternate Unit(s) and the Designated Unit in question in fact become subject to a MRA for such calendar year, the alternate Unit(s) designated by Party A pursuant to this subsection (f)(ii) shall be the Designated Unit for all purposes of this Transaction for such calendar year and the MRA Designated Unit shall not be treated as a Designated Unit for the purposes of this Transaction for such calendar year. For the purposes of this Transaction, the Dependable Capacity as set forth in Schedule 4.1 to the AES Agreement for any alternate Unit(s) designated pursuant to this subsection (f)(ii) shall be the Base Dependable Capacity and ADC shall be the Dependable Capacity in excess thereof.

(B) Any alternate Unit designated pursuant to this subsection (f)(ii) must be an entire alternate Unit.

(C) Any alternate Unit designated pursuant to this subsection (f)(ii) shall not be subject to a Force Majeure claim at the time designated or any other Unit specific encumbrance to which the MRA Designated Unit is not subject that would prevent Party B from realizing the benefits of this Transaction.

(D) Any designation of a alternate Unit(s) pursuant to this subsection (f)(ii) shall be subject to Party B's reasonable approval; provided, however, that Party A shall not designate AL 7 or HB 5. It is the intention of the Parties that any alternate Unit designated shall be of at least equal performance as the MRA Designated Unit.

(iii) In the event alternate Unit(s) are not designated by Party A with respect to a MRA Designated Unit pursuant to subsection (f)(ii) for any reason, Party A may, but shall not be obligated to enter into a MRA with respect to such MRA Designated Unit. Party A shall notify Party B of its intention to enter into such MRA with respect to a MRA Designated Unit at least thirty (30) days prior to the date established for entering into such MRA for such MRA Designated Unit. The terms and provisions of any such MRA shall be subject to Party B's reasonable approval. Party B acknowledges and agrees that even if a Designated Unit at a Facility is not under an MRA, Party A may have a alternate Unit which is not a Designated Unit under MRA at that Facility.

(iv) In the event that Party A does not either designate alternate Unit(s) with respect to a MRA Designated Unit pursuant to subsection (f)(ii) or elect to enter into a MRA with respect to a MRA Designated Unit pursuant to subsection (f)(iii) for any reason, Party B may directly enter into any MRA with respect to a Designated Unit. Party B shall not propose any Discretionary Capital Expenditures to the CAISO pursuant to the MRA unless (1) the Party A shall be reasonably compensated for such Discretionary Capital Expenditures, and (2) in Party A's reasonable judgment, the implementation of such Discretionary Capital Expenditure shall not have a material adverse effect on Party A. Party B shall comply with the terms and provisions of any MRA.

Section 9. Inspection Rights. Upon request of Party B, Party A will exercise all inspection rights under the AES Agreement on behalf of Party B and with such personnel as Party B may reasonably designate.

Section 10. Scheduling Coordinator. Party A shall serve as scheduling coordinator for the Designated Units. Party B shall be required to pay the Scheduling Coordinator Fee only so long as Party A is the scheduling coordinator. Party B may become scheduling coordinator for the Designated Units upon not less than sixty (60) days prior written notice to Party A, at no additional cost to Party B; provided that Party B shall negotiate reasonable provisions to protect Party A while Party B serves as scheduling coordinator. In the event Party A and Party B cannot agree on such provisions within thirty (30) days of the notice referred to above, the Party A and Party B shall resolve any disagreement by binding arbitration pursuant to Section 15. It is the intent of the Parties that Party B acting in the capacity of scheduling coordinator hereunder not be able to cause Party A to be in default under the AES Agreement with respect to the Designated Units.

Section 11. Amendment, Assignment of the AES Agreement. Party A shall provide a copy of any proposed amendment or waiver of the provisions of the AES Agreement to Party B and (except with respect to waivers under Section 8(a) or 8(b)) not fewer than thirty (30) days prior to the effective date of such amendment or waiver. Except as provided in Section 8(a) or 8(b), Party A shall not agree to any amendment of, or waiver of any of Party A's rights pursuant to, the AES Agreement with respect to the Designated Units or any Unit that may become a Designated Unit during the Delivery Period without the written approval of Party B, which shall not be unreasonably withheld. Party B shall provide written approval or specify the reason for the withholding thereof as soon as reasonably possible after receipt of notice of any proposed amendment or waiver. Party A shall not assign the AES Agreement without simultaneously assigning this Agreement to the same party in accordance with the provisions of Section 10.5 of the Product D Master Agreement.

