NOT A NEW ISSUE **BOOK ENTRY ONLY**

PRELIMINARY REOFFERING SUPPLEMENT
dated September 9, 2010

to

OFFERING CIRCULAR
dated September 17, 2008

$95,000,000
California Infrastructure and Economic Development Bank
Refunding Revenue Bonds
(Pacific Gas and Electric Company)

$50,000,000 Series 2008F (non-AMT) due November 1, 2026
$45,000,000 Series 2008G (non-AMT) due December 1, 2018

Dated: September 22, 2008 **Due:** As shown above

The Bonds are limited obligations of the Issuer and are payable solely from and secured by a pledge of payments made under separate Loan Agreements related to each series of Bonds between the Issuer and

Pacific Gas and Electric Company

The Series 2008F Bonds will bear interest at the Term Rate of % for the period commencing September 20, 2010 and ending September 19, 2012, and will be subject to mandatory tender for purchase on September 20, 2012 at a price of 100% of the principal amount thereof, plus any accrued and unpaid interest.

The Series 2008G Bonds will bear interest at the Term Rate of % for the period commencing September 20, 2010 and ending at maturity on December 1, 2018.

Interest on the Series 2008F Bonds will be payable on each March 1 and September 1 and on September 20, 2012. Interest on the Series 2008G Bonds will be payable on each March 1 and September 1 and at maturity on December 1, 2018. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

This Reoffering Supplement has been prepared solely for use in connection with the reoffering of the Bonds on September 20, 2010 and must be read in conjunction with the attached Offering Circular dated September 17, 2008.

Price: 100%

Wells Fargo Bank, National Association **Siebert Brandford Shank & Co., LLC**

September , 2010

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Capitalized terms used in this Reoffering Supplement are used as defined in the attached Offering Circular.

Wells Fargo Bank, National Association, and Siebert Brandford Shank & Co., LLC are acting as remarketing agents for the Bonds, for which they will receive a fee of $ and will be indemnified against certain civil liabilities.

Amendments to Indenture and Multi-Mode Annex

The Indentures and related Multi-Mode Annexes will be amended and restated as of September 20, 2010. The amendments relevant to this reoffering of Bonds in the Term Rate are as follows:

The following replaces subparagraphs (a) through (d) under "THE BONDS – Extraordinary Optional Redemption" in the attached Offering Circular:

(a) The Diablo Canyon Project or the Geysers Project or any portion of either thereof the original cost of which is equal to or greater than $500,000 shall have been damaged or destroyed to such extent that, in the opinion of the Company (i) it is not practicable or desirable to rebuild, repair or restore the Diablo Canyon Project or the Geysers Project or such portion of either thereof within a period of six consecutive months following such damage or destruction, (ii) the Company is or will be thereby prevented from carrying on its normal operations at the Diablo Canyon Project or the Geysers Project or such portion of either thereof for a period of six consecutive months, or (iii) the costs of restoration thereof would substantially exceed the net proceeds of insurance carried thereon;

(b) Title to, or the temporary use of, the Diablo Canyon Project or the Geysers Project or any portion of either thereof the original cost of which is equal to or greater than $500,000 shall have been taken under the exercise of the power of eminent domain, including such a taking as results (or is likely to result) in the Company being prevented from carrying on normal operations at the Diablo Canyon Project or the Geysers Project or such portion of either thereof for a period of six months or as renders the Diablo Canyon Project or the Geysers Project or such portion of either thereof unsuitable for use by the Company;

(c) Unreasonable burdens or excessive liabilities, in the opinion of the Company, shall have been imposed on the Company, including, without limitation, the imposition of federal state or other ad valorem, property, income or other taxes not imposed on the date of the Loan Agreement, which imposition shall have resulted in a cessation of all or substantially all of its normal operations at the Diablo Canyon Project or the Geysers Project or a portion of either thereof the original cost of which is equal to or greater than $500,000 for a period of six consecutive months; or

(d) Any court of administrative body shall enter a judgment, order or decree requiring the Company to cease all or any substantial part of its operations at the Diablo Canyon Project or the Geysers Project or any portion of either thereof the original cost of which is equal to or greater than $500,000, to such any extent that, in the opinion of the Company, it is or will be thereby prevented from carrying on its normal operations at the Diablo Canyon Project or the Geysers Project or such portion of either thereof for a period of six consecutive months.

The Bonds are also subject to redemption in whole, or in part by lot, on any date, at a redemption price equal to 102% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, if the Company delivers to the Trustee a written certificate to the effect that (i) by reason of a change in use of the Diablo Canyon Project or Geysers Project or any portion of either of such projects, the Company has been unable, after reasonable effort, to obtain an Opinion of Bond Counsel that it is more likely than not that Section 150 of the Code will not prevent interest payable under the Loan Agreement from being deductible for federal income tax purposes, and (ii) as a result, the Company has elected to prepay Repayment Installments in an amount equal to the principal amount of Bonds to be redeemed. In such case, the Company may only direct the Trustee to redeem such principal amount of Bonds as the Company determines is necessary to assure that the Company retains its right to all such deductions otherwise allowable or, if a partial redemption will not enable the Company to retain the right to deduct such interest, the Company may direct the Trustee to redeem all the Outstanding Bonds or any portion thereof.

Pacific Gas and Electric Company

The information under "Where You Can Find More Information" in Appendix A to the attached Offering Circular is replaced with the following:

PG&E and PG&E Corporation each file or furnish various reports to the Securities and Exchange Commission ("SEC"). These reports, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on both PG&E Corporation's website, http://www.pgecorp.com, and PG&E's website, http://www.pge.com, as promptly as practicable after they are filed with, or furnished to, the SEC. They are also available to the public over the Internet at the SEC's website at http://www.sec.gov. You may also read and copy any of these SEC reports at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room.

The information in the first paragraph under the heading "Incorporation of Certain Documents by Reference" in Appendix A to the attached Offering Circular is replaced with the following:

The following documents filed by PG&E with the SEC are incorporated by reference in this Offering Circular:

- PG&E's annual report on Form 10-K for the year ended December 31, 2009;
- PG&E's quarterly reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010; and
- PG&E's current reports on Form 8-K filed with the SEC on February 25, 2010, March 3, 2010, April 1, 2010, April 22, 2010, May 17, 2010, May 26, 2010, June 11, 2010, June 24, 2010 and August 23, 2010. PG&E does not incorporate by reference any information furnished pursuant to Items 2.02 and 7.01 (or any successor items to such items) of Form 8-K or any other item that permits PG&E to furnish, rather than file, information.

NEW ISSUE **BOOK-ENTRY ONLY**

Concurrently with the original issuance and delivery of the Prior Bonds (defined herein), Sidley Austin LLP, Bond Counsel, delivered its opinions to the effect that as of the date of issuance of the Prior Bonds, under then-existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the documents pertaining to the Prior Bonds and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Internal Revenue Code of 1954, as amended (the "1954 Code"), and Title XIII of the Tax Reform Act of 1986 (the "1986 Act"), interest on the Prior Bonds would not be includable in the gross income of the owners of the Prior Bonds for federal income tax purposes, except for interest on any Prior Bond during any period in which such Prior Bond is held by a "substantial user" of the Projects or a "related person" (as such terms are defined in the Code and the 1954 Code). In the opinion of Bond Counsel, under the statutes, regulations, rulings and judicial decisions in effect on the date of issuance of the Prior Bonds, and assuming compliance since the date of issuance of the Prior Bonds with certain covenants in the documents pertaining to the Prior Bonds and the Bonds and requirements of the Code, of the 1954 Code and of the 1986 Act, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes, except for interest on any Bond during any period in which such Bond is held by a "substantial user" of the Projects or a "related person" (as such terms are defined in the Code and the 1954 Code). Failure to comply with the covenants and requirements described above may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively. Bond Counsel is further of the opinion that interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. Bond Counsel is also of the opinion that under the law in existence on the date of issuance of the Prior Bonds, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein for a more complete discussion.

$95,000,000
California Infrastructure and Economic Development Bank
Refunding Revenue Bonds
(Pacific Gas and Electric Company)
$50,000,000 Series 2008F (non-AMT) due November 1, 2026
$45,000,000 Series 2008G (non-AMT) due December 1, 2018

Dated: Date of Original Issue Due: As shown above

Each series of Bonds will be limited obligations of the Issuer and, except to the extent payable from Bond proceeds and any other moneys pledged therefor, will be payable solely from and secured by a pledge of payments to be made under the Loan Agreement related to such series of Bonds to be entered into by the Issuer with

Pacific Gas and Electric Company

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE LIMITED OBLIGATION OF THE ISSUER, AND SHALL BE PAYABLE SOLELY FROM THE FUNDS AS DESCRIBED HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Each series of Bonds will initially bear interest at a Term Rate of 3.75% per annum for the period ending on September 19, 2010 and is subject to mandatory tender on September 20, 2010 at a price of 100% of the principal amount thereof, plus accrued interest. Interest will be payable on each March 1 and September 1, commencing March 1, 2009, and on September 20, 2010.

