

NOVEMBER 2006
AMENDMENT TO THE
POWER PURCHASE AGREEMENT
BETWEEN
GREEN RIDGE POWER LLC
AND
PACIFIC GAS AND ELECTRIC COMPANY
(PG&E LOG NO. 01W004)

THIS AMENDMENT ("Amendment") is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation, and GREEN RIDGE POWER LLC ("Seller"), a Delaware limited liability company. PG&E and Seller are sometimes referred to herein individually as "Party" and collectively as "Parties".

RECITALS

A. Seller (or Seller's predecessor(s), as applicable) and PG&E entered into a power purchase agreement, as amended, dated March 2, 1984, relating to PG&E Log No. 01W004 ("PPA") pursuant to which PG&E purchases electric power from Seller and Seller sells electric power to PG&E.

B. On April 1, 2004, the CPUC issued an *Order Instituting Rulemaking To Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning* (R.04-04-003). In that Rulemaking, the CPUC noted that it would issue a separate rulemaking on avoided cost issues.

C. On September 30, 2004, the assigned Administrative Law Judge (ALJ) in R.04-04-003 issued a ruling designating that proceeding as the forum for the CPUC's consideration of long-term policy for new and expiring QF contracts.

D. On April 22, 2004, the CPUC issued an Order Instituting Rulemaking that addresses avoided cost issues in various electric resource-related proceedings. (R.04-04-025.)

E. On January 1, 2005, the Assigned Commissioner in R.04-04-025 issued a ruling and scoping memo that established a separate phase in that rulemaking to address SRAC pricing issues for QFs including: (1) whether or not the CPUC's current SRAC energy pricing formula, including existing time-of-delivery and line loss factors should be replaced, and if so, what changes should be made; and (2) updating current as-delivered capacity prices.

F. A joint ALJ ruling was issued January 21, 2005 transferring certain SRAC issues from R.99-11-022 to R.04-04-025, including the determination of an incremental energy rate (IER) and an operation and maintenance (O&M) adder, but excluding issues pertaining to the remand order of the California Court of Appeal in *Southern California Edison v. Public Utilities Commission*, 101 Cal. App. 4th 982 (2002) regarding SRAC pricing between December 2000 and March 2001. The resolution of the Court of Appeal's remand remains in R.99-11-022.

G. In Decision 99-11-025, the Commission allowed QFs to switch to the Power Exchange Corporation's ("PX") zonal day-ahead market clearing price instead of SRAC energy pricing, subject to the potential for a later true-up by the Commission. The true-up issue for QFs who switched to PX pricing remains in R.99-11-022.

H. By an Assigned Commissioner's ruling and scoping memo dated February 18, 2005, R.04-04-003 and R.04-04-025 were consolidated for the limited purpose of joint evidentiary hearings on policy and pricing related to QF contracts. Those hearings were held between January 18, 2006 and February 2, 2006. Opening briefs were served on March 3, 2006 and reply briefs were served on March 17, 2006.

I. In Decision 01-01-007, the Commission adopted a Generation Meter Multiplier (GMM)-based formula for reflecting transmission line losses in calculating payments to QFs who switched to PX-based pricing and QFs who continued to receive payments based on the SRAC-based transition formula adopted in Public Utilities Code Section 390. In Decision 01-

02-072, the Commission reverted QFs that switched to PX-based pricing back to CPUC approved SRAC-based pricing. During the proceeding described in Recital H, above, several parties presented proposals addressing how to adjust QF payments for transmission line losses.

J. On December 22, 2005, Rio Bravo filed a petition for modification of D.01-02-072 in R.99-11-022 that requests the Commission to direct PG&E to recalculate QF payments using the GMMqf/GMMsys formula adopted in D.01-01-007, retroactive to January 19, 2001.

K. On April 18, 2006, Independent Energy Producers Association and Pacific Gas and Electric Company entered into a Settlement Agreement resolving certain issues pending in Rulemakings 99-11-022, 04-04-003, and 04-04-025 for QFs electing to sign an Amendment (Settlement Agreement). There are two energy price options available under the Settlement Agreement to QFs electing to execute an Amendment. The Parties executed such an Amendment on April 27, 2006 (“April 27, 2006 Amendment”).

L. The April 27, 2006 Amendment shall terminate upon CPUC Approval of that certain Consolidation Agreement, this Amendment and certain related agreements (collectively, “Transaction Documents”), all filed simultaneously with this Amendment. The terms “CPUC Approval” and “Transaction Documents” as used in this Recital L shall have the meanings given to them in the Consolidation Agreement.

M. By this Amendment, the Facility size, as set forth in Section 3(b) of Seller’s PPA, is increased from 113,100 kW to 222,300 kW.

