

SOLANO DEFERRAL AGREEMENT

This Agreement is by and between Pacific Gas and Electric Company ("PG&E"), a California corporation, and U.S. Windpower, Inc. ("USW"), a Delaware corporation. PG&E and USW are sometimes referred to herein collectively as the "Parties" and individually as "Party".

A. There is an interim Standard Offer No. 4 ("SO4") agreement signed by USW on October 30, 1984 and by PG&E on November 5, 1984 for a 10 megawatt ("MW") facility and identified by PG&E Log #06W148 ("PPA 1"); and

B. There is an interim SO4 agreement signed by USW on March 5, 1984 and by PG&E on March 2, 1984 for a 70 MW facility with an initial operation date of January 1, 1988 and identified by PG&E Log #06W146 ("PPA 2"); and

C. A disagreement has arisen between PG&E and USW regarding the interpretation of PPA 1 and PPA 2; and

D. It is PG&E's position that USW has identified and committed to certain portions of Solano County, California as the locations at which PPA 1 and PPA 2 will be sited; and

E. It is USW's position that PPA 1 and PPA 2 do not specify a site and so may be developed at any location USW may choose; and

F. The Parties have each agreed that it is in their best interest to settle this disagreement amicably and expeditiously; and

G. In connection with this Agreement USW and PG&E have entered into an Altamont Renegotiation Agreement of even date herewith (the "Renegotiation Agreement"); and

H. The Renegotiation Agreement restructures USW's Altamont Pass power purchase agreements and proposed wind projects; and

I. Pursuant to the Renegotiation Agreement, portions of PPA 2 totaling 20 MW will be developed under negotiated terms and conditions described in the Renegotiation Agreement.

Therefore, in consideration of the agreements contained herein, PG&E and USW hereby agree as follows:

1. Site Location

Contingent on approval by the California Public Utilities Commission ("CPUC"), as discussed in paragraphs 7, 8 and 9 below, the Parties will sign amendments to PPA 1 and a 50 MW portion of PPA 2 (the "50 MW PPA 2") providing that these power purchase agreements may only be applied to deliveries from wind projects sited at any location in Solano County, California.

2. PPA 1 Amendment

Contingent on CPUC approval, as discussed in paragraphs 7, 8 and 9 below, the Parties will sign an agreement amending PPA 1 as follows:

A) Initial energy deliveries to PG&E under PPA 1 may not commence before January 1, 1990 nor after December 31, 1992.

B) The Fixed Price Period (as defined in PPA 1) will commence as of the date of initial energy deliveries to PG&E under PPA 1 and continue for only nine (9) years, provided such deliveries occur as required by paragraph 2(A) above.

C) The Fixed Price Period will be adjusted as follows so that the end of each of the first eight (8) years of the Fixed Price Period will coincide with the end of a monthly billing period:

- i) if the anniversary of the date of initial energy deliveries is exactly the middle of the monthly billing period, the first year of the Fixed Price Period will be extended by one half (1/2) of a monthly billing period.
- ii) if the anniversary of the date of initial energy deliveries is between the middle and the end of the monthly billing period, the first year of the Fixed Price Period will be extended by the appropriate amount (up to one half (1/2) of a monthly billing period).
- iii) if the anniversary of the date of initial energy deliveries is between the beginning and the middle of a monthly billing period, the first year of the Fixed Price Period will be decreased by the appropriate amount (up to one half (1/2) of a monthly billing period).

(a) For example, if the Windplant (as defined in

PPA 1) begins initial energy deliveries on April 17, 1990, and the monthly billing period coinciding with April 1991, ran from April 1 through April 30, 1991, the first year prices of the Fixed Price Period would extend until April 30, 1991. However, if the Windplant began initial energy deliveries on April 13, 1990, the first year prices of the Fixed Price Period would end on March 31, 1991.

- iv) The final year of the Fixed Price Period will be adjusted in the opposite direction from the first year so that the term of the Fixed Price Period will equal exactly nine (9) years. All other years of the Fixed Price Period will each last 12 monthly billing periods.

D) Energy and capacity prices paid during the Fixed Price Period will be the prices provided by PPA 1 for the Fixed Price Period 1988 to 1996.

E) If less than 10 MW are installed and operational under PPA 1 by December 31, 1992, PPA 1 shall terminate as to those MW not so installed and operational.