The interest rate mode applicable to a series of Bonds may be adjusted from a Term Rate to a Daily Rate, a Weekly Rate, an Auction Rate or Flexible Rate(s), as determined in accordance with the related Indenture. In addition, a series of Bonds in a Term Rate may be adjusted from one Term Rate Period to another Term Rate Period in accordance with the related Indenture. Upon an adjustment in interest rate mode or at the conclusion of a Term Rate Period applicable to a series of Bonds as described herein, such Bonds will be subject to mandatory tender for purchase and remarketing in accordance with the related Indenture.

This Offering Circular has been prepared solely for use in connection with the initial offering of the Bonds and describes the terms of the Bonds while they bear interest at Term Rates so long as there is no Credit Facility or Liquidity Facility supporting the Bonds. It is not intended to provide any information relating to the Bonds while they bear interest at interest rates other than the initial Term Rate or while there is a Credit Facility or Liquidity Facility in effect.

The Bonds will be subject to mandatory redemption, and in certain circumstances redemption at the option of the Company, prior to maturity in the manner and at the times described herein. See "THE BONDS — Extraordinary Optional Redemption" and "— Special Mandatory Redemption" herein.

The Bonds will be issued in book-entry form only in denominations of $5,000 or any integral multiple thereof. See "THE BONDS — Book-Entry Only System" herein.

Price: 100%

The Bonds are offered when, as and if issued by the Issuer, received by the Company and sold to and accepted by the Underwriters, subject to the approval of legality by Sidley Austin LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Company by Orrick, Herrington & Sutcliffe LLP, counsel to the Company, for the Issuer by counsel to the Issuer, and for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP. It is expected that delivery of the Bonds will be made through the facilities of The Depository Trust Company on or about September 22, 2008.

Citi **Goldman, Sachs & Co.** **Ramirez & Co., Inc.**

September 17, 2008

The information contained in this Offering Circular (which term, whenever used herein, shall be deemed to include the cover, the Table of Contents, and the Appendices to this Offering Circular and the documents incorporated by reference herein) has been obtained from the Company and other sources deemed reliable. No representation is made, however, as to the accuracy or completeness of such information and nothing contained in this Offering Circular is, or will be relied upon as, a promise or representation by the Issuer or the Underwriters. The Issuer is not responsible for and has not reviewed or approved any information in this Offering Circular, except for the information under the captions "THE ISSUER" and "ABSENCE OF MATERIAL LITIGATION — The Issuer." The Underwriters have reviewed the information in this Offering Circular in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The Trustee assumes no responsibility for this Offering Circular and has not reviewed or undertaken to verify any information contained herein. The information contained in this Offering Circular is subject to change without notice, and the delivery of this Offering Circular shall not, under any circumstances, create any implication that there have not been changes in the affairs of the Issuer or the Company since the date of this Offering Circular.

No broker, dealer, salesperson or any other person has been authorized by the Issuer, the Company or the Underwriters to give any information or to make any representation other than as contained in this Offering Circular in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Offering Circular does not constitute an offer or reoffering of any securities other than those described on the cover page, or an offer to sell or a solicitation of an offer to buy by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURES HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The initial offering of the Bonds is subject to the execution and delivery of a Bond and Loan Exchange Agreement and a Bond Purchase Contract on or about September 22, 2008. See "PLAN OF FINANCE" and "UNDERWRITERS" herein.

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OFFERING CIRCULAR

$95,000,000
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
REFUNDING REVENUE BONDS
(PACIFIC GAS AND ELECTRIC COMPANY)
$50,000,000 SERIES 2008F (non-AMT)
$45,000,000 SERIES 2008G (non-AMT)

INTRODUCTORY STATEMENT

This Offering Circular, including the Appendices hereto and the documents incorporated by reference herein, is provided to furnish certain information with respect to the issuance by the California Infrastructure and Economic Development Bank (the "*Issuer*") of its Refunding Revenue Bonds (Pacific Gas and Electric Company), Series 2008F in the principal amount of $50,000,000 and Series 2008G in the principal amount of $45,000,000 (collectively, the "*Bonds*"). The Bonds are being issued pursuant to the provisions of the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing with Section 63000), as now in effect and as it may be amended or supplemented (the "*Act*").

Each series of Bonds will be issued under a separate Indenture of Trust, dated as of September 1, 2008 (each an "*Indenture*" and collectively, the "*Indentures*"), between the Issuer and Deutsche Bank National Trust Company, as trustee (the "*Trustee*"). The Bonds will be exchanged for a corresponding amount of the Issuer's Refunding Revenue Bonds (Pacific Gas and Electric Company), Series 2005F and Series 2005G (the "*Prior Bonds*") issued for the benefit of Pacific Gas and Electric Company (the "*Company*"). On the date of issuance and upon such exchange, the Prior Bonds will be cancelled. See "PLAN OF FINANCE." The Prior Bonds were issued to refinance a portion of the costs of the acquisition and installation of certain air and water pollution control, sewage and solid waste disposal facilities at the Company's Diablo Canyon Nuclear Power Plant near San Luis Obispo, California (the "*Diablo Canyon Project*"), and at the geothermal electric generating station in Lake and Sonoma Counties, California, the portions of which remaining in service now owned by Geysers Power Company LLC (the "*Geysers Project*" and together with the Diablo Canyon Project, the "*Projects*"). The Bonds will not be secured by a mortgage on or a security interest in the Geysers Project, the Diablo Canyon Project or any other property of the Company or of Geysers Power Company LLC.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE LIMITED OBLIGATION OF THE ISSUER, AND SHALL BE PAYABLE SOLELY FROM THE FUNDS AS DESCRIBED HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Brief descriptions of the Issuer, the Bonds, the Loan Agreements and the Indentures follow below. Information regarding the Company is included or incorporated by reference in Appendix A hereto. Appendix B sets forth the proposed opinion of Sidley Austin LLP, Bond Counsel.

The summary descriptions of the documents contained herein are qualified in their entirety by reference to such documents, copies of which will be available for inspection at the corporate trust office of Deutsche Bank National Trust Company. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indentures and the information with respect thereto

included in the aforesaid documents. Except as expressly stated herein and unless otherwise defined in this Offering Circular, all capitalized terms used herein with respect to the Bonds have the same meaning as those terms have in the Indentures. All such descriptions are further qualified in their entirety by reference to bankruptcy laws and laws relating to or affecting generally the enforcement of creditors' rights.

THE ISSUER

The Issuer is located within the Business, Transportation and Housing Agency of the State of California and is governed by a five-member board of directors (the "*Board*") consisting of the Secretary of the Business, Transportation and Housing Agency, who serves as chair, the State Director of Finance, the State Treasurer, the Secretary of the State and Consumer Services Agency, and an appointee of the Governor. The Governor appointee member position on the Board is currently vacant.

The Bonds are limited obligations of the Issuer payable solely from revenues received by the Issuer and the other funds pledged therefor under the Indentures. Except for the statements and information set forth in this section and "ABSENCE OF MATERIAL LITIGATION — The Issuer" the Issuer makes no representations with respect to the accuracy or completeness of the statements and information set forth herein.

PLAN OF FINANCE

The Prior Bonds were issued to refinance the Company's costs of the Projects. The Diablo Canyon Project consists of air and water pollution control and sewage and solid waste disposal facilities at the Diablo Canyon Nuclear Power Plant owned and operated by the Company. The Geysers Project consists of air and water pollution control and sewage and solid waste disposal facilities at geothermal electric generating facilities located in Lake and Sonoma Counties. Portions of the Geysers Project that remain in service are owned and operated by Geysers Power Company LLC, which is not affiliated with the Company. The Company sold the Geysers Project to Geysers Power Company LLC in May 1999. In the Geysers Project purchase and sale agreements Geysers Power Company LLC agreed to use the facilities solely as pollution control facilities within the meaning of Section 103(b)(4)(F) of the 1954 Code and the regulations thereunder, as in effect prior to August 15, 1986, for as long as any tax-exempt bonds issued to finance the Geysers Project are outstanding.

The Prior Bonds were acquired by the Company for cash in March 2008. The Series 2008F Bonds relate to the Diablo Canyon Project. The Series 2008G Bonds relate to the Geysers Project.

Each series of Bonds will be exchanged for a related series of Prior Bonds. On the date of issuance of the Bonds, pursuant to a Bond and Loan Exchange Agreement between the Issuer and the Company, the Issuer will deliver to the Company each series of Bonds in exchange for the Company's delivery to the Issuer of the corresponding series of Prior Bonds. Upon such exchange, the Prior Bonds will be cancelled. Pursuant to the Bond and Loan Exchange Agreement, the Issuer will cancel the loan associated with each series of Prior Bonds, and the Issuer will surrender each series of Prior Bonds to the trustee for the Prior Bonds for cancellation. Pursuant to separate Loan Agreements, dated as of September 1, 2008, between the Company and the Issuer (each a "*Loan Agreement*" and collectively, the "*Loan Agreements*"), the Issuer and the Company will agree that the exchange of the Bonds for the Prior Bonds will be deemed to be and will be treated for all purposes as loans by the Issuer to the Company of an amount equal to the principal amount of the series of Bonds related to such Loan Agreement. See "THE LOAN AGREEMENTS — Issuance of the Bonds." All of the Indentures and all of the Loan Agreements are substantially identical, except for the details of the series of Bonds secured thereby.

