

**JULY 13, 2001 AMENDMENT TO THE
POWER PURCHASE AGREEMENTS
BETWEEN
MADERA-CHOWCHILLA WATER AND POWER AUTHORITY
AND
PACIFIC GAS AND ELECTRIC COMPANY
(PG&E LOG NOS. 25H036, 25H040, 25H041, 25H042)**

THIS July 13, 2001 AMENDMENT ("Amendment") is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation and Madera-Chowchilla Water and Power Authority, a Public Agency ("Seller"). PG&E and Seller are sometimes referred to herein individually as "Party" and collectively as the "Parties."

RECITALS

- A. Seller and PG&E are Parties to four Power Purchase Agreements, effective November 16, 1984 (PG&E Log No. 25H036), July 25, 1984 (PG&E Log No. 25H040), July 25, 1984 (PG&E Log No. 25H041), and July 25, 1984 (PG&E Log No. 25H042) - (as amended, the "PPAs").
- 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 Commission issued D.01-06-015, which approved as reasonable certain non-standard PPA price modifications.
- D. Seller and PG&E now desire to enter into the PPA price modification set forth below for each of the four PPAs.

AMENDMENT

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

1. PPA AMENDMENTS

Pursuant to that certain July 13, 2001 agreement between PG&E and Madera-Chowchilla Water and Power Authority (the "July 13, 2001 Agreement"), a copy of which is attached hereto as Attachment I, Seller's PPA is hereby amended as set forth in Section 1 of the July 13, 2001 Agreement, entitled "Acceptance of the CPUC Five-Year Fixed Energy Price Option," and Attachment B of the July 13, 2001 Agreement, entitled "FIXED ENERGY PRICES FOR QUALIFYING FACILITIES UNDER D.01-06-015". No provision of the PPAs other than the energy pricing term is or shall be deemed to be modified, amended, waived or otherwise affected by this Amendment.

2. 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: _____

Title: _____

Date: _____

MADERA-CHOWCHILLA WATER AND
POWER AUTHORITY

a Public Agency

By: Carl Jayson

Title: President, Board of Directors

Date: July 13, 2001

AGREEMENT

THIS AGREEMENT, dated as of July 13, 2001 (the "Effective Date"), by and among Madera-Chowchilla Water and Power Authority ("QF") and Pacific Gas and Electric Company ("PG&E"). QF and PG&E are sometimes referred to herein as the "Parties."

WITNESSETH

WHEREAS, QF and PG&E are Parties to four power purchase agreements for PG&E's purchase of power from QF's projects identified by PG&E Log Nos. 25H036, 25H040, 25H041 and 25H042 ("PPAs");

WHEREAS, starting on February 1, 2001 (the "Initial Default Date"), PG&E failed to pay the full amount due to QF under one of the PPAs (PG&E Log No. 25H036) for deliveries of energy and capacity for the period between December 1, 2000 and April 6, 2001;

WHEREAS, the amount of payables for QF are set forth in Attachment A hereto for a total amount of forty dollars and forty-four cents (\$40.44), excluding interest thereon (the "Prepetition Payables");

WHEREAS, PG&E asserted that its failure to make certain of the Prepetition Payables was excused based on a claim of force majeure and QFs protested PG&E's assertion of such a force majeure and QFs continue to dispute such assertions of PG&E's claim of force majeure;

WHEREAS, PG&E filed a Chapter 11 bankruptcy petition pursuant to Title 11 United States Codes §§ 101 *et seq.* ("Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of California, San Francisco Division (the "Bankruptcy Court") on April 6, 2001;

WHEREAS, on June 13, 2001, the California Public Utilities Commission (the "CPUC") issued Decision No. 01-06-015 whereby Qualifying Facilities under Standard Offer Contracts with PG&E may request that their contracts be modified to replace the energy pricing term with a five-year average fixed price of 5.37 cents/kwh, as proposed in the March 23, 2001 comments of the Independent Energy Producers referred to in Decision No. 01-06-015;

WHEREAS, QF notified PG&E of its desire to modify the PPAs pursuant to CPUC Decision No. 01-06-015.

NOW THEREFORE, in consideration of the premises described above and the terms and conditions set forth below, the Parties hereby agree as follows:

1. Acceptance of the CPUC Five-Year Fixed Energy Price Option. Upon entry of a Bankruptcy Court order authorizing the assumption of the PPAs as specified in Section 2, PG&E and QF shall amend the PPAs to replace the energy price term (PG&E's "full short-run avoided costs" or "full short-run avoided operating costs," as the case may be) for the lesser of the term of

11. Expenses. Each Party shall pay its own expenses, professional fees and other costs connected with or associated with the negotiation and execution of this Agreement. In the event any Party breaches this Agreement, the breaching Party shall pay all costs and expenses (including attorneys' fees and expenses) incurred by the other Party or Parties in connection with or arising out of such breach.

12. Governing Law. This Agreement is made and entered into in the State of California, and shall in all respects be interpreted and governed under the laws of California, without regard to principles of conflicts of law.

