

DCTC-BURNEY, INC.
800 KING STREET
WILMINGTON, DELAWARE 19801

September 24, 1998

Mr. Bernard M. Speckman
Manager, Utility Electric Supply
Pacific Gas & Electric Company
77 Beale Street, Mail Code B13
P.O. Box 770000
San Francisco, CA 94177

Re: BFP Bridging Agreement

Dear Mr. Speckman:

Burney Forest Products is pleased with the progress that is being made in finalizing the Fixed Price Period Buydown Agreement for the project. As you know, concurrent with those efforts, we are currently operating in a curtailed mode pursuant to the Bridging Agreement that went into effect on April 1, 1998. BFP looks forward to the time when the Buydown Agreement can be put into full force and effect though we also understand that it may still be a month or more before that can happen. Because it is taking longer than anticipated to obtain all of the necessary reviews and approvals, [REDACTED] and [REDACTED]; [REDACTED] have discussed the need to make certain modifications to the Bridging Agreement. Specifically, there is a need to extend the term of the agreement to allow adequate time for reviews and approvals currently being sought. In that regard, [REDACTED] and [REDACTED] have agreed that the following changes to the Bridging Agreement are appropriate.

- A. In the agreement's title, replace, "September" with "November".
- B. Amend paragraph 2.4 by adding payments beyond the November 13, 1998 payment as follows:

"December 15, 1998	\$1,900,000	for	November 1998
January 15, 1999	\$1,900,000	for	December 1998"

C. Amend Section 2.5 to read:

“2.5 This Bridging Agreement shall terminate upon the earlier of: (a) thirty-one (31) days after 2400 hours on November 30, 1998, provided that PG&E shall remain obligated to remit to Seller any amounts due and payable to Seller on January 15, 1999 pursuant to the schedule set forth in paragraph 2.4., or (b) the effective date of the Fixed Price Period Buydown Agreement.

2.5.1. In the event this Bridging Agreement terminates pursuant to paragraph 2.5 (a), then:

2.5.1.1. Seller shall begin no later than December 1, 1998 preparations necessary to resume power deliveries to PG&E pursuant to the PPA.

2.5.1.2. Seller shall return the Facility to full operation and resume power deliveries to PG&E pursuant to the PPA beginning on 0001 hours, January 1, 1999.

2.5.1.3. PG&E shall pay for power deliveries from Seller's Facility beginning on 0001 hours January 1, 1999, and thereafter, pursuant to the PPA.

2.5.1.4. PG&E shall pay Seller the \$1,900,000 described in paragraph 2.4 on January 15, 1999.

2.5.2. In the event this Bridging Agreement terminates pursuant to paragraph 2.5 (b), then this Bridging Agreement shall terminate on the date and in accordance with the terms the Parties specify in the Fixed Price Period Buydown Agreement.

2.5.3 delete in its entirety


2.5.4. In the event this Bridging Agreement terminates pursuant to paragraphs 2.5 (a) and Seller returns the facility to full operation by the date described in paragraph 2.5.1.2, the Bridging Period shall not constitute a forced outage or scheduled maintenance pursuant to the terms of the PPA. For administrative and future payment calculations,

Seller will be deemed to have achieved an operating capacity factor of 100% for the months of the Bridging Period.


2.5.4.1. In the event Seller fails to return the Facility to full operation as described in paragraph 2.5.4, then each hour, beginning at 0001 hours on the first day the Facility is required to be operational, and continuing thereafter until the Facility is fully operational shall be deemed an hour of forced outage pursuant to the PPA."

Please indicate your agreement to these changes as paragraph 5.5 of the Bridging Agreement requires, by counter-signing this letter and returning an original copy to me. BFP looks forward to continuing working with PG&E to take advantage of mutually beneficial changes to our business relationship.

BURNEY FOREST PRODUCTS, a Joint Venture
By -- DCTC -- Burney, Inc. a general partner

By 
Name: Thomas S. Shaw
Title: President

The above changes to the Bridging Agreement between BURNEY FOREST PRODUCTS, A JOINT VENTURE and PACIFIC GAS AND ELECTRIC COMPANY are hereby agreed to and accepted this 25th day of September, 1998.