3. 50 MW PPA 2 Amendment

A) Contingent on CPUC approval, as discussed in paragraphs 7, 8 and 9 below, a 20 MW portion of the 50 MW PPA 2 will be amended as follows:

- i) initial energy deliveries to PG&E under this 20 MW portion of the 50 MW PPA 2 may not commence before January 1, 1990 nor after December 31, 1992; and
- ii) the Fixed Price Period (as defined in the 50 MW PPA 2) will commence as of the date of initial energy deliveries to PG&E under this 20 MW portion of PPA 2 from each Windplant (as defined in the 50 MW PPA 2) and continue for only nine (9) years, provided such deliveries occur as required by paragraph 3(A)(i) above; and
- iii) the Fixed Price Period for each Windplant will be adjusted as follows so that the end of each of the first eight (8) years of the Fixed Price Period will coincide with the end of a monthly billing period:
 - (a) if the anniversary of the date of initial energy deliveries is exactly the middle of the monthly billing period, the first year of the

Fixed Price Period will be extended by one half (1/2) of a monthly billing period.

- (b) if the anniversary of the date of initial energy deliveries is between the middle and the end of the monthly billing period, the first year of the Fixed Price Period will be extended by the appropriate amount (up to one half (1/2) of a monthly billing period).
- (c) if the anniversary of the date of initial energy deliveries is between the beginning and the middle of a monthly billing period, the first year of the Fixed Price Period will be decreased by the appropriate amount (up to one half (1/2) of a monthly billing period).
 - (1) For example, if the Windplant begins initial energy deliveries on April 17, 1990, and the monthly billing period coinciding with April 1991, ran from April 1 through April 30, 1991, the first year prices of the Fixed Price Period would extend until April 30, 1991. However, if the Windplant began initial energy deliveries on April 13, 1990, the first year prices of the Fixed Price Period would end on March 31, 1991.
- (d) The final year of the Fixed Price Period will be adjusted in the opposite direction from the first year so that the term of the Fixed Price Period will equal exactly nine (9) years. All other years of the Fixed Price Period will each last 12 monthly billing periods.

iv) Energy and capacity prices paid during the Fixed Price Period will be the prices provided by the 50 MW PPA 2 for the Fixed Price Period 1988 to 1996.

v) If less than 20 MW are installed and operational under this 20 MW portion of the 50 MW PPA 2 by December 31, 1992, this 20 MW portion of the 50 MW PPA 2 shall terminate as to those MW not so installed and operational.

B) Contingent on CPUC approval, as discussed in paragraphs 7, 8 and 9 below, the remaining 30 MW portion of the 50 MW PPA 2 will be amended as follows:

- i) Initial energy deliveries to PG&E under this 30 MW portion of the 50 MW PPA 2 may not commence before January 1, 1991 nor after December 31, 1992.
- ii) The Fixed Price Period (as defined in the 50 MW PPA 2) will commence as of the date of initial energy deliveries to PG&E under this 30 MW portion of the 50 MW PPA 2 from each Windplant (as defined in the 50 MW PPA 2) and continue for only nine (9) years, provided such deliveries occur as required by paragraph 3(B)(i) above.
- iii) The Fixed Price Period for each Windplant will be adjusted as follows so that the end of each of the first eight (8) years of the Fixed Price Period will coincide with the end of a monthly billing period:
 - (a) if the anniversary of the date of initial energy deliveries is exactly the middle of the monthly billing period, the first year of the Fixed Price Period will be extended by one half (1/2) of a monthly billing period.
 - (b) if the anniversary of the date of initial energy deliveries is between the middle and the end of the monthly billing period, the first year of the Fixed Price Period will be extended by the appropriate amount (up to one half (1/2) of a monthly billing period).
 - (c) if the anniversary of the date of initial energy deliveries is between the beginning and the middle of a monthly billing period, the first year of the Fixed Price Period will be decreased by the appropriate amount (up to one half (1/2) of a monthly billing period).
 - (1) For example, if the Windplant begins initial energy deliveries on April 17, 1990, and the monthly billing period coinciding with April 1991, ran from April 1 through April 30, 1991, the first year prices of the Fixed Price Period would extend until April 30, 1991. However, if the Windplant began initial energy deliveries on April 13, 1990, the first year prices of the Fixed Price Period would end on March 31, 1991.
 - (d) The final year of the Fixed Price Period will

be adjusted in the opposite direction from the first year so that the term of the Fixed Price Period will equal exactly nine (9) years. All other years of the Fixed Price Period will each last 12 monthly billing periods.

