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2 SECOND AMENDMENT
3 TO THE
4 POWER PURCHASE AGREEMENT
5 FOR THE
6 LONG-TERM ENERGY AND CAPACITY
7 POWER PURCHASE AGREEMENT
8 BETWEEN
9 THERMAL ENERGY DEVELOPMENT
10 AND
11 PACIFIC GAS AND ELECTRIC COMPANY
12
13

14 THIS SECOND AMENDMENT (this "Second Amendment") is by and between
15 Thermal Energy Development Corporation ("TEDCo") and Pacific Gas and
16 Electric Company ("PG&E").
17

18 RECITALS
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20 A. TEDCo and PG&E are parties to an Interim Standard Offer
21 Number Four ("S04") Power Purchase Agreement, (the "S04 PPA") for the
22 Facility described in Article 3 of the S04 PPA;
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24 B. Pursuant to Article 12 of the S04 PPA, the S04 PPA shall
25 terminate "if energy deliveries do not start within five years of the
26 execution date" (such fifth anniversary of the execution date
27 hereinafter sometimes referred to as the "Five-Year Deadline");
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2 C. Both PG&E and TEDCo seek to negotiate a mutually beneficial
3 deferral of the Facility without such negotiations disturbing the
4 obligations of either or both of TEDCo and PG&E under the S04 PPA,
5 including but not limited to ability to make energy deliveries by the
6 Five-Year Deadline; and

7
8 D. PG&E and TEDCo desire to amend the S04 PPA so as
9 to extend the Five-Year Deadline of the S04 PPA by the time spent
10 negotiating such deferral of the Facility.

11
12 AGREEMENT

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14 NOW, THEREFORE, in consideration of the promises and mutual
15 agreements contained herein, and for other valuable consideration, the
16 receipt and adequacy of which is hereby acknowledged, the parties
17 hereto hereby agree as follows:

18
19 1. SECTION A-1 DEFINITIONS

20
21 Amend Section A-1, Appendix A, pages A-2 to A-7, as follows:

22
23 1.1 Add the following new definition:

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25 Deferral negotiation period - The period corresponding to the
26 number of calendar days between the date this Second Amendment to the
27 S04 PPA is executed and the date either party, at its sole discretion,
28 notifies the other, in accordance with Paragraph 3 below, below, that the

1 negotiations contemplated by this Second Amendment are terminated.

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3
4 1.2 Add the following new definition of:

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6 Adjusted April 16, 1990 Date - The calendar date computed by
7 adding the number of calendar days in the Deferral Negotiation Period
8 to April 16, 1990. Thus, if the Deferral Negotiation Period were 30
9 days, the Adjusted April 16, 1990 Date would be May 16, 1990.

10
11 1.3 Add the following new definition:

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13 Adjusted June 25, 1990 Date - The calendar date computed by
14 adding the number of calendar days in the Deferral Negotiation Period
15 to June 25, 1990. Thus, if the Deferral Negotiation Period were 30
16 days, the Adjusted June 25, 1990 Date would be July 25, 1990.

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18 1.4 Delete the definition of "fixed price period" which appears
19 at page A-4 on lines 5-12, and substitute the following new
20 definition:

21
22 Fixed price period - The period during which forecasted or
23 levelized energy prices and/or forecasted as-delivered capacity
24 prices are in effect; defined as the first five years of the term of
25 agreement if the term of agreement is 15 or 16 years; the first six
26 years of the term of agreement if the term of agreement is 17, 18, or
27 19 years; or the first ten years of the term of agreement if the term
28 of agreement is anywhere from 20 through 30 years; provided however,

1
2 that should initial energy deliveries start after the Adjusted April
3 16, 1990 Date, then the fixed price period shall begin on the date of
4 initial deliveries, but shall be reduced by the number of calendar
5 days between the Adjusted April 16, 1990 Date and the date of initial
6 energy deliveries.

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8 2. ARTICLE 12 TERM OF AGREEMENT

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10 Article 12 of the S04 PPA, on page 14, lines 3 through 7, is
11 hereby amended to read as follows:

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13 This Agreement shall be binding upon execution and remain in
14 effect thereafter for 30 years from the firm capacity availability
15 date; provided, however, that it shall terminate if energy deliveries
16 from the Facility do not start on or before the Adjusted June 25, 1990
17 Date.

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19 3. NOTICE

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21 All notices required or permitted hereunder shall be made in
22 writing and shall be given by hand, by telex, telecopy, facsimile, or
23 other electronic mail, by courier or other delivery service, or
24 mailed, postage prepaid, certified or registered mail and addressed to
25 TEDCo at:

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Thermal Energy Development Corporation
New York Life Insurance Building
501 West Weber Avenue, Suite 104A
Stockton, CA 94203

Telefax (209) 463-3497
Attn: Tim Hoblitzell

or to PG&E at:

Pacific Gas and Electric Company
77 Beale Street, Room 2319
San Francisco, CA 94106

Telefax (415) 972-2918
Attn: Paula G. Rosput

All notices, other than mailed notices, shall be effective 24 hours from the time they are sent. Mailed notices shall be effective 3 days after the day they are sent. The sender shall have the burden of proving that it sent notice and the date on which it was sent.

4. EFFECT ON AGREEMENT

Except as expressly modified by this Second Amendment, the provisions of the S04 PPA as amended by the First Amendment shall

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remain unchanged.

5. ENTIRE AGREEMENT; MODIFICATION

This Second Amendment constitutes the entire agreement of the Parties with respect to the subject-matter thereof and supersedes any and all prior negotiations, correspondence, understanding and agreements between the Parties respecting the subject-matter thereof. This Second Amendment may be further amended or modified only by a written instrument signed by the Parties hereto.

6. REASONABLENESS

PG&E and Seller shall support the reasonableness of the Second Amendment before any government authority of competent jurisdiction in a proceeding involving a review of the Second Amendment, or the S04 PPA as amended, for the purposes of allowance or disallowance in rates charged by PG&E.

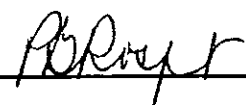
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IN WITNESS WHEREOF, Seller and PG&E hereto have caused this
Second Amendment to be executed by their duly authorized
representatives and it is effective as of the last date set forth
below.

THERMAL ENERGY DEVELOPMENT CORP.

PACIFIC GAS AND ELECTRIC COMPANY

By: 

By: 

Tim Hoblitzell

Paula G. Rosput

Title: President

Title: Manager, QF Contracts

Date Signed: 5/31/88

Date Signed: 5/27/88 WA