

**FIRST AMENDMENT  
TO  
POWER PURCHASE AGREEMENT**

*(Rio Bravo Rocklin; Log No. 15P028)*

THIS FIRST AMENDMENT TO POWER PURCHASE AGREEMENT (the "First Amendment") is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation, and RIO BRAVO ROCKLIN ("Seller"), a California general partnership composed of ULTRAPOWER ROCKLIN, L.P., a California limited partnership; ROCKLIN POWER INVESTORS L.P., a California limited partnership; CD ROCKLIN I, INC., a Maryland corporation and subsidiary of Constellation Investments, Inc., a Maryland corporation; CD ROCKLIN II, INC., a Maryland corporation and subsidiary of Constellation Investments, Inc., a Maryland corporation; and CD ROCKLIN III, INC., a Maryland corporation and subsidiary of Constellation Investments, Inc., a Maryland corporation. Seller and PG&E are sometimes referred to herein collectively as the "parties" and individually as "party."

RECITALS

A. There is a Long-Term Energy and Capacity Power Purchase Agreement, signed by PG&E on December 12, 1984, and by Ultrapower, Incorporated, on October 30, 1984 (the "Agreement"), for the 25,000 kW biomass facility located near the intersection of Athens Avenue and Industrial Boulevard in Rocklin, California (the "Facility").

B. The Agreement has been assigned to Ultrapower-Rocklin, which subsequently changed its name to Rio Bravo Rocklin.

C. PG&E and Seller have negotiated a mutually beneficial suspension of Seller's right to deliver power under the Agreement and PG&E's obligation to accept and pay for that power.

D. In consideration of Seller's agreement to suspend power deliveries during the Suspension Period, PG&E has agreed to pay Seller payments with respect to the Suspension Period (as provided in the schedule in Exhibit 1 attached hereto), subject to the contingency that PG&E may, under certain circumstances, elect to purchase energy and capacity from the Facility instead of making such payments.

E. PG&E has reviewed the operating history of the Facility and believes that, in the absence of this First Amendment, it is probable that the Facility would have continued to operate under the Agreement at least through the end of the fixed price period.

F. In D.93-01-048 and related decisions to date, the CPUC has encouraged utilities to seek ratepayer savings by negotiating amendments to power purchase agreements, particularly interim Standard Offer No. 4 agreements such as that held by Seller,

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G. PG&E wishes to enter into this First Amendment because it believes that this First Amendment will produce savings for its rate payers compared to the continued operation of the Facility under the Agreement during the fixed price period.

H. The CPUC's Division of Ratepayer Advocates (DRA) has reviewed the terms of this First Amendment before it was executed by the parties.

I. DRA has delivered a letter to PG&E stating that DRA believes the terms of the First Amendment are reasonable and prudent and that payments to Seller hereunder should be recoverable in rates at the time such payments are made and should be treated the same as other QF costs pursuant to the CPUC's Electric Industry Restructuring OIR/OII.

### AGREEMENT

IN CONSIDERATION OF THE MUTUAL promises and obligations stated herein, Seller and PG&E hereby agree as follows:

1. DEFINITIONS AND EXHIBITS

1.1 Amend the reference to PG&E on page 3, lines 10-11 of the Agreement to read: "PACIFIC GAS AND ELECTRIC COMPANY ('PG&E' or 'PGandE')."

1.2 All underlined terms shall have the meaning stated in Section A-1 DEFINITIONS, Appendix A, pages A-2 through A-7 of the Agreement, except as expressly amended by this First Amendment.

1.3 Amend the Agreement by attaching the following four Exhibits to the Agreement following page F-4 of the Agreement:

Exhibit 1, "Payment Schedule for Rio Bravo Rocklin";

Exhibit 2, "Restart Milestones";

Exhibit 3, "Irrevocable Letter of Credit"; and

Exhibit 4, the Bridging Agreement between Pacific Gas And Electric Company and Rio Bravo Rocklin.

Exhibits 1, 2, 3, and 4 are attached to this First Amendment and incorporated herein by this reference.