- iv) Energy and capacity prices paid during the Fixed Price Period will be the prices provided by the 50 MW PPA 2 for the Fixed Price Period 1988 to 1996.
- v) If less than 30 MW are installed and operational under this 30 MW portion of the 50 MW PPA 2 by December 31, 1992, this 30 MW portion of the 50 MW PPA 2 shall terminate as to those MW not so installed and operational.

4. Standard Offer No. 1

A) The amendments described in paragraphs 2 and 3 above defer commencement of interim SO4 prices but do not necessarily require USW to defer the actual financing and construction of its projects. To accommodate deliveries from the projects, if any, which are installed and operational prior to the applicable commencement dates for PPA 1 and the 20 MW and 30 MW portions of the 50 MW PPA 2, USW and PG&E agree, contingent on CPUC approval as discussed in paragraphs 7, 8 and 9 below, to sign Standard Offer No. 1 ("SO1") power purchase agreements as described below:

- i) A 10 MW SO1 terminating December 31, 1989; and
- ii) A 20 MW SO1 terminating December 31, 1989; and
- iii) A 30 MW SO1 terminating December 31, 1990.

5. Priority: PPA 1

A) USW currently has a 10 MW Solano County interconnection priority under the CPUC's Qualifying Facility Milestone Procedure ("QFMP") which it may use with PPA 1. As one condition of retaining its QFMP priority, the PPA 1 project currently must start operation by October 30, 1989.

- i) Consistent with the amendments to PPA 1 specified in paragraphs 1 and 2 above, and contingent on CPUC approval as discussed in paragraphs 7, 8 and 9 below, (a) the QFMP start of operation milestone for the PPA 1 project shall be extended to December 31, 1992, and (b) USW may submit to PG&E a new project description form listing site locations

within Solano County, California, different from and/or in addition to those Solano County sites previously specified by USW. Such project description form must be submitted to PG&E no later than the latest of the following: six (6) months prior to the scheduled operation date of each Windplant (as defined in PPA 1) or ten (10) calendar days after the issuance of CPUC approval, as described in paragraph 8 below. This QFMP priority shall be applicable to the PPA 1 project whether it begins operation under an SO1 pursuant to paragraph 4(A) above or under PPA 1.

6. Priority: 50 MW PPA 2

A) Currently USW's only QFMP interconnection priority in Solano County is the 10 MW interconnection priority referenced in paragraph 5 above. USW may use a 50 MW QFMP allocation with the 50 MW PPA 2 in the following manner:

- i) USW represents that it controls Wind Generator Parks, Inc. ("WGP"), which is a party to a 50 MW SO 1 power purchase agreement for a wind project to be located at specified sites in Solano County, California (the "WGP PPA"). WGP has a 50 MW QFMP allocation which it may use with the WGP PPA. The WGP project is currently required to start operation by September 17, 1989 as one condition of retaining its priority.
- ii) Contingent on CPUC approval as discussed in paragraphs 7, 8 and 9 below, USW may terminate the WGP PPA and use WGP's 50 MW QFMP allocation with the 50 MW PPA 2.
- iii) Consistent with the amendments to the 50 MW PPA 2 specified in paragraphs 1 and 3 above, and contingent on CPUC approval as discussed below, (a) the QFMP start of operation milestone for the 50 MW PPA 2 project shall be extended to December 31, 1992, and (b) USW may submit to PG&E a new project description form listing site locations within Solano County, California, different from and/or in addition to those Solano County sites previously specified by WGP. Such project description form must be submitted to PG&E no later than the latest of the following: six (6) months prior to the scheduled operation date of each Windplant (as defined in the 50 MW PPA 2) or ten (10) calendar

days after the issuance of CPUC approval, as described in paragraph 8 below. This QFMP priority may be used by Windplants under the 50 MW PPA 2 whether they begin operation under an SO1 pursuant to paragraph 4(A) above or under the 50 MW PPA 2.

B) USW agrees to the procedure described in paragraph 6(A) above. However, USW hereby states that it is USW's position that USW could assign the 50 MW PPA 2 to WGP and WGP could then use its 50 MW QFMP allocation with the 50 MW PPA 2.

