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FIRST AMENDMENT
TO THE
POWER PURCHASE AGREEMENT
FOR THE
LONG-TERM ENERGY AND CAPACITY
POWER PURCHASE AGREEMENT
BETWEEN
BURNEY FOREST PRODUCTS
AND
PACIFIC GAS AND ELECTRIC COMPANY

WHEREAS, California-Bio Resources II, a California Corporation, on October 11, 1984, and Pacific Gas and Electric Company ("PG&E"), on April 9, 1985, executed an Interim Standard Offer No. 4 Long-Term Energy and Capacity Power Purchase Agreement (the "Agreement") for a proposed biomass facility to be located near Burney in Shasta County, California (the "Facility"), which Agreement was assigned to Burney Forest Products, a California Joint Venture ("Seller"), and acknowledged by the Consent to Assignment and Agreement executed by PG&E on May 27, 1988; and

WHEREAS, PG&E and Seller commenced negotiations in February, 1988 in the interest of reaching settlement of a dispute over the interpretation of the date by which initial energy deliveries must commence under Article 12 of the Agreement ("Initial Energy Delivery Date"); and

1 WHEREAS, Seller and PG&E negotiated a settlement of the
2 disputed matter by executing a Letter Agreement dated April
3 27, 1988 ("Letter Agreement"), in which the parties set forth
4 the essential terms of their negotiated settlement and in
5 which PG&E agreed to draft an amendment to the Agreement to
6 memorialize the terms of the Letter Agreement; and
7

8 WHEREAS, it is the purpose of this First Amendment to
9 memorialize the terms of the Letter Agreement and other
10 mutually agreed-upon clarifications to the Agreement; and
11

12 WHEREAS, Seller and PG&E agree that they wish to resolve
13 this dispute without formal court action or "regulatory
14 recognition" from either the California Public Utilities
15 Commission or the Commission's Division of Ratepayer
16 Advocates; and
17

18 WHEREAS, PG&E is willing to agree to April 9, 1990 as the
19 Facility's Initial Energy Delivery Date, which is Seller's
20 interpretation of the Initial Energy Delivery Date, in
21 exchange for commensurate ratepayer benefits in settlement of
22 the dispute between PG&E and Seller; and
23

24 WHEREAS, both parties have agreed to the terms of the
25 Letter Agreement without prejudice to either party later
26 asserting its position as to the relationship between the
27 force majeure clause and the Initial Energy Delivery Date;
28 and

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WHEREAS, Seller has notified PG&E of its desire to exercise its right under Article 4, Energy Payment Option 2, of the Agreement to elect "Energy Payment Option 1- Forecasted Energy Prices" rather than "Energy Payment Option 2 - Levelized Energy Prices;" and

WHEREAS, having elected "Energy Payment Option 1- Forecasted Energy Prices," Seller agrees to give up its right under Article 4 of the Agreement to be able to switch back to "Energy Payment Option 2 - Levelized Energy Prices;" and

WHEREAS, Seller and PG&E agree that the prices for energy deliveries shall be reduced by \$.002/kW-hr for the 10 year fixed price period; and

WHEREAS, Seller and PG&E agree that the capacity price shall be the 1989 price under Revised Table E-2 regardless of when Seller establishes firm capacity; and

WHEREAS, for the first year only, Seller and PG&E agree that if energy deliveries begin after October 11, 1989, PG&E shall pay, and Seller shall receive, the 1989 forecasted energy price for a maximum of the first 82 days of the fixed price period from the date of Seller's initial energy deliveries, even if part or all of that 82-day period is in 1990; and

1 WHEREAS, all other terms and conditions of the Agreement,
2 will not be changed;

3
4 NOW THEREFORE, Seller and PG&E hereby agree to amend the
5 Agreement as follows ("the First Amendment"):

6
7 1. DEFINITIONS

8
9 Underlined terms shall have the same meaning stated in
10 Appendix A, Section A-1 DEFINITIONS, pages A-2 through A-7,
11 of the Agreement.

12
13 2. ARTICLE 3 PURCHASE OF POWER

14
15 2.1 Amend Article 3(a), page 5, lines 6-8, to read:

16
17 "(a) Seller shall sell and deliver and PG&E shall
18 purchase and accept delivery of capacity and energy at
19 the voltage level of 230 kV."

20
21 2.2 Amend Article 3(b), page 5, lines 10-12 to read:

22
23 "(b) Seller shall provide capacity and energy from
24 its 34.23 MVA Facility located near Burney in Shasta
25 County, California at T35N, R2E, Sections 23 and 24."