1.4 Amend Section A-1 DEFINITIONS, APPENDIX A, of the Agreement as follows:

1.4.1 Insert the following new terms and their definitions on page A-2, line 18:

As-delivered capacity price -- PG&E's published price for as-delivered capacity, as authorized from time to time by the CPUC.

Bridging Agreement -- The Bridging Agreement between Pacific Gas And Electric Company and Rio Bravo Rocklin, attached as Exhibit 4.

1.4.2 Insert the following new term and its definition on page A-4, line 4:

First Amendment -- The First Amendment To Power Purchase Agreement, by and between Pacific Gas And Electric Company and Rio Bravo Rocklin.

1.4.3 Insert the following new term and its definition on page A-6, line 3:

Restart Milestones -- The activities identified in Exhibit 2, which demonstrate Seller's ability to resume deliveries from the Facility to PG&E at the end of the Suspension Period.

1.4.4 Insert the following new terms and their definitions on page A-7,  
line 3:

Suspension Period -- Pursuant to Article 13, the period of time beginning on the effective date of the First Amendment and ending on June 9, 1999, the end of the fixed price period.

Suspension Period Payments -- Pursuant to Article 13 and Exhibit 1, payments due to Seller in consideration of the suspension of energy and capacity sales to PG&E during the Suspension Period.

## 2. NOTICE ADDRESSES

Delete ARTICLE 9 NOTICES from page 12 of the Agreement. Replace it with the following:

### ARTICLE 9 NOTICES

All written notices shall be directed as follows. Each party agrees to use reasonable efforts to direct multiple copies to the addressees specified by the other party; provided, however, that a notice shall be effective as long as it is delivered to the first addressee on the appropriate list. Failure to deliver notice to additional addressees on the party's list shall not cause a notice to be ineffective.

To PG&E: Mr. Richard A. Layne  
Director, Power Finance Department, B13D  
Pacific Gas and Electric Company  
77 Beale St., Room 1311  
P.O.Box 770000  
San Francisco, CA 94177

With a copy to:

Mr. Bernard Speckman  
Manager, Power Contracts Department, B23C  
Pacific Gas and Electric Company  
77 Beale St., Room 2395  
P.O.Box 770000  
San Francisco, CA 94177


To Seller: C/o Rocklin Power Investors L.P. and  
Ultrapower Rocklin L.P.  
Attn: President  
8480 Orchard Road  
Suite 4000  
Englewood, CO 80111

and

C/o CD Rocklin II, Inc.  
Attn: President  
250 West Pratt Street  
20th Floor  
Baltimore, MD 21201

With a copy to:

Rio Bravo Rocklin

  
2010 Main Street  
Suite 470  
Irvine, CA 92714

3. SUSPENSION OF POWER SALES

3.1 The parties shall execute the Bridging Agreement no later than the date of this First Amendment.

3.2 Add the following new provision to the Agreement on page 14, line 3:

ARTICLE 13

SUSPENSION PERIOD

A. During the Suspension Period, Seller shall have no right to deliver energy or capacity to PG&E under this Agreement, and PG&E shall have no obligation to accept or pay for Seller's energy or capacity, except as otherwise provided below.

B. POWER SALES DURING SUSPENSION PERIOD

- (1) During the Suspension Period, Seller may, at its option, either shut down the Facility or operate the Facility and sell some or all of its generation. Seller hereby waives any right under the Public Utility Regulatory Policies Act of 1978 (PURPA), California law, the decisions and orders of the CPUC, or otherwise to require PG&E to purchase energy or capacity from the Facility during the Suspension Period. Seller and PG&E may negotiate terms for a sale of the Facility's energy or capacity to PG&E; provided that Seller waives any right to require PG&E to purchase such energy or capacity pursuant to standard terms and conditions authorized by the CPUC, including the power purchase agreement known as Uniform Standard Offer No. 1.
- (2) Seller shall not sell energy or capacity from the Facility to a third party unless Seller has first given PG&E the opportunity to purchase the energy or capacity from the Facility in accordance with paragraph (a) below. If the energy or capacity is to be sold in several blocks or increments, PG&E shall have the opportunity to purchase each such increment.
  - (a) Seller shall notify PG&E in writing of the basic terms (including price, quantity, and timing of deliveries) at which Seller is willing to sell energy or capacity from the Facility from time to time. Within 30 days, PG&E shall notify Seller whether or not it wishes to purchase such energy or capacity from the Facility on these terms. If PG&E fails to respond to Seller within 30 days, it shall be deemed to have waived its right to purchase the energy or capacity offered by Seller, provided PG&E actually received Seller's notice.
  - (b) Seller shall not sell energy or capacity to any third party on terms more favorable than those offered to PG&E. Upon PG&E's request, Seller shall provide PG&E a summary of the basic terms (including price, quantity, and timing of deliveries) upon which it has agreed to sell energy or capacity to a third party. An officer of Seller shall certify the summary of terms, and it shall be furnished to PG&E pursuant to a mutually acceptable confidentiality agreement.