By: 
B. M. Speckman, Manager, Utility Electric Supply

APPROVED AS TO FORM



BRIDGING AGREEMENT
APRIL 1 THROUGH SEPTEMBER 30, 1998
BURNEY FOREST PRODUCTS (PG&E LOG NO. 13C038)

THIS AGREEMENT is by and between BURNEY FOREST PRODUCTS, A JOINT VENTURE ("Seller"), a California general partnership, and PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation. PG&E and Seller are sometimes referred to herein individually as "Party" and collectively as the "Parties".

RECITALS

- A. Seller and PG&E are Parties to a Standard Offer No. 4 Long-Term Energy and Capacity Power Purchase Agreement (the "PPA"), that PG&E signed on April 9 1985, and Seller's predecessor, California-Bio Resources II, signed on October 11, 1984, for the 34.23 MVA woodwaste facility (PG&E Log No. 13C038) located at Burney, California (the "Facility").
- B. The Parties are presently negotiating an agreement whereby Seller would agree, among other things, to cease deliveries of power to PG&E for the period from April 1, 1998 through April 8, 2000, in return for PG&E's agreement to make certain monthly payments to Seller. This potential agreement is described in this Bridging Agreement as the "Fixed Price Period Buy Down Agreement".
- C. The proposed Fixed Price Period Buy Down Agreement would be subject to: 1) Seller furnishing documentation of project viability; 2) final approval of the fully articulated Agreement given by both PG&E's and Seller's management, none of whom have thus far given such approval; and 3) PG&E's receipt of regulatory approval from the California Public Utilities Commission in a form acceptable to PG&E.
- D. To enable the Parties to finalize the proposed Fixed Price Period Buy Down Agreement and obtain needed approvals, the Parties wish to put in place this agreement (the "Bridging Agreement"), which the Parties intend to be enforceable between the Parties according to its terms whether or not the Parties ultimately agree on a Fixed Price Period Buy Down Agreement.
- E. PG&E is willing to release the Seller to make power sales to third parties during the period the Bridging Agreement is effective; the PPA does not confer on Seller any right to make such power sales to third parties.

AGREEMENT

THEREFORE, in consideration of the Recitals set forth above and mutual promises below, the Parties agree as follows:

1. DEFINITIONS

Whenever used in this Bridging Agreement, the following terms shall have the following meanings:

- 1.1. Bridging Period: All hours between 0001 hours April 1, 1998, and 2400 hours on the date this Bridging Agreement terminates pursuant to paragraph 2.5.
- 1.2. Facility: Seller's generating facility identified in Recital A above.
- 1.3. Fixed Price Period Buy Down Agreement: An agreement that would terminate Seller's right to deliver power to PG&E and relieve PG&E of the obligation to make any payments pursuant to the PPA for the period from April 1, 1998 through April 8, 2000.
- 1.4. PURPA: The Public Utility Regulatory Policies Act of 1978, as amended, and all regulations issued hereunder.

2. BRIDGING PERIOD CONDITIONS

- 2.1. Seller shall cease delivering power for sale to PG&E for the entire Bridging Period not later than 0001 hours on April 1, 1998 and PG&E shall be relieved of all obligations under either the PPA or PURPA to purchase power from the Seller's Facility for the Bridging Period.
- 2.2. During the Bridging Period, Seller may perform maintenance of any kind on the facility without a reduction in payments.
- 2.3. During the Bridging Period, Seller, at its discretion, may sell and deliver power to any entity other than PG&E subject to the conditions below.
 - 2.3.1. If such sales require use of PG&E's transmission system, Seller shall be responsible for acquiring transmission service through the California Independent System Operator (ISO) in accordance with the ISO's established tariffs or in the event Seller desires to make such sales before the ISO becomes operational, Seller may request transmission service from PG&E using PG&E's Open Access tariff. This Bridging Agreement does not confer on Seller any right to schedule or transmit power within, into, or out of PG&E's or the ISO-controlled electric transmission and or distribution system.
 - 2.3.2. Seller shall act as its own scheduling coordinator or obtain such services from a third party; nothing in this Bridging Agreement obligates PG&E to

act as Seller's scheduling coordinator for making power sales pursuant to this paragraph 2.3.

2.3.3. Seller's sale of power to third Parties pursuant to this paragraph 2.3 relieves PG&E, for all such power sold, of all obligations PG&E may have under either the PPA or PURPA to purchase the power sold.

2.3.4. Seller shall be responsible for paying all charges associated with sales of power pursuant to this paragraph 2.3.

2.3.5. Seller's right to sell power under this Bridging Agreement to Parties other than PG&E shall terminate coincident with the termination of this Bridging Agreement pursuant to paragraph 2.5 below.