Section 12. Additional Termination Right; Event of Default.

(a) Termination for Availability Shortfall. If, after June 1, 2003, the average Availability of all Designated Units shall be below 70% for any two consecutive six month periods of May through October, (i) the relevant dollar per kW-month rate for the Capacity Payment for Designated Unit with the lowest availability shall be divided by two for the one (1) year period immediately following such shortfall, and (ii) Party B shall be entitled to terminate this Product D Transaction with respect to such Designated Unit if the average Availability of such Designated Unit is below its Guaranteed Availability during such one (1) year period following such shortfall. In the event of early termination under this Section 12, the MW allocable to such Designated Unit shall be deleted from the Contract Quantity for Product D and neither Party shall be liable to the other for the payment of damages related to such early termination.

(b) Additional Event of Default. Except as provided in Section 3(a), Party A shall not for economic reasons intentionally and without reasonable belief that such action was excused or otherwise permitted:

(i) dispatch any of the Designated Units for sale or delivery of energy to any Person other than Party B, including in cases where Party B does not Dispatch a Designated Unit; or

(ii) enter into sale or commitment of capacity of a Designated Unit during the Delivery Period to any Person other than Party B.

Upon the first or second violation of this subsection 12(b), other than during a CAISO stage emergency alert, Party A shall terminate any transaction resulting in such violation and shall pay to Party B as liquidated damages and not as a penalty 5 times the amount payable to Party A under any such transaction.

A third violation of this subsection 12(b) or any violation during a CAISO stage emergency alert, shall constitute an Event of Default and Party B shall be entitled to damages set forth in Article V of the Product D Master Agreement.

Section 13. Confidential Information. The Parties agree, as soon as is practicable, but no later than twelve (12) months after the effective date of this Agreement, to take such action as is necessary to ensure the protection of confidential business information from one another and shall establish protective barriers and procedures to ensure that sensitive non-public operational and bidding information is shielded from the Parties respective marketing and trading personnel.

Section 14. Operations Committee. (a) Party A and Party B shall each designate a person to address implementation of this Transaction. The Operations Committee may adopt such procedures it considers necessary or appropriate for its operations. The Operations Committee shall meet from time to time as it deems necessary.

(b) Issues the Operations Committee will address include:

COMMUNICATION PROTOCOLS

- Contact lists
- Job responsibilities
- Fax numbers
- Emergency communications
- Dispatch Notices

DATA EXCHANGE

- Gas
- Power
- Real-time (instantaneous) data
- Telemetry issues

SCHEDULING AND DISPATCH PROCEDURES

- Format
- Notifications (schedule changes, unit status)

(c) The responsibilities and authority of the Operations Committee shall be limited to the development of operating procedures and shall not include altering any terms of this Agreement. Failure of the Operations Committee to reach agreement shall in no event excuse either Party A or Party B of its obligations hereunder.

Section 15. Arbitration. The Parties agree to resolve the specific matters set forth in Section 3(d)(iii) or Section 10 by binding arbitration. Arbitration shall be conducted in accordance with the Complex Commercial Arbitration Rules of the American Arbitration Association. The validity, construction, and interpretation of this agreement to arbitrate, and all procedural aspects of the arbitration conducted pursuant hereto shall be decided by the arbitrators. In deciding the substance of the Parties' claims, the arbitrators shall refer to California law. It is agreed that the arbitrators shall be limited solely to resolving the matters specifically set for in either Section 3(d)(iii) or Section 10. The arbitrators shall have no authority to take any other action or provide any remedy, including, but limited to, the award of damages, under either Section 3(d)(iii) or Section 10 or to consider any matter or dispute hereunder not specifically referred to in said Section 3(d)(iii) or Section 10. The arbitration proceeding shall be conducted in Los Angeles, California. Within twenty (20) days of the notice of initiation of the arbitration procedure, the respondent shall file a response in writing. Within thirty (30) days after the response, each party shall select one arbitrator. Within twenty (20) days thereafter, the two (2) arbitrators shall select a third arbitrator. All three arbitrators are required to be neutral and impartial and shall take an oath at the first session of the arbitration affirming same. None of the three arbitrators shall have business, professional or social relationships with any of the parties. However, upon full disclosure of such relationships, all parties may agree that the arbitrator may serve as an arbitrator. The arbitration shall proceed within sixty (60) days after the appointment of the last of the three arbitrators. The arbitrators shall render their decision (by majority rule) within twenty (20) days after the conclusion of the arbitration. California law shall apply to the subject matter of the arbitration.