(3) During the Suspension Period, PG&E shall have the right to require Seller to resume deliveries from the Facility in accordance with this provision.

(a) Each January during the Suspension Period, PG&E's average full short-run avoided operating costs published by PG&E in that month will be compared with the applicable annual average Forecasted Energy Prices in Appendix B, Table B-1 of this Agreement. If such full short-run avoided operating costs exceed such Table B-1 prices, then PG&E shall have the right to require Seller to resume deliveries from the Facility. To exercise this right, PG&E shall provide written notice to Seller by the tenth business day following the publication of such full short-run avoided operating costs. Seller shall resume deliveries in accordance with the Agreement on April 1 of the same year and continue through March 31 of the next year (a "Resumption Year"); provided however, that a Resumption Year, if any, in 1999 shall end on June 9, 1999.

(b) The terms of the Agreement shall apply to deliveries from the Facility during a Resumption Year; provided, however, that the energy price shall be reduced to 90% of the otherwise applicable prices in Table B-1. No Suspension Period Payments shall be due Seller during a Resumption Year. The total amount of Suspension Period Payments that would otherwise be due Seller hereunder shall be reduced by the amount of Suspension Period Payments that would have been due during each Resumption Year.

### C. SUSPENSION PERIOD PAYMENTS

(1) In consideration of the suspension of energy and capacity sales under the Agreement during the Suspension Period, PG&E shall make Suspension Period Payments in accordance with the schedule in Exhibit 1, subject to adjustment in accordance with Section C (2) below and Section B (3) above. The first Suspension Period Payment shall be due 15 (fifteen) days after the effective date of the First Amendment, with payments quarterly thereafter in accordance with Exhibit 1.



- (2) In addition, the first Suspension Period Payment shall be reduced as described in the Bridging Agreement to reflect Bridge Curtailment Credits and Bridge Curtailment Payments (both as defined in the Bridging Agreement), so that the sum of Bridging Curtailment Credits, Bridge Curtailment Payments, and Suspension Period Payments through December 31, 1994, equals a present value of \$5,431,523 (five million, four hundred thirty-one thousand, five hundred twenty-three dollars, calculated as of July 15, 1994, at a 9% discount rate).

D. NOTICE OF POSSIBLE DELAY

- (1) Seller shall deliver written notice to PG&E of any event which may reasonably be expected to adversely affect the Facility's ability to return to service under the terms of the Agreement at the end of the Suspension Period, as described below.

(a) Seller shall deliver written notice to PG&E at least 30 (thirty) days before entering into a transaction that may reasonably be expected to adversely affect the Facility's ability to return to service. Such transactions include, but are not limited to, sale of the Facility or its equipment, and energy or capacity sales or other commitments that extend beyond the end of the Suspension Period.

(b) Seller shall deliver written notice to PG&E within 14 (fourteen) days of the occurrence of any event which may reasonably be expected to adversely affect the Facility's ability to return to service, including, but not limited to, material changes to permits and destruction of or significant damage to the Facility.

E. RESTART MILESTONES

- (1) By June 9, 1998, and again by December 9, 1998 (respectively, twelve and six months before the end of the Suspension Period), Seller shall submit to PG&E documentation of its compliance with each of the Restart Milestones specified in Exhibit 2. Additionally, following the December 9, 1998, submittal, Seller shall monthly provide detailed reports documenting progress toward start-up. The purpose of this documentation is to demonstrate to PG&E's satisfaction that the Facility can resume deliveries to PG&E under the Agreement at the end of the Suspension Period.

