

**JULY 31, 2001 AMENDMENT TO THE
POWER PURCHASE AGREEMENT
BETWEEN
LOFTON RANCH HYDRO
AND
PACIFIC GAS AND ELECTRIC COMPANY
(PG&E LOG NO. 13H120)**

THIS AMENDMENT ("Amendment"), dated as of July 31, 2001, is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation and Lofton Ranch Hydro ("Seller"), a 300 kw hydroelectric project. PG&E and Seller are sometimes referred to herein individually as "Party" and collectively as the "Parties."

RECITALS

A. On April 9, 1985, Seller (or Seller's predecessor, as applicable) and PG&E entered into a Power Purchase Agreement (as amended, the "PPA"), pursuant to which PG&E purchases electric power from Seller and Seller sells electric power to PG&E.

B. On April 6, 2001, PG&E filed a voluntary petition under chapter 11 of the United States Bankruptcy Code in the San Francisco Division of the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court") (*In re Pacific Gas and Electric Company*, Bankr. Case No. 01-03923).

C. On June 14, 2001, the California Public Utilities Commission (the "Commission") issued Decision ("D.") 01-06-015, which approved as "per se reasonable" certain non-standard PPA energy price modifications if such modifications were entered into before July 15, 2001 (the "Initial Deadline").

D. On July 19, 2001, Commission administrative law judge John S. Wong issued a ruling extending the Initial Deadline until the Commission rules on a petition submitted by the Independent Energy Producers Association in D.01-06-015.

E. Seller notified PG&E of its desire to modify the PPA pursuant to D.01-06-015 after the Initial Deadline.

F. PG&E is willing to agree to Seller's request to modify Seller's PPA to replace the energy pricing term subject to the terms set forth below.

AMENDMENT

In consideration of the mutual promises and covenants contained herein, PG&E and Seller agree to modify the PPA as follows:

1. **FIXED ENERGY PRICE**

Subject to satisfaction of the conditions specified in Section 2 below, beginning September 1, 2001 at 00:00 PST, the energy price term specified in the PPA (PG&E's "full short-run avoided costs" or "full short-run avoided operating costs" as the case may be) shall be replaced for the lesser of the remaining term of the PPA or five years with the applicable energy prices as specified in Attachment A, which is hereby incorporated by reference. No provision of the PPA other than the energy price term is or shall be deemed to be modified, amended, waived or otherwise affected by this Amendment. The Parties agree to reasonably cooperate and contest any challenge in any Commission proceeding that seeks to alter or modify the energy pricing terms set forth in Attachment A, including, but not limited to, any challenge to the reasonableness of PG&E having entered into this Amendment.

2. CONDITIONS ON EFFECTIVENESS OF AMENDMENT

This Amendment shall not become effective unless (1) it has been approved by the Bankruptcy Court; and (2) the Commission issues a decision, in a form satisfactory to PG&E, finding PPA amendments such as this Amendment entered into after the Initial Deadline as "per se reasonable" under the same standards as established in D.01-06-015 for PPA amendments entered into by the Initial Deadline. If both conditions (1) and (2) do not occur by September 13, 2001, this Amendment shall be deemed a nullity.

3. SIGNATURES

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives.

PACIFIC GAS AND ELECTRIC COMPANY
a California corporation

By: *Joseph C. Henri*

Name: JOSEPH C. HENRI

Title: DIRECTOR, USPM

Date: 22 August, 2001

LOFTON RANCH HYDRO
a 300 kw hydroelectric project

By: *Joseph Scott Vermilgea, TTE*

Name: Joseph Scott Vermilgea

Title: Trustee, The J. Scott & Eleanor J. Vermilgea Rev. Trust 2000

Date: August 19, 2001