26
27 2.3 Amend Article 3(d), page 5, lines 19-22 to read:
28

1 "(d) Seller shall limit the Facility's actual rate
2 of delivery into the PG&E system to 31,000 kW which is
3 Seller's allocation under the Interim Solution, as the
4 Interim Solution is defined in CPUC Decision Nos. 84-08-
5 037, 84-11-123, and 85-09-058. PG&E will not accept or
6 pay for any capacity or energy deliveries above
7 31,000 kW."
8

9 3. ARTICLE 4 ENERGY PRICES
10

11 3.1 Amend Article 4, Energy Payment Option 1 -
12 Forecasted Energy Prices, page 7, by deleting lines 6-12, and
13 substituting the following:
14

15 " X Energy Payment Option 1 - Forecasted Energy Prices
16

17 During the fixed price period, Seller shall be paid
18 for energy delivered at prices equal to 80 percent of the
19 prices set forth in Revised Table B-1, Appendix B, plus
20 20 percent of PG&E's full short-run avoided operating
21 costs."
22

23 3.2 Amend Article 4, Energy Payment Option 1 -
24 Forecasted Energy Prices, by deleting lines 1-10 of page 8.
25

26 3.3 Amend Article 4, Energy Payment Option 1 -
27 Forecasted Energy Prices, page 7, by adding the following at
28 line 19:

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"In the first year only, if energy deliveries commence after October 11, 1989, PG&E shall pay, and Seller shall receive, the 1989 forecasted energy price for a maximum of the first 82 days of the fixed price period, even if all or part of that period is in 1990. Seller shall receive the 1990 forecasted energy price under Revised Table B-1 thereafter for the remainder of 1990. On January 1, 1991, Seller shall receive the forecasted energy prices under Revised Table B-1 for the appropriate calendar year to the end of the fixed price period."

3.4 Amend Article 4, Energy Payment Option 2 - Levelized Energy Prices, by deleting lines 12-22 of page 8 and lines 1-13 of page 9.

4. ARTICLE 9 NOTICES

Amend Article 9, page 13, line 9 of the Agreement by replacing:

"Attention: Vice President - Electric Operations"

with

"Attention: Vice President - Power Generation"

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5. ARTICLE 12 TERM OF AGREEMENT

Amend Article 12, page 14 of the Agreement by replacing lines 7-11 with the following:

"This Agreement shall be binding upon execution and remain in effect thereafter for 30 years from the firm capacity availability date; provided, however, that it shall terminate if energy deliveries do not start within five years of the execution date. For purposes of this Agreement only, the execution date of the Agreement is April 9, 1985.

6. APPENDIX B ENERGY PAYMENT OPTIONS

6.1 Delete page B-2, Table B-1 (Forecasted Energy Price Schedule) in Appendix B of this Agreement and substitute the Revised Table B-1, which is attached hereto as Attachment 1 and incorporated herein by this reference.

6.2 Delete page B-19, Table B-4 (Time Periods) in Appendix B of this Agreement and substitute the revised Table B-4, which is attached hereto as Attachment 2 and incorporated herein by this reference.

1 7. APPENDIX E FIRM CAPACITY

2

3 Delete page E-10, Table E-2 (Firm Capacity Price
4 Schedule) in Appendix E of the Agreement and substitute the
5 Revised Table E-2, which is attached hereto as Attachment 3
6 and incorporated herein by this reference.

7

8 8. EFFECT ON AGREEMENT

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10 Except as expressly modified by the First Amendment, the
11 provisions of the Agreement shall remain unchanged.

12

13 9. ENTIRE AGREEMENT; MODIFICATION

14

15 The First Amendment constitutes the entire agreement of
16 the Parties with respect to the subject-matter thereof and
17 supersedes any and all prior negotiations, correspondence,
18 understandings and agreements between the Parties respecting
19 the subject-matter thereof. The First Amendment may be
20 further amended or modified only by a written instrument
21 signed by the Parties hereto.

22

23 10. CONFIDENTIALITY

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25 Seller, PG&E and their respective counsel agree to keep
26 this Agreement confidential except for purposes of financing,
27 CPUC regulatory review or where either Party is required by
28 law to disclose it.

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11. REASONABLENESS

Should any Party challenge the reasonableness of this Amendment in a future PG&E ECAC proceeding, Seller shall support, at its own expense, PG&E's efforts to demonstrate the reasonableness of the Amendment for purposes of recovery in rates charged by PG&E.

IN WITNESS WHEREOF, Seller and PG&E hereto have caused this First Amendment to be executed by their duly authorized representatives and it is effective as of the last date set forth below.

BURNEY FOREST PRODUCTS,
A CALIFORNIA JOINT VENTURE BY:

CALIFORNIA-BIO RESOURCES II, INC.

By: *V. L. Baily*

Title: *President*

Date Signed: *7-8-88*

PACIFIC GAS AND ELECTRIC COMPANY

By: *Robert J. Haywood*
ROBERT J. HAYWOOD

Title: Vice President -
Power Planning
and Contracts

Date Signed: August 5, 1988
MSH

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DCTC-BURNEY, INC.

By: Nudson P. Johnson

Title: Vice President

Date Signed: July 8, 1988

WESTERN-BURNEY, INC.

By: John Cough

Title: PRESIDENT

Date Signed: July 8, 1988