2.4. During the Bridging Period, PG&E shall make payments to Seller in the amounts and on the dates specified below:

<u>Payment Date</u>			<u>Month</u>
May 15, 1998	\$1,900,000	for	April, 1998
June 15, 1998	\$1,900,000	for	May, 1998
July 15, 1998	\$1,900,000	for	June, 1998
August 14, 1998,	\$1,900,000	for	July, 1998
September 15, 1998	\$1,900,000	for	August, 1998
October 15, 1998	\$1,900,000	for	September, 1998
November 13, 1998	\$1,900,000	for	October, 1998

2.5. This Bridging Agreement shall terminate upon the earlier of: (a) thirty-one (31) days after 2400 hours on September 30, 1998, provided that PG&E shall remain obligated to remit to Seller any amounts due and payable to Seller on November 13, 1998 pursuant to the schedule set forth in paragraph 2.4., or (b) the effective date of the Fixed Price Period Buydown Agreement; or (c) the first day of the month following the month in which a thirty (30) day period expires, which period begins upon a Party's receipt of written notice from the other Party pursuant to Section 4 below, that states that the Party is electing to terminate this Bridging Agreement, provided that Seller may not give such notice prior to June 10, 1998.

2.5.1. In the event this Bridging Agreement terminates pursuant to paragraph 2.5 (a), then:

2.5.1.1. Seller shall begin no later than October 1, 1998 preparations necessary to resume power deliveries to PG&E pursuant to the PPA.

2.5.1.2. Seller shall return the Facility to full operation and resume power deliveries to PG&E pursuant to the PPA beginning on 0001 hours, November 1, 1998.

- 2.5.1.3. PG&E shall pay for power deliveries from Seller's Facility beginning on 0001 hours November 1, 1998, and thereafter, pursuant to the PPA.
- 2.5.1.4. PG&E shall pay Seller the \$1,900,000 described in paragraph 2.4 on November 13, 1998.
- 2.5.2. In the event this Bridging Agreement terminates pursuant to paragraph 2.5 (b), then this Bridging Agreement shall terminate on the date and in accordance with the terms the Parties specify in the Fixed Price Period Buydown Agreement.
- 2.5.3. In the event the notice specified in paragraph 2.5 (c) is given, then:
- 2.5.3.1. Seller shall return the Facility to full operation and resume power deliveries to PG&E pursuant to the PPA beginning on 0001 hours, on the first day of the month immediately following the month in which the thirty (30) day period described in paragraph 2.5 (c) expires.
- 2.5.3.2. PG&E shall pay for power deliveries from Seller's Facility beginning on 0001 hours, on the first day of the month immediately following the month in which the thirty (30) day period described in paragraph 2.5 (c) expires, and thereafter, pursuant to the PPA.
- 2.5.3.3. PG&E shall pay Seller the \$1,900,000 described in paragraph 2.4 for the month immediately preceding the month in which Seller resumes deliveries pursuant to the PPA as described in paragraph 2.5.3.1.
- 2.5.4. In the event this Bridging Agreement terminates pursuant to paragraphs 2.5 (a) or 2.5 (c), and Seller returns the facility to full operation by the date described in paragraph 2.5.1.2, or 2.5.3.1, as appropriate, the Bridging Period shall not constitute a forced outage or scheduled maintenance pursuant to the terms of the PPA. Seller will be deemed to have achieved an operating capacity factor of 100% for the Bridging Period.
- 2.5.4.1. In the event Seller fails to return the Facility to full operation as described in paragraph 2.5.4, then each hour, beginning at 0001 hours on the first day the Facility is required to be operational, and continuing thereafter until the Facility is fully operational shall be deemed an hour of forced outage pursuant to the PPA.

- 2.6. In the event Seller and PG&E fail to effect a Fixed Price Period Buydown Agreement, the payments PG&E makes to Seller pursuant to this Bridging Agreement shall be the sole compensation due to Seller from PG&E for the Bridging Period.
- 2.7. In the event Seller and PG&E fail to effect a Fixed Price Period Buydown Agreement, Seller shall be entitled to retain all payments PG&E has made pursuant to this Bridging Agreement.
- 2.8. PG&E shall exclude periods covered under this Bridging Agreement for purposes of reviewing and determining Seller's compliance with qualifying facility operating, efficiency and fuel use standards in 18 CFR Sec. 292.