7. CPUC Application

A) PG&E will prepare an application to the CPUC for ex parte approval of paragraphs 1 through 6 of this Agreement (the "Application"). Each Party shall bear its own costs and expenses associated with seeking such approval. USW agrees to provide reasonable assistance in preparation of the Application as PG&E may request.

B) USW and PG&E each agrees to use its best efforts to support before the CPUC the reasonableness of paragraphs 1 through 6 of this Agreement, including but not limited to providing testimony should the CPUC require hearings on this matter.

C) To accommodate the parties' desire to finalize the transactions contemplated hereunder as soon as possible, PG&E agrees to file the Application with the CPUC within forty-five (45) calendar days of the effective date of this Agreement.

8. CPUC Approval

Within 30 calendar days of the effective date of a CPUC decision or order which deems paragraphs 1 through 6 of this Agreement and all sums paid by PG&E pursuant thereto reasonable and recoverable in rates, the Parties shall prepare and sign the amendments and agreements described in paragraphs 1, 2, 3 and 4 above, and paragraph 10 below.

9. Failure to Obtain CPUC Approval

In the event the CPUC issues a decision or order not approving paragraphs 1 through 6 of this Agreement as described in paragraphs 7 and 8 above, or if the CPUC fails to issue any decision or order regarding the Application

within one (1) year after the Application is filed (collectively, a "CPUC Denial") this Agreement shall be null and void as of the effective date of the CPUC Denial.

10. Assignments

Contingent on CPUC approval as described in paragraph 8 above, the 50 MW PPA 2 shall be amended to provide that Windplants (as defined in the 50 MW PPA 2) thereunder shall not exceed three (3) in number and each Windplant shall have a nameplate of at least 10,000 kW.

11. Captions

Paragraph 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 Agreement.

12. Additional Agreements

The Parties agree to execute additional agreements to implement the terms of this Agreement as described herein. If the CPUC approves the Application, as described in paragraph 8 above, this Agreement supersedes any and all prior negotiations, correspondence, understandings and agreements between the Parties with respect to the specific subject matter hereof.

13. Modification

This Agreement may be amended or modified only by a written instrument signed by both USW and PG&E.

14. Choice of Laws

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.

15. Non-Waiver

Failure by either Party hereto to enforce any right or obligation with respect to any matter arising in connection with this Agreement shall not constitute a waiver as to that matter or any other matter.

16. Notices

All notices hereunder shall be in writing and shall be deemed received (i) at the close of business on the date of

receipt, if delivered by hand or (ii) when signed for by recipient, if sent registered or certified mail, postage prepaid, provided such notice was properly addressed to the appropriate address indicated on the signature page hereof or to such other address as a party may designate by prior written notice to the other parties.

17. Severability

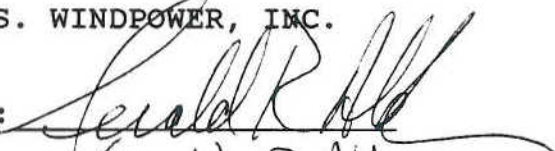
Any illegality or invalidity, in whole or in part, of any provision of this Agreement shall not affect the validity of the remaining portions of the Agreement.

18. Interpretation

This Agreement is the result of negotiation. Moreover, each Party and each Party's respective counsel has reviewed this Agreement. Accordingly, the normal rule of construction to the effect that any ambiguities shall be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives, and it is effective as of the last date set forth below, provided it shall become null and void on the effective date of a CPUC Denial pursuant to paragraph 9 above.

U.S. WINDPOWER, INC.


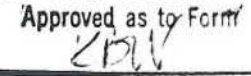
By: 
Name: Gerald R. Alderson
Title: President

Date Signed: May 22, 1988

Notice addresses:

U.S. WINDPOWER, INC.
500 Sansome Street, Suite 600
San Francisco, CA 94111
Attn: General Counsel

PACIFIC GAS AND ELECTRIC COMPANY

By: 
Robert J. Maywood
Vice President
Power Planning and Contracts

Approved as to Form
Attorney

Date Signed: May 27, 1988

PACIFIC GAS AND ELECTRIC COMPANY
Attn: Paula G. Rosput
Manager, QF Contracts
77 Beale Street, 23rd Floor
San Francisco, CA 94106