- (2) PG&E employees or consultants may make one or more site visits to the Facility during the final 12 (twelve) months of the Suspension Period to monitor progress. The visit(s) shall be on mutually agreed upon dates, and Seller shall provide PG&E reasonable access to the Facility.
- (3) At the end of the Suspension Period, Seller shall resume deliveries to PG&E under the terms of the Agreement.

#### F. SECURITY

- (1) PG&E shall deliver written notice to Seller if PG&E is not reasonably satisfied that Seller has complied with any one or more Restart Milestones by the due date(s) specified in Exhibit 2, or if, at any point during the final six (6) months of the Suspension Period, PG&E is not reasonably satisfied, after consultation with Seller, that Seller can meet the start-up schedule. Within 15 (fifteen) days of PG&E's notice, Seller shall deliver to PG&E an irrevocable letter of credit (LOC) payable to PG&E in the amount of \$4,965,571 (four million, nine hundred sixty five thousand, five hundred seventy one dollars), as security for a portion of the total Minimum Damages calculated as of July 15, 1994, pursuant to section E-11, Appendix E, of the Agreement. Such LOC shall be substantially in the form of Exhibit 3 and issued by a bank acceptable to PG&E. The parties may also agree on an alternative form of security.
- (2) If any of the following events occurs, the LOC shall thereupon be released: (a) Seller successfully completes all Restart Milestones (including Milestone V, the One-Day Demonstration Test) no later than November 9, 1999, (b) Seller successfully completes the firm capacity performance requirements in accordance with Section E-2, Appendix E of the Agreement during the next peak period (year 2000) following resumption of deliveries under the Agreement, or (c) Seller successfully completes the firm capacity performance requirements in accordance with Section E-2, Appendix E of the Agreement during the next peak period (year 2001) following resumption of deliveries under the Agreement.

(3) If the firm capacity of the Facility is derated or Seller terminates the Agreement before the full term of the Agreement, Seller shall be subject to the Minimum Damages provisions of Section E-11, Appendix E, of the Agreement. If Seller posted an LOC, PG&E may draw on that LOC toward payment of any Minimum Damages owed by Seller under the Agreement.

(4) Minimum Damages Calculation

(a) For purposes of determining the amount due under Section E-11, Minimum Damages, of the Agreement, up to and including June 9, 1999, total Minimum Damages payable to PG&E shall be equal to \$7,033,501 (seven million, thirty-three thousand, five hundred one dollars).

(b) For purposes of determining the amount due under Section E-11, Minimum Damages, of the Agreement, June 10, 1999, and beyond, the amount of firm capacity payments which shall be deemed to have been paid Seller during each month of each year of the Suspension Period are as follows (nominal dollars):

January	zero
February	zero
March	zero
April	zero
May	\$101,500
June	\$101,500
July	\$101,500
August	\$101,500
September	\$101,500
October	\$101,500
November	zero
December	zero

The total firm capacity payments which PG&E would have paid based on the period of Seller's actual performance shall be calculated as the above payments multiplied by the ratio of the adjusted firm capacity price to the firm capacity price (\$184/kW-yr.).

#### 4. SELLER'S REPRESENTATION

Seller hereby warrants and represents to PG&E, and this agreement is made in reliance on, the following, each of which is deemed to be a separate warranty and representation:

4.1 But for this First Amendment, Seller would have continued to operate the Facility under the Agreement for at least the remainder of the fixed price period. Seller is not aware of anything that would prevent it from continuing to so operate the Facility.

4.2 As of the last date Seller executes this First Amendment, there are no actions, suits, or proceedings pending or threatened against Seller in any court or before any administrative agency arising out of or relating to this First Amendment, including the shutdown of the Facility pursuant to this First Amendment.