The Company has entered into a Bond Purchase Contract with the Underwriters (as defined below) as described under "UNDERWRITERS" providing for the sale of the Bonds received by the Company from the Issuer in exchange for the Prior Bonds. The Company will use the proceeds received from the sale of the Bonds to reimburse itself for its cost of purchasing the Prior Bonds.

THE BONDS

Each series of Bonds is an entirely separate series and is issued under a separate Indenture. Each Indenture and each series of Bonds contains substantially the same terms and provisions, except as otherwise described below. The occurrence of an event of default with respect to one series of Bonds will not constitute an event of default with respect to any other series of Bonds. Redemption of one series of Bonds may be made in the manner described below without the redemption of the Bonds of any other series. All references in this summary to the Bonds, the Indenture, the Loan Agreement, the Project and other defined terms and to the provisions of the Indentures summarized below should be read as referring separately to each series of Bonds and to the related Indenture, Loan Agreement, the Diablo Canyon Project or the Geysers Project, as applicable, and other defined terms. Reference is made to each Indenture and the form of the Bonds included therein for the detailed provisions of the applicable series of Bonds.

The Bonds will mature on the date and bear interest at the Term Rate set forth on the cover page of this Offering Circular for the initial Term Rate Period. Thereafter, the Bonds will bear interest at an Auction Rate, a Daily Rate, a Weekly Rate, Flexible Rate(s) or another Term Rate; provided, however, that the interest rate on the Bonds shall not exceed 12% or such lower maximum rate as may hereafter be imposed by law. During the initial Term Rate Period, interest will be payable with respect to the Bonds on each March 1 and September 1, commencing March 1, 2009, and on September 20, 2010 (the "*Interest Payment Dates*"); provided that if any Interest Payment Date is not a Business Day, such interest shall be payable on the next succeeding Business Day. During the initial Term Rate Period, interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will be issued as fully registered bonds without coupons and in authorized denominations of $5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC (as defined below). DTC acts as securities depository for the Bonds and individual purchases of Bonds may be made in book-entry form only. So long as the Bonds are in book-entry only form, purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of such Bonds, as nominee of DTC, references herein to the Bondholders or registered owners or Holders shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined below) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to the Direct Participants (as defined below) for subsequent disbursement to the Beneficial Owners. See "— Book-Entry Only System" below. For purposes of this Offering Circular, DTC or its nominee, and its successors and assigns, are referred to as the "*Securities Depository*."

Deutsche Bank National Trust Company, New York, New York, is the Trustee, Registrar and Paying Agent (each as defined in the Indenture) for the Bonds.

Security

Payment of the principal of and interest on, and the purchase price of, the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer's interest in the Loan Agreement, including all

payments to be made under the Loan Agreement (except the Issuer's rights with respect to notices, consents and approvals, rights to receive certain payments with respect to expenses and indemnification rights). The Bonds will not be secured by a mortgage on or a security interest in the Geysers Project, the Diablo Canyon Project or any other property of the Company or of Geysers Power Company LLC. See "THE LOAN AGREEMENT."

Interest

Interest shall be payable to the registered Holder of the Bonds as of the Record Date (as defined below) by check mailed by first-class mail on the Interest Payment Date to such Holder's registered address. When the Bonds are held in book-entry form, such payments will be made to DTC as record owner by wire transfer. See "— Book-Entry Only System" below. Interest on the Bonds from and including the preceding Interest Payment Date to and including the date immediately preceding the next following Interest Payment Date shall be paid as provided above, provided that if any Interest Payment Date is not a Business Day, such interest shall be mailed or wired on the next succeeding Business Day, with the same effect as if made on the day such payment was due.

"*Record Date*" means the fifteenth day of the month preceding an Interest Payment Date.

THIS OFFERING CIRCULAR DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH THE BONDS CONVERT TO BEAR INTEREST AT INTEREST RATES OTHER THAN THE INITIAL TERM RATE.

No Optional Tender

During any Term Rate Period, the Holder of a Bond does not have the option to require the purchase of such Holder's Bonds.

Mandatory Tender

The Bonds are subject to mandatory tender on September 20, 2010 at a price of 100% of the principal amount thereof, plus accrued interest. The Company is not required to provide any Liquidity Facility to pay such purchase price.

If the Tender Agent is in receipt of moneys sufficient to pay the purchase price of the Bonds tendered, then such Bonds will be deemed purchased on the date of purchase, whether or not such Bonds have been delivered to the Tender Agent, and neither the former holder of any such Bond nor any other person will have any claim thereon for any amount other than the purchase price thereof. In the event of non-delivery of any Bond to be purchased, the Tender Agent will segregate and hold the moneys for the purchase price of such Bond in trust for the benefit of the former holder of such Bond whose exclusive right will be the payment of such purchase price. Any moneys which remain unclaimed two years after the purchase date will be paid, at the request of the Company, to the Company, and the holder of any such Bond will thereafter be limited to a claim against the Company.

Bonds purchased upon mandatory tender may be remarketed and remain outstanding.

Extraordinary Optional Redemption

The Bonds are subject to redemption in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, upon receipt by the Trustee of written notice from the Company of the occurrence of any of the following within the

preceding one year and that the Company intends to effect the redemption of the Bonds in whole or in part:

(a) The Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been damaged or destroyed to such extent that, in the opinion of the Company (i) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage or destruction, (ii) the Company is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months, or (iii) the cost of restoration thereof would substantially exceed the net proceeds of insurance carried thereon;

(b) Title to, or the temporary use of, the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been taken under the exercise of the power of eminent domain, including such a taking as results (or is likely to result) in the Company being prevented from carrying on normal operations at the Project or such portion thereof for a period of six months or as renders the Project or such portion thereof unsuitable for use by the Company;

(c) Unreasonable burdens or excessive liabilities, in the opinion of the Company, shall have been imposed on the Company, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes not imposed on the date of the Loan Agreement, which imposition shall have resulted in a cessation of all or substantially all of its normal operations at the Project or a portion thereof the original cost of which is equal to or greater than $500,000 for a period of six consecutive months; or

(d) Any court or administrative body shall enter a judgment, order or decree requiring the Company to cease all or any substantial part of its operations at the Project or a portion thereof the original cost of which is equal to or greater than $500,000, to such an extent that, in the opinion of the Company, it is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months.

Special Mandatory Redemption

The Bonds are subject to redemption from amounts which are required to be prepaid by the Company under the Loan Agreement, as set forth below. In the event of a failure by the Company to give any notice of mandatory prepayment due to an event specified in paragraph (1) or (2) below, such notice may be given by the Issuer or any Holder or Holders of ten percent (10%) or more in aggregate principal amount of Bonds Outstanding not less than 180 days after the occurrence of an event specified in paragraph (1) or (2) below. In the event that a Responsible Officer of the Trustee has actual knowledge of the occurrence of any event specified in paragraph (1) or (2) below and the Trustee shall not have received a notice of mandatory prepayment under the Loan Agreement within 180 days of an event specified in paragraph (1) or (2) below, the Trustee shall give the notice of mandatory prepayment required by the Loan Agreement. In each case, the Trustee shall give notice of such redemption as provided in the Indenture.

(1) The Bonds shall be redeemed in whole on any date at a redemption price equal to the principal amount thereof plus interest accrued to the redemption date if, as a result of any changes in the Constitution of the State of California or in the Constitution of the United States of America or of legislative, judicial or administrative action (whether state or federal), or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the

Company in good faith, the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or shall have been declared unlawful.

(2) The Bonds shall be redeemed in whole on any date at a redemption price equal to the principal amount thereof plus interest accrued to the redemption date upon the occurrence of a Determination of Taxability (as defined below); provided that if, in an Opinion of Bond Counsel delivered to the Trustee, the redemption of a specified portion of the Bonds Outstanding would have the result that interest payable on the Bonds remaining Outstanding after such redemption would not be includable for federal income tax purposes in the gross income of any Holders of the Bonds (other than a Holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code or Section 103(b)(13) of the 1954 Code), then the Bonds shall be redeemed in part by lot (in Authorized Denominations), in such amount as Bond Counsel in such opinion shall have determined is necessary to accomplish that result.

For purposes of paragraph (1) above, the Trustee shall not be required to give notice of mandatory prepayment unless a Responsible Officer of the Trustee shall have actual knowledge that the Loan Agreement shall have become void, unenforceable or impossible of performance or shall have been declared unlawful as described in said paragraph.

