

1 FIRST AMENDMENT TO THE POWER PURCHASE SALES
2 AGREEMENT BETWEEN DR. RICHARD D. PFEIFFER AND DR. HAROLD
3 PFEIFFER AND PACIFIC GAS AND ELECTRIC COMPANY.

4 WHEREAS, Dr. Richard D. Pfeiffer and Dr. Harold
5 Pfeiffer ("Seller") entered into a Power Purchase Agreement
6 with Pacific Gas and Electric Company ("PGandE"), effective
7 April 9, 1982, and amended in its entirety to Standard Offer
8 No. 1, effective June 14, 1983 (the "Agreement");

9 WHEREAS, the Agreement is for the purchase of
10 energy and firm capacity from Seller's 300 kilowatt
11 cogeneration facility located at Kosk Creek, near Big Bend,
12 Shasta County, California (the "Facility");

13 WHEREAS, the Facility began commercial operation
14 on November 11, 1983 and has since regularly produced power
15 for sale to PGandE (except for limited forced outage and
16 scheduled maintenance periods);

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

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

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

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

5 1. ENERGY PRICE

6 Delete the sentence in Article 3 ("Purchase
7 Price"), page 6, lines 8 through 10, of the Agreement which
8 states "PGandE shall pay Seller for energy at prices equal
9 to PGandE's full short run avoided operating costs as
10 approved by the CPUC," and substitute the following:

11 "(a) From September 1, 1987 through November 11,
12 1993, PGandE shall pay Seller a fixed price of 4.0¢/kWh for
13 energy deliveries;

14 From November 12, 1993 through the remainder of
15 the term of agreement, PGandE shall pay Seller for energy
16 deliveries at ninety-five percent of the published quarterly
17 price based upon PGandE's full short-run avoided operating
18 costs as approved by the CPUC ("short-run energy prices").

19 2. TERM OF AGREEMENT

20 Amend Article 7 (Term of Agreement), page 7,
21 line 24, by deleting the phrase "terminated by Seller," and
22 substituting the phrase "November 13, 2013."

23 3. TERM OF AMENDMENT

24 (a) This Amendment shall be binding upon execu-
25 tion by PGandE's and Seller's authorized representatives and
26 remain in effect thereafter for the remainder of the term of
27 agreement specified in Article 7.

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1 (b) Except as expressly modified by this
2 Amendment, the provisions of the Agreement shall remain
3 unchanged.

4 4. REASONABLENESS REVIEW

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

10 5. CPUC APPROVAL

11 As a condition subsequent to the effectiveness of
12 this Amendment, PGandE may at its sole discretion submit
13 this Amendment to the CPUC for a determination that the
14 provisions hereof are reasonable and that PGandE acted
15 prudently in negotiating this Amendment, and Seller and
16 PGandE shall defend its reasonableness before the CPUC. If
17 the CPUC does not approve this Amendment to the satisfaction
18 of PGandE within a reasonable time after its submittal, the
19 Amendment shall be null and void, and Seller shall refund to
20 PGandE all energy payments in excess of the short-run energy
21 prices that Seller would have received but for the
22 Amendment.

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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.

DR. RICHARD D. PFEIFFER AND
DR. HAROLD PFEIFFER

PACIFIC GAS AND ELECTRIC COMPANY

BY: *Richard D. Pfeiffer*
Harold W Pfeiffer MD

BY: *PK Rosput*
Paula G. Rosput
Manager - QF Contracts

TITLE: Vice President Owners

TITLE: _____

DATE SIGNED: 4-26-88

DATE SIGNED: 5/5/88