4.3 Seller has not, by assignment, contract, or otherwise, created a right in any third party with respect to the Agreement or this First Amendment, except for the following: certain assignments for security in connection with financing of the Facility to Bank of America NT&SA (successor by merger to Security Pacific National Bank), Pacific Funding Trust A, and United States Trust Company of New York (collectively, "Banks"). PG&E consented to the foregoing assignments in that certain Consent to Assignment and Agreement dated June 3, 1987, by and among PG&E, Seller, and Banks.

## 5. PAYMENT ALLOCATION

5.1 The Suspension Period Payments to be made hereunder by PG&E are in consideration of Seller's overall agreement to suspend energy and capacity sales during the Suspension Period and are not attributable to any other right, matter, issue or claim. Each Suspension Period Payment is further agreed to be in consideration of the suspension of deliveries for the time period since the due date of the immediately preceding Suspension Period Payment, except in the case of the first Suspension Period Payment, which is agreed to be in consideration for all deliveries suspended through the due date of such first payment.

5.2 Seller shall include each Suspension Period Payment in its gross income for tax purposes no later than the taxable year in which it receives such payment and shall not treat any Suspension Period Payment as attributable to future energy or capacity deliveries either as an option, pre-payment, or otherwise.

## 6. REGULATORY REVIEW

PG&E and Seller shall support the reasonableness of this First Amendment, and the Agreement as amended, before any government authority of competent jurisdiction in a proceeding involving a review of the First Amendment or the amended Agreement for purposes of allowance or disallowance in rates charged by PG&E. Seller shall use reasonable efforts to comply with requests for information, provided that Seller is not required to

disclose its confidential information except under a mutually acceptable confidentiality agreement. Each party shall bear its own costs and expenses associated with such review.

## 7. MISCELLANEOUS

### 7.1 Choice of Laws

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

### 7.2 Modification

This First Amendment may be amended or modified only by a written instrument signed by the authorized representatives of both the parties.

### 7.3 Captions

Captions are included herein for ease of reference only. The captions are not intended to affect the meaning of the contents or scope of this First Amendment.

### 7.4 Effect on Agreement

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

### 7.5 Non-waiver

Failure by either party to enforce any right or obligation with respect to any matter arising in connection with this First Amendment shall not constitute a waiver as to that matter or any other matter.

#### 7.6 Severability

Each provision of this First Amendment shall be interpreted so as to be valid and enforceable under applicable law. If any term or provision in this First Amendment shall be held invalid or unenforceable, that provision shall be ineffective only to the extent of such invalidity or unenforceability, without thereby invalidating the remainder of that provision or any other provision in this First Amendment.

#### 7.7 Interpretation

This First Amendment is the result of negotiation. No provision of this First Amendment shall be interpreted for or against either party because that party or its attorney drafted the provision.

#### 7.8 No Third Party Beneficiaries

This First Amendment is entered into for the express benefit of the parties. This First Amendment is not intended, and shall not be deemed, to create any rights or interests whatsoever in any other person, including without limitation, any right to enforce the terms of this First Amendment.

#### 7.9 Additional Actions

From time to time, each party shall, without further consideration, execute and deliver such additional documents and instruments and shall take such other actions as reasonably may be requested by the other party to effect and carry out the transactions contemplated by this First Amendment.

7.10 Timing

Unless otherwise stated, all references in this First Amendment to "days" shall be to calendar days.

7.11 Entire Agreement

This First Amendment is intended as a final, complete, and exclusive statement of the Agreement between the parties with respect to the terms of this First Amendment. This First Amendment, together with the Bridging Agreement, integrates and supersedes all previous negotiations, correspondence, understandings and agreements between the parties with respect to the subject matter thereof.