"*Determination of Taxability*" means a determination that interest payable on any Bond is or may become includable in the gross income for federal income tax purposes of the Holder of such Bond (other than a Holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code or Section 103(b)(13) of the 1954 Code). Such determination shall be deemed to have been made upon (i) the date on which, due to the action or inaction by the Company or any owner of the Project, or the untruth or inaccuracy of any representation or warranty made by the Company in the Loan Agreement, or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Company contained in the Loan Agreement, interest on the Bonds, or any of them, is determined to be includable or may become includable in the gross income for federal income tax purposes of the Holders thereof (other than a Holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code or Section 103(b)(13) of the 1954 Code) by a final administrative determination of the Internal Revenue Service or judicial decision of a court of competent jurisdiction or (ii) the date on which an Opinion of Bond Counsel obtained by the Company is delivered to the Trustee to the effect that as a result of the action or inaction by the Company or any owner of the Project or the failure by the Company to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement or as a result of the inaccuracy of any representation or warranty made by the Company under the Loan Agreement, the interest payable on any Bond is or will become includable in the gross income for federal income tax purposes of the Holders thereof (other than a Holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code or Section 103(b)(13) of the 1954 Code).

Purchase In Lieu of Redemption

The Company has the option to purchase any Bond on any date such Bond has been called for extraordinary optional redemption at a purchase price equal to the principal amount thereof plus accrued interest, if any. Bonds purchased in lieu of redemption shall remain Outstanding.

Selection of Bonds to be Redeemed

In the event of partial redemption of the Bonds, Bonds shall be selected for redemption by lot by DTC in accordance with its customary practices. If the Bonds are not held in the book-entry only system described below, Bonds shall be selected for redemption by lot by the Trustee as provided in the Indenture.

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee, for and on behalf of the Issuer, shall give notice of redemption by mail to (i) the Holder of each Bond to be redeemed, (ii) the Securities Depository and (iii) such one or more designated information services, at least 30 (and not more than 60) days prior to the redemption date, as provided in the Indenture. While the Bonds are in the book-entry only system described below, such notices will be sent to DTC as the sole registered Holder of the Bonds. **During the period that DTC or the DTC nominee is the registered Holder of the Bonds, the Trustee will not be responsible for mailing notices of redemption to the Beneficial Owners of the Bonds. See "— Book-Entry Only System" below.** Notices of redemption also are required to be given to Nationally Recognized Municipal Securities Information Repositories. See "CONTINUING DISCLOSURE."

With respect to any notice of extraordinary optional redemption of Bonds pursuant to the Indenture, unless upon the giving of such notice such Bonds shall be deemed to have been defeased within the meaning of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of and interest on, such Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and such Bonds shall not be subject to redemption on such date. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such amounts were not so received and the redemption was not made.

With respect to any extraordinary optional redemption of Bonds pursuant to the Indenture, in the event that the Trustee receives notice from the Company pursuant to the Indenture that the Company will purchase all or a portion of the Bonds in lieu of redemption, then, upon the purchase of such Bonds pursuant to the Indenture, the notice of redemption of such Bonds shall be null and void and of no further force and effect.

Notice of redemption having been duly given, and moneys for payment of the redemption price being held by the Trustee, the Bonds so called for redemption shall, unless the Company has exercised its right to purchase Bonds in lieu of redemption in accordance with the Indenture, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, without interest accrued on any funds held after the redemption date to pay such redemption price accruing after the date of redemption.

Notwithstanding the foregoing, failure to mail such redemption notices required by the Indenture to any Holder of any Bonds designated for redemption or to the Securities Depository, or any defect in any notice so mailed, shall not affect the validity of the proceedings for redemption or purchase in lieu of redemption of any other Bonds and shall not extend the period for making elections or in any way change the rights of the Holders of the Bonds to elect to have their Bonds purchased as provided in the Indenture.

Book-Entry Only System

The following information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and other sources that the Company believes to be reliable, but none of the Company, the Issuer or the Underwriters takes any responsibility for the accuracy or completeness of such information.

The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "*SEC*"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the

identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal payments and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal payments and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender/Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer, at the direction of the Company, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

THE LOAN AGREEMENTS

The following is a summary of the Loan Agreements. The Loan Agreement relating to one series of Bonds is separate from and will operate independently of the other Loan Agreements, and the occurrence of an event of default under one Loan Agreement will not constitute an event of default under the other Loan Agreements. The Loan Agreements contain substantially the same terms and provisions. All references in this summary to the Bonds, the Indenture, the Loan Agreement, the Loan, the Prior Bonds and the Project and other defined terms should be read as referring separately to each series of Bonds and to the related Indenture, Loan Agreement, Loan, Prior Bonds, the Diablo Canyon Project or the Geysers Project, as applicable, and other defined terms. Reference is made to each Loan Agreement for the detailed provisions thereof.

Issuance of the Bonds

The Issuer will issue the Bonds for the purposes of exchanging the Bonds for the Prior Bonds and cancelling the Prior Bonds. A debt obligation of the Company to the Issuer (the "*Loan*") will arise in connection with the Issuer's issuance of the Bonds. The Issuer will exchange the Loan for the debt obligation of the Company that arose in connection with the issuance of the Prior Bonds, and the Company's debt obligation in respect of the Prior Bonds will be cancelled. See "PLAN OF FINANCE."

Loan Payments

As and for repayment of the Loan made to the Company by the Issuer, the Company will pay to the Trustee for the account of the Issuer an amount equal to the principal (whether at maturity, upon redemption or acceleration) of and interest on the Bonds when due on the dates and in the manner provided in the Indenture for the payment of the principal of and interest on the Bonds (the "*Loan Payments*").

In the event that the Company fails to make timely Loan Payments to the Trustee under the Loan Agreement, the overdue payment will continue as an obligation of the Company until such amounts have been fully paid, and the Company will pay interest on such overdue amounts (other than for the payment of interest on the Bonds), to the extent permitted by law, at the interest rate borne by the Bonds (or, if less, at the Maximum Rate) until such overdue amount is paid.

The Company also will pay sufficient money for deposit in the Bond Purchase Fund under the relevant Indenture to pay the purchase price of tendered Bonds.

Unconditional Obligation

The obligations of the Company to make Loan Payments and to perform and observe the other agreements on its part contained in the Loan Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, and during the term of the Loan Agreement, the Company shall pay absolutely the payments to be made on account of the Loan and all other payments required under the Loan Agreement, free of any deductions and without abatement, diminution or set-off.

Tax Covenants; Tax-Exempt Status of Bonds

The Company covenants that it shall not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code and Section 103 of the 1954 Code, as amended, as applicable, including the Treasury Regulations promulgated thereunder. See "TAX MATTERS." The Company no longer owns the facilities relating to the Geysers Project which remain in service. See "PLAN OF FINANCE."

Other Covenants of the Company

Maintenance of Existence; Conditions Under Which Exceptions Permitted.

To the extent permitted by law and its articles of incorporation, the Company covenants and agrees that during the term of the Loan Agreement it will (1) maintain its corporate existence, (2) continue to maintain its status as a corporation in good standing in the State of California, and (3) not dissolve or otherwise dispose of all or substantially all of its assets, not consolidate with or merge into another person or permit one or more persons to consolidate or merge into it; provided, however, that if the Company has obtained the prior written consent of each Credit Provider (provided that such written consent will not be required if the Company has provided to the Issuer a certificate of the Company that the consent of such Credit Provider is not contractually required and the dissolution, sale, disposition, combination, consolidation or merger without the consent of such Credit Provider will not result in a termination of such Credit Facility), or if the Company plans to merge with or transfer substantially all of its assets to a wholly-owned subsidiary of the Company, the Company may so combine, consolidate with or merge into another person legally existing under the laws of one of the states of the United States, or permit one or more persons to consolidate with or merge into it, or sell or otherwise transfer to another person all or substantially all of its assets (any such action referred to hereafter as a "transaction"). If consent of any Credit Provider is required, such consent (which shall not be unreasonably withheld) shall be given within 30 days after written evidence acceptable to the Issuer is provided by the Company (the 30 day period will be extended for an additional 30 days from the date of receipt of any substantial change to the initial request) to demonstrate that:

(i) the surviving, resulting or transferee person, as the case may be, (A) assumes and agrees in writing to pay and perform all of the obligations of the Company under the Loan Agreement, and (B) is qualified to do business in the State of California;

(ii) the existing Credit Facility will remain in full force and effect or an additional Credit Facility will be timely provided, in either case meeting the requirements of the Loan Agreement;

(iii) the credit rating on the Bonds, as determined by any Rating Agency then rating the Bonds, shall be no lower than the rating level of the Bonds immediately prior to the effective date of such consolidation, merger, sale or transfer; and

(iv) the transaction does not result in a Loan Default Event.

The Company need not comply with any of the provisions described above if, at the time of such merger, combination, sale of assets, dissolution or reorganization, the Bonds will be defeased as provided in the Indenture.

"*Credit Facility*" means any letter of credit, guarantee or insurance policy provided by a financial institution or insurance company, or any other additional credit support provided by the Company pursuant to the Loan Agreement and the Indenture guaranteeing or supporting payment of principal of and interest on the Bonds; provided, however, "Credit Facility" shall not include any Liquidity Facility, debentures or other debt obligations of the Company.

"*Credit Provider*" means the provider of any Credit Facility.