N. Seller and PG&E hereby agree to amend Seller’s PPA, as identified in Recital A above, as follows.

AGREEMENT

In consideration of the mutual promises and covenants contained herein, PG&E and

Seller agree to modify the PPA and resolve the Settled Issues as follows:

DEFINITIONS

When used herein, the following definitions shall be used to interpret this Amendment.

Underlined terms not defined herein shall have the meaning ascribed to them in the PPA.

CAISO: The California Independent System Operator as described in Section 345 et seq. of the California Public Utilities Code, or successor organization.

CAISO Day-Ahead Energy Market: The day-ahead market that the CAISO's recent Market Redesign and Technology Upgrade Tariff (MRTU) shall create, which is pending FERC approval and currently scheduled to become operational in November 2007.

CEC: The California Energy Commission or its successor agency.

CPUC or Commission: The Public Utilities Commission of the State of California.

CPUC Approval: A final and non-appealable order of the CPUC, without conditions or modifications unacceptable to a Party in its sole discretion, which order approves this Amendment in its entirety, and contains findings that: (a) the Amendment is reasonable and prudent for all purposes, including, but not limited to, PG&E's recovery in rates of all payments made under the Amendment, subject only to ongoing CPUC review with respect to the reasonableness of PG&E administration of the Amendment; (b) any procurement pursuant to this Amendment is procurement from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law; and (c) any procurement pursuant to this Amendment constitutes incremental procurement or procurement for baseline replenishment by PG&E from an eligible renewable energy resource for purposes of

determining PG&E's compliance with any obligation to increase its total procurement of eligible renewable energy resources that it may have pursuant to the California Renewables Portfolio Standard, CPUC Decision 03-06-071, or other applicable law. CPUC Approval will be deemed to have occurred on the date that a CPUC decision containing such findings becomes final and non-appealable.

Effective Date: The day of CPUC Approval of this Amendment.

Initial Fixed Price Period: The period that begins on the later of: (1) the Effective Date; or (2) the expiration of the existing fixed energy pricing amendment to the QF's PPA pursuant to D.01-06-015 currently in effect. The Initial Fixed Price Period shall remain in effect for a full five year term and conclude at the end of such term. During the Initial Fixed Price Period, PG&E shall pay a fixed energy price in lieu of PG&E's SRAC as defined in the PPA.

PPA: The power purchase agreement between PG&E and Seller, dated March 2, 1984, as subsequently amended in writing by the Parties.

PURPA: The Public Utility Regulatory Policies Act of 1978, as modified and amended (Sections applicable to QFs appear primarily in 16 U.S.C.A. §§ 796 and 824a-3).

Qualifying Facility or QF: A qualifying cogeneration facility or qualifying small power production facility as defined in PURPA and in 18 C.F.R. § 292.101 (b) (1).

QF Switchers: Those QFs who switched to the PX market-clearing price at any time between June 2000 and January 2001 pursuant to CPUC Decision 99-11-025.

Renewable QFs: Those QFs who meet the definition of an Eligible Renewable Energy Resource included in Public Utilities Code Section 398.4(h)(1)(F), as such definition exists as of the date the last party executed this Amendment.

Settled Issues: The following issues are settled and resolved pursuant to this Amendment:

- (1) The issues relating to QFs that are settled in Rulemakings 04-04-003 and 04-04-025 are: (a) the methodology for determining SRAC energy payments including proposed “adders”; (b) the determination of As Delivered Capacity Payments; (c) the methodology for deriving energy Line Loss Factors as applicable to energy deliveries; and (d) the determination of Time of Delivery factors;
- (2) The CPUC’s policy regarding expiring QF contracts and new QF contracts as addressed in Rulemakings 04-04-003 and 04-04-025; and
- (3) The issues settled in R.99-11-022 are: (a) PG&E’s claims for a retroactive adjustment of SRAC energy payments made to QFs from December 1, 2000 to March 31, 2001 arising from the Court of Appeal remand in *Southern California Edison v. Public Utilities Commission*, 101 Cal. App. 4th 982 (2002); (b) PG&E’s claims for a retroactive adjustment of energy payments made to QF Switchers from June 1, 2000 through January 18, 2001; and (c) QF claims that the Commission should direct PG&E to calculate the SRAC energy payment to change the transmission line loss for QF Switchers by using the GMMqf/GMMsys formula, retroactive from January 19, 2001 to the present.

Second Fixed Price Period: The period that begins on the first day following the end of the Initial Fixed Price Period and that remains in effect until December 31, 2015, which is the expiration date of the PPA as amended by this Amendment.

SRAC: PG&E’s full short-run avoided operating costs.