7.12 Counterparts

This First Amendment may be signed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties have caused this First Amendment to be executed by their authorized representatives, and it is effective as of the latest signature date set forth below:

PACIFIC GAS AND ELECTRIC COMPANY  
A California corporation

By: Robert J. Haywood

Name: Robert J. Haywood

Title: Vice President - Power System

Date Signed: Oct 31 1994

Approved as to Form

VMW  
Attorney

RIO BRAVO ROCKLIN  
A California general partnership

By: ULTRAPOWER ROCKLIN, L.P.  
A California limited partnership

By its General Partner:

ULTRAPOWER 10 INCORPORATED  
a California corporation

By: T. A. Williams

Name: TAUL A. WILLIAMS

Title: VICE PRESIDENT

Date Signed: OCT 28 1994

[Signatures continued on next page]

RIO BRAVO ROCKLIN  
A California general partnership

By: ROCKLIN POWER INVESTORS L.P.  
A California limited partnership

By Its General Partner:  
ULTRAPOWER PLACER INCORPORATED  
A California corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_ 1994

RIO BRAVO ROCKLIN  
A California general partnership

By: CD ROCKLIN I, INC.  
A Maryland corporation

By:  \_\_\_\_\_

Name: Charles H. Linthicum \_\_\_\_\_

Title: Vice President \_\_\_\_\_

Date Signed: October 31 \_\_\_\_\_ 1994

[Signatures continued on next page]

RIO BRAVO ROCKLIN  
A California general partnership

By: CD ROCKLIN II, INC.  
A Maryland corporation

By: 

Name: Charles H. Linthicum

Title: Vice President

Date Signed: October 31, 1994

RIO BRAVO ROCKLIN  
A California general partnership

By: CD ROCKLIN III, INC.  
A Maryland corporation

By: 

Name: Charles H. Linthicum

Title: Vice President

Date Signed: October 31 1994

EXHIBIT 1

PAYMENT SCHEDULE FOR  
RIO BRAVO ROCKLIN

ROCKLIN

Payment date	Total Fresno	Year's Total
9/30/94	3,262,000.00	
12/31/94	2,319,000.00	5,581,000.00
3/31/95	3,000,000.00	
6/30/95	3,000,000.00	
9/30/95	3,000,000.00	
12/31/95	3,500,000.00	12,500,000.00
3/31/96	3,500,000.00	
6/30/96	3,750,000.00	
9/30/96	3,500,000.00	
12/31/96	3,810,000.00	14,310,000.00
3/31/97	4,000,000.00	
6/30/97	4,000,000.00	
9/30/97	4,000,000.00	
12/31/97	4,000,000.00	16,000,000.00
3/31/98	4,000,000.00	
6/30/98	4,000,000.00	
9/30/98	4,000,000.00	
12/31/98	4,000,000.00	16,000,000.00
3/31/99	2,750,000.00	
6/30/99	2,750,000.00	5,500,000.00
<b>Total</b>		<b>\$69,891,000.00</b>

Exhibit 2

**RESTART MILESTONES**

A. Seller shall meet each of the following milestones no later than December 9, 1998:

1. Facility Operation: Seller shall submit a detailed, reasonable milestone schedule identifying the functional equipment and systems requiring recommissioning, pre-operational testing and start-up, and the schedule for the expected processes, procedures, testing and plans illustrating start-up on or before the end of the Suspension Period. This detailed schedule shall include, but not be limited to, specific milestone dates for each of the following:
  - a) hydrostatic test of the boiler;
  - b) completion of pre-operational tests for each major plant system;
  - c) completion of a trial run for fuel handling equipment;
  - d) initial firing of the furnace with main fuel;
  - e) steam blow or acid wash of the boiler;
  - f) initial turbine roll; and
  - g) electrical system parallel to PG&E's system.

2. Permit documentation: Seller shall demonstrate that all permits and certifications necessary for start-up of the Facility are or will be current and in effect at the time of start-up.
  3. Facility Staffing: Seller shall demonstrate that it has hired at least one staff person to supervise start-up activities at the Facility and that the staff is actively engaged in this duty. Seller shall also submit a staffing plan and schedule that identifies key positions and planned hire dates so that necessary staff will be in place to assure timely testing, start-up and sustainable operation of the Facility.
  4. Fuel Procurement: Seller shall provide a fuel procurement plan and schedule supporting the Facility operation plan.
- B. During the final six (6) months of the Suspension Period (from December 9, 1998 to June 9, 1999), Seller shall provide monthly reports detailing progress in adherence to: (1) the Facility operation plan (item A1 above); (2) the permit documentation (item A2 above); (3) Facility staffing plan (item A3 above); and (4) fuel procurement plan (item A4 above). Seller shall deliver the reports to PG&E by the first business day of each month, beginning with January 1999.
- C. By June 9, 1999, Seller shall complete a one-day demonstration test of Facility operation. During this test, the Facility shall operate continuously for twenty-four (24) hours at no less than an average of 22,000 kW net output while all features and equipment of the Facility are simultaneously and continuously operating at normal operating levels and conditions.