13. Entire Agreement. This Agreement, and all attachments hereto, sets forth the entire agreement between the Parties relating to the acceptance by QF of the CPUC five-year fixed energy price option, assumption by PG&E of the PPAs and the payment of the Cure Amount and supercedes and replaces any prior understanding, correspondence, commitments or agreement, whether oral or written concerning the subject matters of this Agreement. Any modification or amendment to this Agreement must be in writing and must be signed and dated by the Parties, and must explicitly state that it is intended to be an amendment to or modification of this Agreement.

14. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Parties hereto.

15. Construction of Agreement. Counsel for the respective Parties have reviewed and participated in the drafting of this Agreement. Consequently, the principle of construction of contracts that ambiguities shall be resolved against the drafter shall not be used or applied in the interpretation of this Agreement.

16. Representations. Each Party hereby represents and warrants to each of the other Parties that (a) the execution of this Agreement has been duly authorized by all necessary corporate, shareholder and similar actions; (b) this Agreement has been duly executed and delivered and constitutes the legal valid and binding obligation of such Party, enforceable against such Party is in accordance with its terms; and (c) the execution and delivery of this Agreement and the performance by such Party of its obligations hereunder do not and will not conflict with, contravene or breach, and law, judgment, order or material contract applicable to or binding on such Party or any of its properties or assets.

17. Execution by Counterparts. This Agreement may be executed in separate counterparts, each of which when executed shall be an original, but all of which, taken together, shall constitute one and the same instrument.

18. Bankruptcy Court Approval. This Agreement is subject to Bankruptcy Court approval. If such approval has not been given by August 31, 2001, this Agreement shall be deemed a nullity.

IN WITNESS WHEREOF, this Agreement has been duly executed by or on behalf of the Madera-Chowchilla Water and Power Authority and PG&E as of the Effective Date.

Madera-Chowchilla Water and Power Authority, a Public Agency

Pacific Gas and Electric Company, a California corporation

By: Carl Jayen

By: _____

ATTACHMENT A

Legal Entity	Project Description	Dec'00 Outstanding A/R Due 01/30/01	Jan'01 Outstanding A/R Due 03/02/01	Feb'01 Outstanding A/R Due 03/30/01	Mar'01 Outstanding A/R Due 04/30/01	Apr 1-6 Outstanding A/R Due 04/17/01	Calculated Outstanding A/R at 4/6/01
Madera-Chowchilla Water & Power Authority	Log No. 25H036	\$0.00	\$40.44	\$0.00	\$0.00	\$0.00	\$40.44

Pacific Gas and Electric Company

FIXED ENERGY PRICES FOR QUALIFYING FACILITIES UNDER D. 01-06-015¹

Effective through December 31, 2001

	Starting Energy Value \$/kwh (a)	2001 TOU Hours (b)	SRAC TF Base ² (c)	2001 TOU Factor ³ (d)	2001 TOU Energy Price ⁴ \$/kwh (e) = a * d
<u>Allocation of Annual Fixed Price to Seasons:</u>					
Period A - Summer	0.053700	4,417	0.018748	0.879	0.047181
Period B - Winter	0.053700	4,343	0.023973	1.123	0.060330
Annual Average	0.053700	8,760	0.021338		0.053700
<u>Allocation of Seasonal Prices to TOU Periods:</u>					
Without Time-of-Use Metering:					
Period A - Summer					0.047181
Peak	0.047181	774		1.065	0.050248
Partial-Peak	0.047181	903		1.022	0.048219
Off-Peak	0.047181	2,003		0.985	0.046465
Super Off-Peak	0.047181	737		0.946	0.044633
Period B - Winter					
Peak	--	--		--	--
Partial-Peak	0.060330	1,612		1.032	0.062261
Off-Peak	0.060330	2,008		0.992	0.059866
Super Off-Peak	0.060330	723		0.950	0.057314

- These energy prices are derived solely for purposes of implementing the five-year fixed energy price (5.37 cents/kwh) option in CPUC Decision (D.) 01-06-015. These prices will be reallocated annually using appropriate TOU calendar hours.
- SRAC TF Base values reflect the seasonal allocation factors currently specified in PG&E's SRAC Transition Formula, as adopted by the CPUC in D.96-12-028. Seasonal values reflect the Base SRAC energy prices adopted in D.96-12-028. The annual average value shown derives from weighting the seasonal values by TOU period hours.
- TOU factors allocate the fixed annual energy price for seasons, and seasonal values for time-of-use periods. Seasonal TOU factors are derived from the ratio of the seasonal SRAC TF Base values to the average annual value shown. Intraseasonal TOU factors are as adopted in D.96-12-028 (as corrected in CPUC D.97-01-027). Off-peak period values are calculated using seasonal period hours for the applicable year, per the following:

Period A (May 1 - October 31)	Period B (November 1 - April 30)
[Total Summer hours - (1.065 * Summer Peak hours) - (1.022 * Summer Partial Peak hours) - (0.946 * Summer Super Off-Peak hours)] / Summer Off-Peak hours	[Total Winter hours - (1.032 * Winter Partial-Peak hours) - (0.950 * Winter Super Off-Peak hours)] / Winter Off-Peak hours.

- TOU energy price is the product of the starting energy value and the TOU factor. Energy prices shown do not include applicable line loss adjustments. Line loss adjustments will be determined in accordance with CPUC D.01-01-007.