1. ENERGY PRICING

1.1 Energy Price for the Initial Fixed Price Period: The energy price shall be \$61.75/MWh (“Initial Fixed Energy Price”) for the first full year (365 days) of the Initial Fixed Price Period. Commencing on the second year of the Initial Fixed Price Period and continuing through the remaining term of the Initial Fixed Price Period: (a) the Initial Fixed

Energy Price shall escalate each year by 1%; and (b) such escalation shall take effect on the first day of each year and be applied to the prior year's energy price. The fixed energy pricing under this Section 1.1 shall be and remain in effect for the entire term of the Initial Fixed Price Period.

1.2 Energy Price for the Second Fixed Price Period: The energy price shall be \$54.00/MWh for the Second Fixed Price Period, with no escalation. The fixed energy pricing under this Section 1.2 shall be and remain in effect for the entire term of the Second Fixed Price Period.

1.3 TOD Factors/TOD Periods: The Time of Delivery Factors shall be PG&E's time of delivery factors in effect as of January 1, 2006. The Time of Delivery Periods shall be PG&E's time of delivery periods in effect as of January 1, 2006.

2. RPS CREDIT

The Parties agree and condition the effectiveness of this Amendment upon a finding by the Commission at the time of CPUC Approval of the Amendment that PG&E is entitled to and shall receive full credit for all energy purchased by PG&E under the Amendment as procurement for purposes of compliance with the California Renewables Portfolio Standard (RPS) requirements. Seller covenants that throughout the term of this Amendment and the PPA, as amended by the Amendment, (a) Seller meets and will continue to meet the requirements of a Renewable QF and will qualify and be certified by the CEC as an Eligible Renewable Energy Resource, and (b) the output delivered to PG&E pursuant to this Amendment will qualify under the requirements of the California Renewables Portfolio Standard. PG&E will participate in the CEC's RPS credit certification, tracking, and verification system described in Public Utilities Code Section 399.13 sub. (b) to the extent required to maintain full RPS credit for its purchases from Renewable QFs.

3. AS-DELIVERED CAPACITY PRICE

Seller shall receive payments for as-delivered capacity based on the price of \$164/kw-year beginning on the Effective Date. The as-delivered capacity price shall remain in effect until the expiration of the term of the PPA, as amended by this Amendment. The Parties agree and condition the effectiveness of this Amendment upon a finding by the CPUC at the time of CPUC Approval of the Amendment that PG&E is entitled to and shall receive Resource Adequacy credit based upon the historic deliveries methodology adopted for QFs in Decision 04-10-035 for as-delivered capacity purchased by PG&E pursuant to this Amendment. The as-delivered capacity payment shall continue to be time-differentiated in accordance with the then-current method and capacity allocation factors approved by the CPUC.

4. LINE LOSSES

The energy line loss factor shall be equal to the QF's project Generation Meter Multiplier (GMM) divided by the system average GMM, as defined in D.01-01-007 ("GMM_{qf}/GMM_{sys}"). In addition, the hourly line loss factor for Seller shall not be less than 0.95. The Parties agree and condition the effectiveness of this Amendment upon a finding by the CPUC approving the 0.95 line loss factor floor for Seller and a further finding that PG&E is entitled to and shall receive full credit for all energy purchased and paid for by PG&E under the Amendment for purposes of compliance with the California Renewables Portfolio Standard (RPS).

5. REDUCTION IN PAYMENTS TO QF SWITCHERS

Check appropriate box:

Seller is a QF Switcher (Switch month: _____)

Seller is not a QF Switcher

Seller is a QF Switcher but has already resolved issue with PG&E

For QF Switchers that have not already settled and resolved the issue of potential contingent liability with PG&E, there shall be a reduction in the net energy price payment to the affected QF equal to \$0.90/MWh, calculated monthly that shall apply for a period of time ranging from one and one-half years to four and one-half years, depending upon the month Seller switched from SRAC to PX pricing. The energy price reductions shall commence with the term of the Variable Energy Price set forth in Section 1.6 above for Option 1 or the Fixed Price Period for Option 2. The \$0.90/MWh reduction shall be applied to the Variable O&M Adder for Option 1 or the fixed energy price for Option 2. The following table defines the period for energy price reductions:

Switch Month	Energy Price Reduction Period
June 2000	4 ½ years
July 2000	4 years
August 2000	3 ½ years
September 2000	3 years
October 2000	2 ½ years
November 2000	2 years
December 2000	1 ½ years

6. CHANGE IN FACILITY DESCRIPTION

The Facility size, as set forth in Section 3(b) of the PPA, shall be increased from 113,100 kW to 222,300 kW.

7. CHANGE IN TERM OF PPA

The Term of agreement, as set forth in Article 12 of the PPA, shall be changed to expire on December 31, 2015.