3. TREATMENT OF PAYMENTS PG&E MAKES PURSUANT TO THIS BRIDGING AGREEMENT IF THE PARTIES EFFECT A FIXED PRICE PERIOD BUYDOWN AGREEMENT

If the Parties effect a Fixed Price Period Buydown Agreement:

- 3.1. PG&E shall receive credit for all payments it makes to Seller pursuant to this Bridging Agreement.
- 3.2. The credit described in paragraph 3.1., shall be applied to reduce by the amount of the credit, the payments PG&E would be required to make to Seller pursuant to the Fixed Price Period Buydown Agreement during the Bridging Period.

4. NOTICES

Any notice authorized or specified in this Bridging Agreement shall be given in writing and shall be deemed properly given if delivered personally, sent by a nationally recognized overnight or express mail service, postage prepaid, or by facsimile transmission with receipt confirmed by telephone, to the persons specified below, as appropriate:

(1) Seller:

General Manager
Burney Forest Products
35586 Highway 299 E
P.O. Box 2530
Burney, CA 96013
Facsimile: (530) 335-5028

(2) PG&E:

Manager - Utility Electric Supply
Pacific Gas and Electric Company
P.O. Box 770000 - Mail Code B13B
San Francisco, CA 94177
Facsimile: (415) 973-2151

5. CONSTRUCTION OF THE AGREEMENT

- 5.1. Whether or not the Parties are able to effect a Fixed Price Period Buydown Agreement, this Bridging Agreement shall not be admissible against either Party as establishing any precedent under the PPA or any amendments thereto, or creating any admission or course of dealing, and shall not be used in any other way to construe the terms of the PPA or any amendments or settlements related thereto for any period other than April through September 1998, as may be extended pursuant to the provisions hereof.
- 5.2. Except to the extent that this Bridging Agreement specifically modifies the PPA or any amendments or settlements thereto, the PPA, amendments and settlements related thereto remain in full force and effect.
- 5.3. The references herein to a Fixed Price Period Buydown Agreement between the Parties are for explanatory purposes only, and the Parties agree that they have not finalized or concluded such an agreement.
- 5.4. This Bridging Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, understandings and agreements between the Parties respecting the subject matter of this Bridging Agreement.
- 5.5. This Agreement may be modified or amended only by a written instrument signed by the authorized representatives of both Parties.
- 5.6. Captions are included herein for ease of reference only. The captions are not intended to affect the meaning of the contents or scope of this Bridging Agreement.
- 5.7. No provision of this Agreement shall be interpreted for or against PG&E or Seller because PG&E, Seller, or their respective attorneys drafted the particular provision.
- 5.8. This Agreement shall be construed and interpreted in accordance with the laws of the State of California, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.
- 5.9. No term or provision herein shall be deemed waived and no breach excused unless such waiver or consent is in writing and signed by the party claimed to have so waived or excused.

6. EFFECTIVE DATE/SIGNATURES

6.1. This Bridging Agreement becomes effective on April 1, 1998..

6.2. By signing this Bridging Agreement below, the representatives of the Parties warrant that they have the requisite authority to bind their respective principles.

PACIFIC GAS AND ELECTRIC COMPANY
INC., a California corporation

BURNEY FOREST PRODUCTS, A JOINT
VENTURE, a California general partnership
By DCTC - Burney, Inc., a general partner

By 

By 

Name B.M. Speckman

Name Thomas S. Shaw

Title Manager, Utility Electric
Supply

Title President

Date of Signature March 31, 1998

Date of Signature March 30, 1998


6. EFFECTIVE DATE/SIGNATURES

- 6.1. This Bridging Agreement becomes effective on April 1, 1998..
- 6.2. By signing this Bridging Agreement below, the representatives of the Parties warrant that they have the requisite authority to bind their respective principles.

PACIFIC GAS AND ELECTRIC COMPANY
INC., a California corporation

BURNEY FOREST PRODUCTS, A JOINT
VENTURE, a California general partnership
By DCTC - Burney, Inc., a general partner

By _____

By 

Name _____

Name Thomas S. Shaw

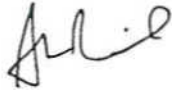
Title _____

Title President

Date of Signature _____

Date of Signature March 30, 1998

APPROVED AS TO FORM



NOTE:

HAVE NOT ACUD HAND COPY
WHEN ALL APPROVED. SHE
WILL START OUR ORIGINALS TOMORROW.