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Appendix A
AES Agreement

Appendix B

Default Fuel Supply Plan

Party A will obtain and deliver quantities of Gas to the Designated Units as nominated by Party B on a day-ahead basis, and shall manage all intra-day nomination changes in accordance with the Gas local distribution company ("LDC") nomination procedures, all as further set forth below.

(1) Maximum Daily Quantity. For each day of delivery, Party B will nominate a quantity of Gas for the Designated Units pursuant to (4) below. In no event will Party A be obligated to supply Gas other than with respect to the Designated Units.

(2) Gas Price. For each day of delivery, Gas Daily, Daily Price survey under heading, So Cal Border Index Midpoint, plus \$0.05 per MMBtu.

(3) Commodity Billing Determinant/Payment Obligation. Each month following delivery of Gas, Party A shall bill Party B, and Party B shall pay for Gas an amount equal to the sum of the amount for each day in such month equal to the Gas Price multiplied by the Nomination Amount for such day. Party B shall also be responsible for payment of commodity charges (e.g., the cost of additional gas purchased as a result of under-nomination in excess of any applicable imbalance tolerance for any imbalance period) and losses (e.g., the loss on sale of gas purchased but not burned as a result of over-nomination in excess of any imbalance tolerance for any applicable imbalance period) and penalties associated with imbalances as provided below.

(4) Nomination and Notification Requirements. For each day of delivery, (a) Party B shall nominate to Party A its estimated Gas requirements for the Designated Units for the upcoming 24-hour period during each such day by 8:45 AM Central Standard Time on the Business Day prior to such day of delivery (or such earlier time as may be required pursuant to pipeline tariff, regulation, or practices).

(b) Party B shall nominate equal volumes for each day during multiple day periods, such as weekends and Holidays.

(c) Party B shall communicate changes in the operation and dispatch of the Designated Units to Party A throughout the day and Party A shall make corresponding intra-day Gas nomination changes in accordance with the LDC nomination procedures (as finally adjusted for a day, the "Nomination Amount").

(5) Transportation. Party A will obtain any required transportation to supply Gas to the Designated Units and will manage such transportation. All transportation charges associated with the Gas supply to the Designated Units will be paid by Party B.

(6) Imbalances. Party B will pay all imbalance penalties (plus commodity charges not included in such penalties) associated with the Designated Units. Party A will use its commercially reasonable efforts to mitigate such imbalances. Party B will be subject to the then

applicable balancing provisions (including OFO provisions) of the LDC tariff for the applicable balancing period based upon the difference, if any, between the aggregate of the applicable Nomination Amounts for each day of an applicable balancing period and the actual burn volumes for the Designated Units for each day of such period; provided Party B shall not be entitled to the benefit of Party A's imbalance accounts attributable to a Unit that is not a Designated Unit. If at any time Party B desires to reduce an imbalance, or the current balancing provisions are not sufficient to accommodate variances between the actual burn and nomination, Party B may take any action it deems necessary to correct or reduce an imbalance, including, but not limited to, requesting Party A to provide a market price (either directly or from third parties) for disposition of the variance (through a Gas purchase or sale). Upon such request, Party A shall provide such market price and effect such purchase or sale.

(7) Fuel Payment. Amounts payable pursuant to the provisions of this Schedule shall constitute the amounts payable pursuant to clause (b) of the definition of Fuel Payment. Nothing herein shall affect Party B's obligations to make the payment required by clause (a) of the definition of Fuel Payment.

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Appendix C

Initial Fuel Supply Plan

Party A will obtain and deliver quantities of Gas to the Designated Units as nominated by Party B on a day-ahead basis, and shall manage all intra-day nomination changes in accordance with the Gas local distribution company ("LDC") nomination procedures, all as further set forth below.