8. CHANGE IN PPA PROVISIONS REGARDING QUALIFYING STATUS

Article 1 of the PPA shall be changed by (a) deleting the following text, “as of the effective date of this Agreement”, on the fourth and fifth lines of that Article, and (b) adding the following at the end of the last line of the Article, “, as such statute is amended from time to time”.

9. SELLER’S REPRESENTATION AND WARRANTY REGARDING OUTPUT

Seller represents and warrants that it is Seller’s intent for the facility to deliver 600 GWH of combined total output to Buyer during the two-year period of calendar years 2014 and 2015. Seller covenants that it shall not take any action to restrict or reduce the ability of the facility to produce as intended herein, unless Seller expressly is ordered to do so by applicable law or a governmental entity. To the extent Seller has any discretion in interpreting or applying any such order or law, Seller shall interpret or apply it in a manner that is consistent with Seller’s stated intent.

10. RELEASE AND WAIVER OF LIABILITIES

PG&E (on behalf of itself, its predecessors, successors, and assigns by operation of law or otherwise) and Seller (on behalf of itself, its predecessors, successors, and assigns by operation of law or otherwise), hereby release, and forever discharge each other and each of the other Party’s present and former affiliates, parents, guarantors, directors, officers, shareholders, partners, employees, agents, representatives, attorneys, insurers, predecessors, assigns, and successors-in-interest, from any and all claims, actions, causes of action, regulatory challenges, liabilities, breaches of contract, offsets, defenses, demands, losses, and damages of any kind

whatsoever, whether known or unknown, asserted or unasserted, suspected or unsuspected, arising from Section (3) of the Settled Issues. In addition, each Party acknowledges and agrees that the Amendment results in full, binding resolution of Section (1) and (2) of the Settled Issues and that each Party will not seek to apply to the PPA, either on a prospective or retroactive basis, or otherwise obtain the benefit of, any decision by the CPUC that would result in a resolution of Section (1) and (2) of the Settled Issues other than as provided in the Amendment.

11. APPROVAL OF AMENDMENT

11.1 CPUC Approval is a condition precedent to the effectiveness of this Amendment. Seller and PG&E agree to actively support, as necessary, prompt CPUC Approval of the Amendment. Unless otherwise agreed to in writing by the Parties, the Amendment shall terminate if the CPUC has not issued an order or decision approving the Amendment within 180 days of the date that the Regulatory Advice Letter is filed with the CPUC.

11.2 Seller and PG&E shall take all necessary action to implement the terms and conditions contemplated herein, including by taking any actions necessary to approve, execute, and deliver this Amendment to the other Party. Seller and PG&E agree to take all necessary actions to obtain other necessary approvals of this Amendment in its entirety.

12. This Amendment shall be binding upon and inure to the benefit of the respective administrators, representatives, successors and permitted assigns of the Parties. No Party may assign, sell, transfer or in any other way convey its rights, duties or obligations under this Amendment, either in whole or in part, without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed).

13. The Parties agree that this Amendment reflects a compromise, not an agreement or endorsement of disputed facts and law presented in CPUC Rulemaking 99-11-022, 04-04-003

or 04-04-025 and shall not establish binding precedent for any future proceeding. The Parties have assented to the terms of this Amendment only to reach the compromise embodied herein.

14. This Amendment embodies the entire understanding and agreement of the Parties with respect to the matters described herein, and, except as described herein, supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings among the Parties or their representatives regarding the matters described herein.

15. The Amendment may be amended or changed only by a written agreement signed by the Parties.

16. The Parties intend the Amendment to be interpreted and treated as a unified, interrelated agreement.

17. Each of the Parties hereto and its respective counsel and advocates have contributed to the preparation of this Amendment. Accordingly, the Parties agree that no provision of this Amendment shall be construed against any Party because that Party or its representative or counsel drafted the provision.

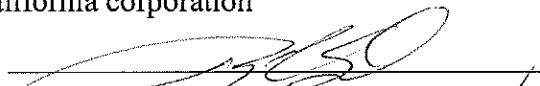
18. This Amendment shall be governed by and construed in accordance with the laws of the State of California, excluding any choice of law rules that may specify the laws of another jurisdiction.

19. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

20. SIGNATURES

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives as of the dates set forth below.

PACIFIC GAS AND ELECTRIC COMPANY
a California corporation

By:  *CRAW*
Title: *VP Energy Supply*
Date: *Dec 19, 2006*

GREEN RIDGE POWER LLC
a Delaware limited liability company

By ESI Altamont Acquisitions, Inc., its Managing Member

By: 
Bryan J. Fennell

Title: Vice President

Date: November 7, 2006