

AMENDMENT TO POWER PURCHASE AGREEMENT BETWEEN
HUMBOLDT BAY MUNICIPAL WATER DISTRICT AND PACIFIC GAS AND
ELECTRIC COMPANY.

WHEREAS, Humboldt Bay Municipal Water District ("Seller") and Pacific Gas and Electric Company ("PGandE") entered into a power purchase agreement entitled Standard Offer #1 Power Purchase Agreement for As-Delivered Capacity and Energy (the "Agreement"), effective June 20, 1984;

WHEREAS, the Agreement superseded an earlier 10-year term Power Purchase Agreement for Hydroelectric Facility executed October 13, 1981;

WHEREAS, the Agreement is for the purchase of energy and as-delivered capacity from Seller's 2,000 kilowatt hydroelectric facility located at the base of R. W. Mathews Dam in Trinity County, California (the "Facility");

WHEREAS, the Facility began energy deliveries on April 10, 1983 and has since regularly produced power for sale to PGandE (except for limited forced outage and scheduled maintenance periods);

WHEREAS, the Facility is a "pioneer" QF project as defined by the the California Public Utilities Commission ("CPUC") in Decision ("D.") 87-01-049 (January 28, 1987);

WHEREAS the CPUC stated in D. 87-01-049 that "[n]egotiated contracts offer an opportunity to tailor relief appropriately to the individual needs of specific pioneer QF projects."

WHEREAS, Seller and PGandE desire to amend the Agreement for the twin purposes of first, providing short-term price relief for Seller's "pioneer" Facility so as to assure its continued operation for the term of the Agreement, and second, providing overall, long-term benefits from the Facility for PGandE and its ratepayers.

THEREFORE, Seller and PGandE hereby agree to amend the Agreement (the "Amendment") as follows:

1. DEFINITIONS

Amend Appendix A, Section A-1 (Definitions), page A-4, line 22 of the Agreement, by adding the following new definitions:

"Short-run energy price" - Prices based upon PGandE's full short-run avoided operating costs as approved by the CPUC, which would have been paid to Seller under the Agreement but for this Amendment.

"Average short-run energy price" - The average of the short-run energy prices between October 1, 1987 and September 30, 1990, calculated as follows:

$$A = \frac{0.25 (87P) + 88P + 89P + 0.75 (90P)}{3}$$

Where:

A = average short-run energy price

87P = average short-run energy price paid by PGandE from October 1 to December 31, 1987, adjusted for time periods

88P = average short-run energy price paid by PGandE in 1988, adjusted for time periods

89P = average short-run energy price paid by PGandE in 1989, adjusted for time periods

90P = average short-run energy price paid by PGandE from January 1 to September 30, 1990, adjusted for time periods

2. ENERGY PRICE

Delete Article 3 (Purchase Price), page 6, lines 3-11, of the Agreement, and substitute the following:

"(a) PGandE shall pay Seller for as-delivered capacity at prices authorized from time to time by the CPUC and which are derived from PGandE's full avoided costs as approved by the CPUC. PGandE's current as-delivered capacity price calculation is shown in Appendix C."

"(b) From October 1, 1987 through September 30, 1990, PGandE shall pay Seller a fixed price of 4.0¢/kwh for energy deliveries."

"(c) From October 1, 1990 through September 30, 2001, PGandE shall pay Seller for energy deliveries at the short-run energy prices, adjusted as provided below in Sections (d), (e) and (f) of this Article 3."

"(d) If during the period from October 1, 1987 through September 30, 1990, the average short-run energy price equals or falls between 3.0¢/kwh and 5.0¢/kwh, PGandE shall pay Seller 95 percent of the short-run energy prices for energy delivered from October 1, 1990 through September 30, 2001.

"(e) If the average short-run energy price is less than 3.0¢/kwh, Seller and PGandE shall split the amount by which the average short-run energy price was below 3.0¢/kwh, as follows:

$$P = 0.95 \times \text{short-run energy price} - X$$

Where: P = adjusted energy price that PGandE will pay to Seller for energy beginning October 1, 1990;

$$X = \frac{1}{2}(3.0 - \text{average short-run energy-price})$$

The adjusted energy price shall continue until the kilowatt-hours of Seller's energy deliveries after September 30, 1990 equal those from October 1, 1987 through September 30, 1990. Thereafter, Seller shall be paid 95 percent of full short-run energy prices through September 30, 2001.

(f) If the average short-run energy price exceeds 5.0¢/kwh, Seller and PGandE shall split the amount by which the average short-run energy price exceeded 5.0¢/kwh as follows:

$$P = 0.95 \times \text{short-run energy prices} + X$$

Where: P = the adjusted energy price that PGandE will pay Seller for energy beginning October 1, 1990; and

$$X = \frac{1}{2}(\text{average short-run energy price} - 5.0\text{¢})$$

The adjusted energy price shall continue until Seller's kilowatt-hours of energy deliveries after September 30, 1990 equal those from October 1, 1987 through September 30, 1990. Thereafter, Seller shall be paid 95 percent of full short-run energy prices through September 30, 2001.

3. TERM OF AGREEMENT

Amend Article 7 (Term of Agreement), page 7, line 24, by replacing "terminated by Seller" with "September 30, 2001, and thereafter until terminated by Seller."

4. NO IMPLIED MODIFICATION

Except as expressly modified by this Amendment, the provisions of the Agreement shall remain unchanged.

5. REASONABLENESS REVIEW

PGandE and Seller shall support the reasonableness of the Amendment before any governmental authority of competent jurisdiction in a proceeding involving a review of the Amendment for purposes of allowance or disallowance in rates charged by PGandE.

6. CPUC APPROVAL

As a condition subsequent to the effectiveness of this Amendment, PGandE may at its option submit this Amendment to the CPUC for a determination that the

provisions hereof are reasonable and that PGandE acted prudently in negotiating this Amendment, and Seller and PGandE shall defend its reasonableness before the CPUC. If the CPUC does not approve this Amendment to the satisfaction of PGandE within a reasonable time after its submittal, PGandE may declare the Amendment null and void, and Seller shall refund to PGandE all payments in excess of the short-run energy prices that it would have received but for this Amendment.

IN WITNESS WHEREOF, Seller and PGandE have caused this Amendment to be executed by their duly authorized representatives as of the last date set forth below.

HUMBOLDT BAY MUNICIPAL
WATER DISTRICT

PACIFIC GAS AND ELECTRIC
COMPANY

By Arthur Nelli

By Robert Haywood

TITLE: General Manager

TITLE: VICE PRESIDENT-POWER CONTRACTS

DATE SIGNED: 8-14-87

DATE SIGNED: SEPTEMBER 9, 1987

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