Assignment. The rights and obligations of the Company under the Loan Agreement may be assigned by the Company to any Person in whole or in part, provided, however, that any assignment other than pursuant to the provisions described in the preceding section ("THE LOAN AGREEMENTS — Other Covenants of the Company — *Maintenance of Existence; Conditions Under Which Exceptions Permitted*") shall be subject to each of the following conditions:

(i) No such assignment shall relieve the Company from primary liability for any of its obligations under the Loan Agreement, and the Company shall continue to remain primarily liable for the Loan Payments and for performance and observance of the other agreements provided in the Loan Agreement to be performed and observed by it.

(ii) Any such assignment from the Company shall retain for the Company such rights and interests as will permit it to perform its obligations under the Loan Agreement, and any assignee from the Company shall assume in writing the obligations of the Company under the Loan Agreement to the extent of the interest assigned.

(iii) The Company shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Issuer, the Trustee and each Credit Provider, if any, a true and complete copy of each such assignment together with an instrument of assumption.

(iv) The Company shall cause to be delivered to the Issuer and the Trustee an Opinion of Bond Counsel to the effect that such assignment will not, in and of itself, adversely affect the tax-exempt status of interest on the Bonds.

Defaults

The occurrence and continuation of each of the following events will constitute a "*Loan Default Event*" under the Loan Agreement:

(a) failure by the Company to pay any Loan Payments or the Purchase Price of the Bonds in the event of a purchase in lieu of redemption or a purchase in lieu of acceleration or a mandatory tender, which failure causes an Event of Default under the Indenture;

(b) failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed under the Loan Agreement, other than a failure to make the payments referred to in (a) above, which failure continues for a period of 30 days after written notice from the Trustee or the Issuer, which notice shall specify such failure and request that it be remedied, unless the Issuer and the Trustee shall agree in writing to an extension of such time period; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time period if corrective action is instituted within such period and diligently pursued;

(c) an Act of Bankruptcy (as defined below) of the Company, but solely in the event that no Credit Facility is in effect for the Bonds or the Company is the Credit Provider; or

(d) the occurrence of an Event of Default under the Indenture.

The provisions of subsection (b) of the preceding paragraph are subject to the limitation that the Company shall not be deemed in default if and so long as the Company is unable to carry out its agreements under the Loan Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; acts of terrorism; orders of any kind of the government of the United States or of the State of California or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; substantial breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Company, unfavorable to the Company. This limitation shall not apply to any default under subsections (a), (c) or (d) of the preceding paragraph.

"*Act of Bankruptcy*" of the Company means any of the following with respect to the Company: (a) the commencement by the Company of a voluntary case under the federal bankruptcy laws, as in effect on the date of the Indenture or thereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws, or (b) failure by the Company to timely controvert the filing of a petition with a court having jurisdiction over the Company to commence an involuntary case against the Company under the federal bankruptcy laws, as in effect on the date of the Indenture or thereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws, or (c) the Company shall admit in writing its inability to pay its debts generally as they become due, or (d) a receiver, trustee or liquidator of the Company shall be appointed in any proceeding brought against the Company, or (e) assignment by the Company for the benefit of its creditors, or (f) the entry by the Company into an agreement of composition with its creditors.

Remedies

Whenever any Loan Default Event under the Loan Agreement shall have occurred and shall continue:

(a) The Trustee, by notice in writing delivered to the Company and with the prior consent of each Credit Provider, if any, may declare the unpaid balance of the Loan Payments payable under the Loan Agreement in an amount equal to the Outstanding principal amount of the Bonds, together with the interest accrued thereon, to be immediately due and payable, and shall do so if the Bonds have been accelerated as provided in the Indenture.

(b) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Loan Agreement.

The provisions of subsection (a) above, however, are subject to the condition that if, at any time after any portion of the Loan shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall have been

deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all such Bonds, with interest on such overdue installments of principal as provided in the Loan Agreement, and the reasonable expenses of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, any Credit Provider or the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and to the Trustee accompanied by the written consent of each Credit Provider, if any, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; provided that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Amendments

The Loan Agreement may not be amended or terminated by the Issuer and the Company except in accordance with the Indenture. See "THE INDENTURES — Modifications and Amendments."

THE INDENTURES

The following is a summary of certain provisions of the Indentures. Each Indenture is separate from and will operate independently of the other Indentures, and the occurrence of an event of default under one Indenture will not constitute an event of default under the other Indentures. The Indentures contain substantially the same terms and provisions. All references in this summary to the Bonds, the Indenture (and the funds created thereunder), the Loan Agreement, the Loan, the Project and other defined terms should be read as referring separately to each series of Bonds and to the related Indenture, Loan Agreement, Loan, the Diablo Canyon Project or the Geysers Project, as applicable, and other defined terms. Reference is made to each Indenture for the detailed provisions thereof.

Pledge and Security

Pursuant to the Indenture, the Loan Payments and other Revenues (as defined in the Indenture) will be pledged by the Issuer to secure the payment of the principal of and interest on the Bonds. The Issuer will also transfer and assign to the Trustee the Revenues and all its rights and privileges under the Loan Agreement (other than its rights to notices, indemnification and reimbursement of expenses and certain other rights) and pledge to the Trustee all moneys deposited or to be deposited in the Bond Fund established with the Trustee (except moneys or obligations deposited with or paid to the Trustee for payment or redemption of Bonds that are deemed no longer Outstanding under the Indenture); provided that the Trustee will have a prior claim on the Bond Fund (with certain exceptions) and other moneys collected by it on or after the occurrence of an Event of Default under the Indenture for the payment of its compensation and expenses and for the repayment of any advances (plus interest thereon) made pursuant to the provisions of the Indenture. Neither the Project nor any other property of the Company will constitute any part of the trust estate or any part of the security for the Bonds.

Application of Amounts in the Bond Fund

A Bond Fund to be held by the Trustee will be created under the Indenture. Payments made by the Company under the Loan Agreement in respect of the principal of and interest on, the Bonds and certain other amounts specified in the Indenture are to be deposited in the Bond Fund. While any Bonds are Outstanding and except as provided in the Indenture, moneys in the Bond Fund will be used solely for

the payment of the principal of and interest on the Bonds as the same become due and payable at maturity, upon redemption or otherwise, subject to the prior claims of the Trustee, to the extent described above under the caption "— Pledge and Security."

Investment of Funds

Subject to the provisions of the Indenture and the Tax Certificate and Agreement, moneys in any of the funds and accounts established by the Trustee pursuant to the Indenture will, at the written direction of the Company, be invested in Investment Securities (as defined in the Indenture). Any interest or profit on such investments will be credited, and any loss will be charged, to the respective fund or account from which the investments were made.

Defaults

Each of the following events shall constitute an "*Event of Default*" under the Indenture:

(a) Failure to make due and punctual payment of any installment of interest upon any Bond on the date such installment shall have been due;

(b) Failure to make due and punctual payment of the principal of any Bond at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration, or failure by the Company to make any required payment pursuant to the Loan Agreement to purchase Bonds tendered for purchase;

(c) The occurrence of a "*Loan Default Event*" under the Loan Agreement;

(d) Default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, and the continuance of such default for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Company and each Credit Provider, if any, by the Trustee, or to the Issuer, the Company and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding or to the Issuer, the Company and the Trustee by any Credit Provider; or

(e) Failure to make payment of the Purchase Price of any Bond purchased in lieu of redemption or purchased in lieu of acceleration pursuant to the Indenture when the same shall have become due and payable.

Upon the occurrence and continuation of an Event Default described under (a), (b), (c), (d) or (e) above, the Trustee may with the consent of each Credit Provider, if any, and upon the written request of any Credit Provider or Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding with the consent of each Credit Provider, if any, shall, by notice in writing delivered to the Company and each Credit Provider, if any, with copies of such notice being sent to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Interest on the Bonds shall cease to accrue from and after the date of declaration of any such acceleration. Notwithstanding the foregoing, the Trustee shall not be required to take any action upon the occurrence and continuation of an Event of Default described under (d) above until a Responsible Officer of the Trustee has actual notice or knowledge of such Event of Default. After such declaration of acceleration or automatic acceleration, except to the extent the Company has exercised its right to purchase the Bonds in lieu of acceleration as described below, the Trustee shall immediately take such actions as necessary to

realize moneys under any Credit Facility, and shall declare all Loan Payments under the Loan Agreement to be immediately due and payable in accordance with the Loan Agreement and may exercise and enforce such rights as exist under the Loan Agreement.

Any monies collected by the Trustee on or after an Event of Default shall be applied (i) first, to its reasonable costs and expenses of collection, including expenses of counsel, employees and agents, and advances made by it; (ii) second, if none of the principal of the Bonds is due and unpaid, to the payment of interest in default in order of maturity; (iii) third, to the payment of any principal due by declaration or otherwise, then to the payment of interest in default in the order of maturity thereof; (iv) fourth, to the payment of any amounts due to each Credit Provider, if any, under any applicable Credit Agreement; and (v) fifth, to the payment of any other amounts due under the Loan Agreement.