1. If the one-day demonstration test occurs before the end of the Suspension Period, payment for energy delivered to PG&E during the one-day demonstration test shall be at nonfirm, economy energy prices, and payment for capacity shall be at PG&E's as-delivered capacity price. "Nonfirm, economy energy prices" shall be defined as the lesser of the following on the day of the test:
  - (1) the price PG&E paid for energy, on an as-available basis, from third party suppliers, or
  - (2) the cost of incremental energy from PG&E's own generation resources.
  
2. If the one-day demonstration test does not occur until after the end of the Suspension Period, Seller shall be paid in accordance with the Agreement for energy and capacity delivered during the test.

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Exhibit 3

IRREVOCABLE LETTER OF CREDIT

Date:

Reference Number:

Issuer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Account Party:

Rio Bravo Rocklin

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Beneficiary:

Pacific Gas and Electric Company  
77 Beale Street  
San Francisco, CA 94106  
Attention: Manager  
Power Contracts

Issuer hereby establishes an Irrevocable Letter of Credit in favor of Beneficiary for any sum or sums up to the aggregate of Four Million, Nine Hundred Sixty-Five Thousand, Five Hundred Seventy-One Dollars (\$4,965,571.00).

Issuer agrees to make payment to Beneficiary upon presentation of a Drawing Certificate in substantially the form attached hereto, if such Drawing Certificate is presented on or before the expiration date of this Irrevocable Letter of Credit.

This Irrevocable Letter of Credit shall be released upon notice from PG&E in accordance with its agreement with Account Party. This Irrevocable Letter of Credit shall expire on \_\_\_\_\_, 19\_\_, provided that it shall be automatically renewed for a period of one (1) year from the present or any future expiration date, unless forty five (45) days prior to any such expiration date, Issuer notifies Beneficiary of Issuer's election not to renew this Irrevocable Letter of Credit. Such notice shall be sent to Beneficiary, United States registered or certified mail, return receipt requested, at Beneficiary's address indicated above.

Issuer's charges and fees shall be the responsibility of the Account Party.



This Irrevocable Letter of Credit is not transferrable or assignable, nor shall it be amended or modified without the express written consent of Beneficiary.

This Irrevocable Letter of Credit shall be governed by and subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce, Publication No. 500, as amended and restated from time to time, and the laws of the State of California, including without limitation the Uniform Commercial Code in effect in such state. In case of conflict between the foregoing, the laws of the State of California shall prevail.

Issuer

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[PG&E Letterhead]

DRAWING CERTIFICATE

\_\_\_\_\_ Bank  
\_\_\_\_\_ Bank Address

SUBJECT: Irrevocable Letter of Credit  
Reference Number: \_\_\_\_\_

Pacific Gas and Electric Company ("Beneficiary") hereby demands payment of \_\_\_\_\_ Dollars (\$\_\_\_\_\_). The Beneficiary states and certifies to \_\_\_\_\_ (Bank Name) ("Bank"), with reference to its presentation of this Drawing Certificate under the Irrevocable Letter of Credit No. \_\_\_\_\_ issued by Bank in favor of the Beneficiary, that:

Demand for payment under the Irrevocable Letter of Credit is being made in accordance with the First Amendment to Power Purchase Agreement, by and between PG&E and Rio Bravo Rocklin, and is being made on or prior to the expiration of the Irrevocable Letter of Credit.

The undersigned is authorized to execute and deliver this Drawing Certificate on behalf of the Beneficiary and to cause the Beneficiary to draw upon the Irrevocable Letter of Credit.

Sincerely,

PACIFIC GAS AND ELECTRIC COMPANY

\_\_\_\_\_  
(Authorized Representative)