(1) Maximum Daily Quantity. For each day of delivery, Party B will nominate a quantity of Gas for the Designated Units pursuant to (4) below. In no event will Party A be obligated to supply Gas other than with respect to the Designated Units.

(2) Gas Price. For each day of delivery, Gas Daily, Daily Price survey under heading, So Cal Border Index Midpoint, plus \$0.01 per MMBtu.

(3) Commodity Billing Determinant/Payment Obligation. Each month following delivery of Gas, Party A shall bill Party B, and Party B shall pay for Gas an amount equal to the sum of the amount for each day in such month equal to the Gas Price multiplied by the Nomination Amount for such day. Party B shall also be responsible for payment of commodity charges (e.g., the cost of additional gas purchased as a result of under-nomination in excess of any applicable imbalance tolerance for any imbalance period) and losses (e.g., the loss on sale of gas purchased but not burned as a result of over-nomination in excess of any applicable imbalance tolerance for any imbalance period) and penalties associated with imbalances as provided below.

(4) Nomination and Notification Requirements. For each day of delivery, (a) Party B shall nominate to Party A its estimated Gas requirements for the Designated Units for the upcoming 24-hour period during each such day by 8:45 AM Central Standard Time on the Business Day prior to such day of delivery (or such earlier time as may be required pursuant to pipeline tariff, regulation, or practices).

(b) Party B shall nominate equal volumes for each day during multiple day periods, such as weekends and Holidays.

(c) Party B shall communicate changes in the operation and dispatch of the Designated Units to Party A throughout the day and Party A shall make corresponding intra-day Gas nomination changes in accordance with the LDC nomination procedures (as finally adjusted for a day, the "Nomination Amount").

(5) Transportation. Party A will obtain any required transportation to supply Gas to the Designated Units and will manage such transportation. All transportation charges associated with the Gas supply to the Designated Units will be paid by Party B.

(6) Imbalances. Party B will pay all imbalance penalties (plus commodity charges not included in such penalties) associated with the Designated Units. Party A will use its commercially reasonable efforts to mitigate such imbalances. Party B will be subject to the then

applicable balancing provisions (including OFO provisions) of the LDC tariff for the applicable balancing period based upon the difference, if any, between the aggregate of the applicable Nomination Amounts for each day of an applicable balancing period and the actual burn volumes for the Designated Units for each day of such period; provided Party B shall not be entitled to the benefit of Party A's imbalance accounts attributable to a Unit that is not a Designated Unit. If at any time Party B desires to reduce an imbalance, or the current balancing provisions are not sufficient to accommodate variances between the actual burn and nomination, Party B may take any action it deems necessary to correct or reduce an imbalance, including, but not limited to, requesting Party A to provide a market price (either directly or from third parties) for disposition of the variance (through a Gas purchase or sale). Upon such request, Party A shall provide such market price and effect such purchase or sale.

(7) Fuel Payment. Amounts payable pursuant to the provisions of this Schedule shall constitute the amounts payable pursuant to clause (b) of the definition of Fuel Payment. Nothing herein shall affect Party B's obligations to make the payment required by clause (a) of the definition of Fuel Payment.

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Acknowledgments

State of Oklahoma)
) SS
County of Tulsa)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared _____, _____ of Williams Energy Marketing & Trading Company, a Delaware corporation, known to me that he executed this Master Power Purchase and Sale Agreement Amended and Restated Confirmation Letter Product D Transaction for the purposes and consideration herein expressed, in the capacity therein set forth and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL of office, this the _____ day of November, 2002.

Notary Public

My Commission Expires: _____

[S E A L]

State of California)
) SS
County of _____)

BEFORE ME, the undersigned authority, a notary public, on this day personally appeared _____, _____ of the California Department of Water Resources, a _____, known to me that he executed this Master Power Purchase and Sale Agreement Amended and Restated Confirmation Letter Product D Transaction for the purposes and consideration therein expressed, in the capacity therein set forth and as the act and deed of said _____.

GIVEN UNDER MY HAND AND SEAL of office, this the _____ day of November, 2002.

Notary Public

My Commission Expires: _____

[S E A L]