The second preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Indenture, there shall have been deposited with the Trustee a sum which, together with any other amounts then held in the Bond Fund, is sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Loan Agreement, and the reasonable fees and expenses (including, but not limited to those of its attorneys) of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, any Credit Provider, or the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the Holders of all of such Bonds, rescind and annul such declaration and its consequences and waive such default; provided that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

The Trustee may require indemnification by a Holder before being required by such Holder to take any action under the Indenture. The Indenture does not require the filing of any periodic evidence as to the absence of default or as to compliance with the Indenture.

Purchase in Lieu of Acceleration

If at any time after the principal of the Bonds has been declared due and payable in accordance with the Indenture, and before any judgment or decree for the payment of moneys due has been obtained or entered, the Company has elected to purchase all of the Bonds in lieu of such acceleration by written notice to the Issuer, the Trustee, the Tender Agent and each Credit Provider, if any, and the Company has deposited with the Tender Agent for deposit in the Company Account an amount in cash equal to the principal amount of the Bonds then Outstanding together with accrued and unpaid interest to the date of acceleration on or prior to the Purchase In Lieu of Acceleration Date, then, and in every such case, the acceleration of the principal and accrued interest on the Bonds shall be automatically rescinded and annulled without further action of the Trustee and the Bonds shall be deemed to be purchased in lieu of acceleration on the Purchase in Lieu of Acceleration Date at the purchase price thereof without notice to or further act of the former Holders of such Bonds. Bonds to be purchased but which are not delivered to the Tender Agent on the Purchase in Lieu of Acceleration Date shall be deemed to have been purchased. Bonds purchased in lieu of acceleration shall be deemed to be purchased by the Company and the Company shall be the Holder of such Bonds for all purposes under the Indenture, and interest accruing on such Bonds on and after the Purchase in Lieu of Acceleration Date shall be payable solely to the Company.

The purchase of the Bonds as described in the preceding paragraph shall not constitute a prepayment of the loan of Bond proceeds made to the Company pursuant to the Loan Agreement or a merger or extinguishment of the indebtedness of the Company thereunder or the Bonds so purchased and such Bonds shall for all purposes continue to be regarded as Outstanding under the Indenture.

Defeasance

If the entire indebtedness on all Bonds Outstanding shall be paid and discharged in any one or more of the following ways:

(a) by the payment of the principal of and interest on all of the Bonds Outstanding, as and when the same become due and payable; or

(b) by the delivery to the Trustee, for cancellation by it, of all of the Bonds Outstanding;

and if all other sums payable under the Indenture by and to the Issuer shall be paid and discharged, then thereupon the Indenture shall cease, terminate and become null and void.

Any Bond or Authorized Denomination thereof shall be deemed to be paid within the meaning of the Indenture when (a) payment of the principal of such Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) moneys sufficient to make such payment and/or (2) nonprepayable, noncallable Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper and reasonable fees, compensation and expenses of the Trustee and the Issuer pertaining to any such deposit shall have been paid or the payment thereof provided for to the satisfaction of the Trustee and the Issuer; provided that no Bond shall be deemed to be paid within the meaning of the Indenture unless arrangements satisfactory to the Trustee shall have been made to assure that Bonds tendered for purchase in accordance with the Indenture can be paid and redeemed from such moneys and/or Government Obligations. At such time as a Bond or Authorized Denomination thereof shall be deemed to be paid under the Indenture such Bond or Authorized Denomination shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Modifications and Amendments

The Issuer and the Trustee, without the consent of any Holders but with the consent of each Credit Provider, if any, and the Company, and subject to the conditions and restrictions in the Indenture, may modify or amend the Indenture, and the Trustee, without the consent of any Holders but with the consent of each Credit Provider, if any, and the Company, may consent to the amendment or modification of the Loan Agreement, in each case for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer contained in the Indenture, or of the Company contained in the Loan Agreement, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer in the Indenture or the Company in the Loan Agreement; provided, that no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the Holders of the Bonds (which determination may be based upon an Opinion of Bond Counsel);

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission or of curing, correcting or supplementing any defective provision contained in the Indenture or in the Loan Agreement, or in regard to matters or questions arising under the Indenture, the Loan Agreement, as the Issuer may deem necessary or desirable and not inconsistent with the Indenture and which shall not materially adversely affect the interests of the Holders of the Bonds (which determination may be based upon an Opinion of Bond Counsel);

(c) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to permit to qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect after the date of the Indenture, and, if they so determine, to add to the Indenture or any supplemental indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute, and which shall not adversely affect the interests of the Holders of the Bonds (which determination may be based upon an Opinion of Bond Counsel);

(d) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(e) to provide for, modify or eliminate a book-entry registration system for the Bonds;

(f) to provide for the procedures required to permit any Holder to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code (as defined in the Indenture);

(g) to provide for the appointment of a co-trustee or the succession of a new Trustee, Registrar or Paying Agent;

(h) to change the description of the Project in the Loan Agreement in accordance with the provisions of the Loan Agreement;

(i) to provide for or to substitute one or more Credit Facilities or to provide for or to substitute one or more Liquidity Facilities (as defined below);

(j) in connection with any other change which, in the judgment of the Trustee, may be based upon an Opinion of Bond Counsel, will not adversely affect the security for the Bonds or the exclusion from gross income of interest thereon for federal income tax purposes or otherwise materially adversely affect the Holders of the Bonds (which determination may be based upon an Opinion of Bond Counsel); or

(k) to modify, alter, amend or supplement the Indenture or the Loan Agreement in any other respect, if the effective date of such modification, alteration, amendment or supplement is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the Indenture or if Notice by Mail of the proposed supplemental indenture or amendment is given to Holders of the affected Bonds at least 30 days before the effective date thereof and, on or before such effective date, such Holders have the right to demand purchase of their Bonds pursuant to the Indenture.

The Indenture also provides that with the consent of each Credit Provider, if any, the Company and the Holders of not less than 66ffi% in aggregate principal amount of the Bonds at the time Outstanding, (i) the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or (ii)

the Trustee may consent to any amendment or modification of the Loan Agreement; provided, however, that, except as provided in the preceding paragraph, no such amendment or modification will have the effect of extending the time for payment or reducing any amount due and payable by the Company pursuant to the Loan Agreement without the consent of all the Holders of the Bonds; and that no such supplemental indenture shall (1) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or change the terms of the tender and purchase thereof without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Holders of Bond whose consent is required for the execution of such supplemental indenture, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Indenture, except as permitted in the Indenture, or permit the creation of any preference of any Holder over any other Holder or deprive the Holders of the Bonds of the lien created by the Indenture upon the Revenues or the pledge of any Credit Facility, without the consent of the Holders of all the Bonds then Outstanding. Nothing in this paragraph shall be construed as making necessary the approval of any Holder of any supplemental indenture permitted by the provisions of the preceding paragraph.

UNDERWRITERS

Pursuant to and subject to the conditions set forth in a bond purchase contract (the "*Purchase Contract*"), Citigroup Global Markets Inc., Goldman, Sachs & Co. and Samuel A. Ramirez & Company, Inc. (collectively, the "*Underwriters*") have agreed to purchase the Bonds from the Company at a purchase price of 100% of the principal amount of the Bonds and have committed to purchase all of the Bonds, if any are purchased.

The Company has agreed in such Purchase Contract to (i) pay fees to the Underwriters totaling $237,500 in consideration of their services and to reimburse them for their reasonable expenses in connection therewith and (ii) indemnify the Underwriters against certain liabilities, including liabilities under the federal securities laws, or to contribute to payments the Underwriters may be required to make in respect thereof. The Underwriters may offer and sell the Bonds to certain dealers and others including dealers depositing the Bonds into investment trusts at prices lower than the initial offering price stated on the cover page hereof. After the initial public offering, the public offering prices and concessions to dealers may be changed from time to time by the Underwriters.

In the ordinary course of business, the Underwriters or their affiliates have provided commercial and investment banking services to the Company, its subsidiaries or affiliates in the past for which they have received customary compensation and expense reimbursement, and may do so again in the future.

TAX MATTERS

Concurrently with the original issuance and delivery of the Prior Bonds, Sidley Austin LLP, Bond Counsel, delivered its opinion to the effect that as of the date of issuance of the Prior Bonds, under then-existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the documents pertaining to the Prior Bonds and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Internal Revenue Code of 1954, as amended (the "1954 Code"), and Title XIII of the Tax Reform Act of 1986 (the "1986 Act"), interest on the Prior Bonds would not be includable in the gross income of the owners of the Bonds for federal income tax purposes, except for interest on any Prior Bond during any period in which such Prior Bond is held by a "substantial user" of the Projects or a "related person" (as such terms are defined in the Code and the 1954 Code).

In the opinion of Bond Counsel, each series of Bonds is treated as the same debt instruments as the corresponding series of the Prior Bonds for which such series of Bonds is being exchanged for

purposes of Sections 103 and 141-150 of the Code, Section 103 of the 1954 Code and Title XIII of the 1986 Act. Accordingly, interest on the Bonds is excluded from gross income for federal incomes tax purposes to the same extent as interest on the Prior Bonds would be excluded if the exchange of the Bonds for the Prior Bonds had not occurred. In the further opinion of Bond Counsel, the exchange of the Bonds for the Prior Bonds will not, in and of itself, adversely affect the exclusion of interest on the Bonds and the Prior Bonds from gross income for federal income tax purposes.

In the further opinion of Bond Counsel, under the statutes, regulations, rulings and judicial decisions in effect on the date of issuance of the Prior Bonds, and assuming compliance since the date of issuance of the Prior Bonds with certain covenants in the documents pertaining to the Prior Bonds and the Bonds and requirements of the Code, of the 1954 Code and of the 1986 Act regarding the use, expenditure and investment of proceeds of the Bonds, the operation of the Projects and the timely payment of certain investment earnings to the United States, interest on the Bonds and the Prior Bonds is not includable in the gross income of the owners of the Bonds and the Prior Bonds for federal income tax purposes, except for interest on any Bond or Prior Bond during any period in which such Bond or Prior Bond is held by a "substantial user" of the Projects or a "related person" (as such terms are defined in the Code and the 1954 Code). Failure to comply with the covenants and requirements described above may cause interest on the Bonds and the Prior Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Prior Bonds.

Bond Counsel is further of the opinion that, under the statutes, regulations, rulings and judicial decisions in effect on the date of issuance of the Prior Bonds, interest on the Bonds and the Prior Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds and the Prior Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

On May 10, 2004, the IRS and the Department of the Treasury published proposed regulations (the "Proposed Regulations") defining "solid waste" for purposes of the rules applicable to tax-exempt bonds issued to finance solid waste disposal facilities under Section 142(a)(6) of the Code. The Proposed Regulations provide that the term "solid waste" does not include radioactive material, so that facilities that process or store radioactive solid waste would not qualify for financing with tax-exempt bonds under the Code. Since, in reaching its opinion with respect to the original issuance and delivery of the Prior Bonds, Bond Counsel concluded that all Bonds that refinanced radioactive solid waste disposal facilities are described in Section 1313(a) of the 1986 Act and thus are covered by a transition rule exception to the exempt facility bond provisions of the Code, the Bonds would not be subject to the Proposed Regulations. Additionally, the Proposed Regulations are prospective and would be effective only with respect to bonds sold at least 60 days after the date of publication of final regulations in the Federal Register.

In addition, the IRS has issued Technical Advice Memorandum 200452034 (the "TAM"), which concludes that radioactive waste is not "solid waste" under Section 142(a)(6) of the Code. In reaching that conclusion, the IRS stated in the TAM that the bonds addressed by the TAM were subject to the Code, "not the 1954 Code, so that the state of the law prior to the Tax Reform Act of 1986 has no direct bearing on the issue that is the subject of this memorandum." Although a portion of the Project refinanced by the Bonds processes or stores radioactive solid waste, Bond Counsel, in reaching its opinion, concluded that the Bonds that refinanced those radioactive solid waste disposal facilities are subject to the exempt facility bond provisions of the 1954 Code, not those of the Code, and therefore the analysis and conclusion of the TAM would not apply to the Bonds.

Collateral Tax Consequences

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Post-Issuance Actions

The interest rate determination method and certain other agreements, requirements and procedures contained or referred to in the Indentures and other documents pertaining to the Bonds and the Prior Bonds may be changed, and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or the Prior Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than Sidley Austin LLP with respect to the exclusion from gross income of the interest on the Bonds and the Prior Bonds for federal income tax purposes.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, under the law in existence on the date of issuance of the Prior Bonds, interest on the Bonds and the Prior Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds and the Prior Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current

benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel Engagement

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Company or the owners of the Bonds regarding the tax-exempt status of the Bonds in the event of an audit by the IRS. Under current procedures, owners of the Bonds and parties other than the Issuer, the Company and their appointed counsel would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt bonds is difficult, it may not be practicable to obtain an independent review of IRS positions with which the Issuer or the Company legitimately disagrees. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the tax-exempt status, market price or marketability of the Bonds, and may result in adverse financial consequences for the Issuer, the Company or the owners of the Bonds.

CONTINUING DISCLOSURE

The Company is subject to the information requirements of the Exchange Act, as described in Appendix A. The Company also will deliver certain continuing disclosure information satisfying the requirements of Rule 15c2-12 (the "*Rule*") adopted by the SEC under the Exchange Act.

The Company will enter into a Continuing Disclosure Agreement for each series of Bonds with the Trustee (each, a "*Continuing Disclosure Agreement*") for the benefit of the beneficial owners of the Bonds of the related series to send certain financial information annually and to provide notice of the following events with respect to the Bonds of the related series to certain information repositories pursuant to the requirements of Section (b)(5) of the Rule:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds of the related series;
(7) Modifications to the rights of Holders of Bonds of the related series;
(8) Bond calls;
(9) Defeasances;
(10) Release, substitution or sale of property securing repayment of the Bonds of the related series; and
(11) Rating changes.

A failure by the Company to comply with the Continuing Disclosure Agreement relating to a series of Bonds will not constitute an Event of Default under the related Indenture or a Loan Default Event under the related Loan Agreement, and Holders of the Bonds of such series are limited to the remedies described in the applicable Continuing Disclosure Agreement. A failure by the Company to

comply with a Continuing Disclosure Agreement related to a series of Bonds must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds of such series in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds of such series and their market price.

The Company is in compliance in all material respects with all continuing disclosure undertakings to which it is subject under the Rule.

The Issuer shall have no liability to Holders or any other person, with respect to continuing disclosure pursuant to the Rule.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Sidley Austin LLP, as Bond Counsel, who have been retained by, and act as Bond Counsel to, the Issuer. Bond Counsel have not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Offering Circular or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Offering Circular. Certain legal matters will be passed upon for the Company by Orrick, Herrington & Sutcliffe LLP, counsel to the Company, for the Issuer by counsel to the Issuer, and for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP. The approving opinion of Bond Counsel will be delivered with the Bonds in substantially the form set forth in Appendix B of this Offering Circular.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. The rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

ABSENCE OF MATERIAL LITIGATION

The Issuer

There is no litigation now pending, with service of process having been accomplished, against the Issuer or to the knowledge of its officers threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or seeking to affect the validity of the Bonds, any proceedings of the Issuer taken concerning the issuance or sale thereof, the pledge and application of any moneys or security provided for payment of the Bonds, the use of proceeds of the Bonds or the existence or powers of the Issuer relating to the issuance, sale and delivery of the Bonds.

The Company

As discussed in documents incorporated by reference herein, the Company is involved in various legal proceedings.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Indentures and the Loan Agreements and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and statements herein are qualified in their entirety by reference to said documents for full and complete statements of the provisions.

APPROVED:

PACIFIC GAS AND ELECTRIC COMPANY

By: /s/ Nicholas M. Bijur
Nicholas M. Bijur
Assistant Treasurer

APPENDIX A

PACIFIC GAS AND ELECTRIC COMPANY

Pacific Gas and Electric Company ("PG&E") is a leading vertically integrated electricity and natural gas utility. PG&E was incorporated in California in 1905 and is a subsidiary of PG&E Corporation. PG&E operates in northern and central California and is engaged in the businesses of electricity and natural gas distribution, electricity generation, procurement and transmission, and natural gas procurement, transportation and storage. At June 30, 2008, PG&E served approximately 5.1 million electricity distribution customers and approximately 4.3 million natural gas distribution customers.

Where You Can Find More Information

PG&E and PG&E Corporation each file annual, quarterly and current reports, information statements and other information with the Securities and Exchange Commission ("SEC"). These SEC filings are available to the public over the Internet at the SEC's website at http://www.sec.gov. You may also read and copy any of these SEC filings at the SEC's public reference room at 100F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room.

Incorporation of Certain Documents by Reference

The following documents filed by PG&E with the SEC are incorporated by reference in this Offering Circular:

- PG&E's annual report on Form 10-K for the year ended December 31, 2007;
- PG&E's quarterly reports on Form 10-Q for the quarters ended March 31, 2008 and June 30, 2008; and
- PG&E's current reports on Form 8-K filed with the SEC on January 7, 2008, January 17, 2008, March 3, 2008, March 7, 2008, March 18, 2008, April 22, 2008, April 30, 2008, May 15, 2008, May 19, 2008, May 29, 2008, July 8, 2008, July 22, 2008 and September 5, 2008. PG&E does not incorporate by reference any information furnished pursuant to Items 2.02 and 7.01 (or any successor items to such items) of Form 8-K or any other item that permits PG&E to furnish, rather than file, information.

All documents filed by PG&E pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Offering Circular and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference herein, excluding any information furnished to the SEC in any such documents, including but not limited to information furnished pursuant to Items 2.02 and 7.01 (or any successor items to such items) of Form 8-K or any other item that permits PG&E to furnish, rather than file, information.

The incorporation by reference of the filings listed above does not extend to any such filings made by PG&E Corporation and not PG&E, or to information in filings jointly made by PG&E Corporation and PG&E that relates to PG&E Corporation or affiliates of PG&E Corporation other than PG&E, including specifically, without limitation, the consolidated financial statements or other consolidated financial information of PG&E Corporation.

All information incorporated by reference is deemed to be part of this Offering Circular except to the extent that the information is updated or superseded by information filed with the SEC after the date the incorporated information was filed (including later-dated reports listed above) or by the information contained in this Offering Circular or any supplement hereto. Any information that we subsequently file with the SEC that is incorporated by reference, as described above, will automatically update and supersede as of the date of such filing any previous information that had been part of this Offering Circular or that had been incorporated herein by reference.

PG&E will provide without charge to each person to whom a copy of this Offering Circular has been delivered, on the written or oral request of any such person, a copy of any or all the documents referred to above which have been or may be incorporated in this Offering Circular by reference, other than exhibits to such documents which are not specifically incorporated by reference in the information that this Offering Circular incorporates. Requests should be directed to:

The Office of the Corporate Secretary
PG&E Corporation
One Market, Spear Tower
Suite 2400
San Francisco, California 94105-1126
Telephone: 415-267-7070
Facsimile: 415-267-7268

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

September 22, 2008

We have served as bond counsel to the California Infrastructure and Economic Development Bank (the "Issuer") in connection with its issuance of $95,000,000 aggregate principal amount of California Infrastructure and Economic Development Bank Refunding Revenue Bonds (Pacific Gas and Electric Company), Series 2008F and Series 2008G (the "2008 Bonds"), pursuant to the provisions of the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing with Section 63000, et seq.), as now in effect and as it may be amended or supplemented. Each Series of 2008 Bonds is issued under a separate indenture of trust, dated as of September 1, 2008 (each, a "2008 Indenture" and collectively, the "2008 Indentures"), by and between the Issuer and Deutsche Bank National Trust Company, as trustee (the "Trustee"). In connection with the issuance of each Series of 2008 Bonds, the Issuer and Pacific Gas and Electric Company (the "Borrower") are entering into separate loan agreements, all dated as of September 1, 2008 (each, a "2008 Loan Agreement" and collectively, the "2008 Loan Agreements"), each giving rise to a debt obligation of the Borrower to the Issuer. The Borrower currently is the Beneficial Owner of all the 2008 Bonds. Each Series of 2008 Bonds is being issued directly to the Borrower in exchange for an identical amount of the respective California Infrastructure and Economic Development Bank Refunding Revenue Bonds (Pacific Gas and Electric Company), Series 2005F and Series 2005G (the "2005 Bonds" and, together with the 2008 Bonds, the "Bonds"), and the Borrower is executing and delivering a 2008 Loan Agreement in exchange for the Issuer's agreement to cancel the corresponding Series of 2005 Bonds and the debt obligation of the Borrower associated therewith, all pursuant to a Bond and Loan Exchange Agreement, dated September 22, 2008 (the "Exchange Agreement"), among the Issuer, the Treasurer of the State of California and the Borrower (said exchange of 2008 Bonds for 2005 Bonds hereinafter referred to as the "Exchange").

On May 24, 2005, we rendered an opinion (the "2005 Tax Opinion") that, assuming compliance by the Issuer, the Borrower and any other owner of facilities refinanced by the 2005 Bonds (the "Projects") with certain covenants and agreements in the Indentures, each dated as of May 1, 2005 (each a "2005 Indenture" and collectively, the "2005 Indentures"), by and between the Issuer and the Trustee, the Loan Agreements, each dated as of May 1, 2005 (each, a "2005 Loan Agreement" and collectively, the "2005 Loan Agreements"), by and between the Issuer and the Borrower, the Tax Certificate and Agreement, dated May 24, 2005 (the "2005 Tax Certificate"), between the Issuer and the Borrower, two Purchase and Sale Agreements dated as of December 4, 1998, and January 29, 1999, by and between the Borrower and Calpine Geysers Company, L.P. (collectively, the "Calpine Agreements"), and other documents pertaining to the 2005 Bonds (collectively, the "2005 Documents") and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), of the Internal Revenue Code of 1954, as amended (the "1954 Code"), and of Title XIII of the Tax Reform Act of 1986, as amended (the "1986 Act"), regarding the use, expenditure and investment of proceeds of the 2005 Bonds, the operation of the Projects, and the timely payment of certain investment earnings to the United States, interest on the 2005 Bonds would not be includable in the gross income of the owners of the 2005 Bonds for federal income tax purposes, except for interest on any 2005 Bond during any period in which such 2005 Bond is held by a "substantial user" of the Projects or a "related person" (as such terms are defined in the Code and the 1954 Code). The 2005 Tax Opinion further stated that the 2005 Bonds that refinanced radioactive solid waste disposal facilities are described in Section 1313(a) of the 1986 Act.

The opinions set forth herein relate only to the issuance of the 2005 Bonds, the issuance of the 2008 Bonds and the Exchange and do not extend to events that may have occurred since the issuance of the 2005 Bonds and that may affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the 2008 Indentures.

We have reviewed the 2005 Indentures and the 2008 Indentures (collectively, the "Indentures"); the Exchange Agreement; the 2005 Loan Agreements and the 2008 Loan Agreements (collectively, the "Loan Agreements"); the Calpine Agreements (together with the 2008 Indentures, the Exchange Agreement and the 2008 Loan Agreements, the "2008 Documents"); the 2005 Tax Certificate; the Supplemental Tax Certificate of the Borrower, dated the date hereof; opinions of counsel to the Issuer, the Borrower and the Trustee; certificates of the Issuer, the Trustee, the Borrower, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and officials of the Borrower furnished to us without undertaking to verify the same by independent investigation.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal authorization, execution and delivery thereof by, and validity against, any parties other than the Issuer. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above. We have relied upon the opinion of counsel to the Issuer for matters relating to the organization and existence of the Issuer and the actions of its governing body in respect of the Bonds, the Indentures and the Loan Agreements. Further, we have assumed compliance, since the date of issuance of the 2005 Bonds, with certain covenants in the 2005 Documents, and are assuming compliance, on and after the date hereof, with certain covenants in the 2008 Documents. Except as expressly set forth below, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Based on and subject to the foregoing, and in reliance thereon, we are of the opinion that, under existing law (except where expressly indicated that the law in existence on the date of issuance of the 2005 Bonds applies):

1. The 2008 Bonds have been duly authorized, executed and issued.

2. Each 2008 Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. Each 2008 Indenture creates a valid pledge, to secure the punctual payment of the principal of, premium, if any, and interest on the Series of 2008 Bonds to which it relates, of all of the Revenues, to the extent the Issuer has any interest therein, subject to the provisions of such 2008 Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in such 2008 Indenture. Each 2008 Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Series of 2008 Bonds to which it relates, of the rights and privileges of the Issuer under the corresponding 2008 Loan Agreement with respect to such Series of 2008 Bonds (to the extent more particularly described in each 2008 Indenture).

3. Each 2008 Loan Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The 2008 Bonds are the valid and binding limited obligations of the Issuer and are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the State of California (the "State") or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the 2008 Bonds. The 2008 Bonds are not a debt of the State, and the State is not liable for the payment thereof.

5. The 2008 Bonds are treated as the same debt instruments as the 2005 Bonds for purposes of Sections 103 and 141-150 of the Code, Section 103 of the 1954 Code and Title XIII of the 1986 Act. Accordingly, interest on the 2008 Bonds is excludable from gross income for federal income tax purposes to the same extent as interest on the 2005 Bonds would be so excludable had the Exchange not occurred. The Exchange and the execution and delivery of the 2008 Documents will not, in and of themselves, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

6. Under the statutes, regulations, rulings and judicial decisions in effect on the date of issuance of the 2005 Bonds, and assuming compliance by the Issuer, the Borrower and any other owner of the Projects since the date of issuance of the 2005 Bonds with certain covenants in the 2005 Documents and the 2008 Documents and requirements of the Code, of the 1954 Code and of the 1986 Act regarding the use, expenditure and investment of proceeds of the Bonds, the operation of the Projects and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes, except for interest on any Bond during any period in which such Bond is held by a "substantial user" of the Projects or a "related person" (as such terms are defined in the Code and the 1954 Code). Failure to comply with the covenants and requirements described above may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2005 Bonds. We express no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

7. Under the statutes, regulations, rulings and judicial decisions in effect on the date of issuance of the 2005 Bonds, interest on the Bonds is not treated as an item of tax preference for purposes of calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is an adjustment to the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. We express no opinion regarding other federal income tax consequences caused by the ownership of, or the receipt of interest on, the Bonds.

8. Under the statutes, regulations, rulings and judicial decisions in effect on the date of issuance of the 2005 Bonds, interest on the Bonds is exempt from personal income taxes imposed by the State.

We call attention to the fact that enforceability of the rights and obligations under the 2005 Bonds, the 2008 Bonds, the 2005 Documents and the 2008 Documents may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to

the liens of the Indentures or the Loan Agreements or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Circular or other offering material relating to the 2008 Bonds and express no opinion with respect thereto.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and/or, where expressly stated, laws, regulations, rulings and court decisions as of the date of issuance of the 2005 Bonds. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

Respectfully submitted,

Sidley Austin LLP

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