

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION B
BETWEEN
Oakdale Irrigation District and South San Joaquin Irrigation District
and Pacific Gas and Electric Company**

This confirmation letter dated as of this December 29, 2004 ("Confirmation") confirms the Transaction between Oakdale Irrigation District and South San Joaquin Irrigation District (collectively, "Seller" or "Tri-Dam") and Pacific Gas and Electric Company ("Buyer" or "PG&E") regarding the Transaction in accordance with and subject to the terms and provisions of the Master Power Purchase & Sale Agreement ("Master Agreement") of even date herewith. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

1. Product; Unit(s). PG&E agrees to buy and receive and Tri-Dam agrees to sell and deliver all of the products associated with the generation output, including without limitation Energy, capacity ("Capacity"), related ancillary services defined by the California Independent System Operator ("CAISO") ("Ancillary Services") (collectively, "Product") produced by the Tri-Dam System. The "Tri-Dam System" (or "System") consists of and means:

(1) Federal Energy Regulatory Commission ("FERC") Project 2005 which includes: (1) the Donnell's Dam & Reservoir, Donnell's Powerhouse ("Donnell's PH") and all improvements and enhancements thereto (collectively "Donnell's"), and (2) the Beardsley Dam and Reservoir, Beardsley Powerhouse ("Beardsley PH"), Beardsley Afterbay, and all improvements and enhancements thereto (collectively "Beardsley"); and

(2) FERC Project 2067 which includes the Tulloch Dam and Reservoir, the Tulloch Powerhouse ("Tulloch PH"), and all improvements and enhancements thereto (collectively "Tulloch").

2. Delivery Term. Delivery shall begin if and only if PG&E has received or waived, by May 15, 2005, CPUC Approval of this Confirmation. If CPUC Approval has been received or waived by May 15, 2005, delivery under this Confirmation shall begin on October 1, 2005 and continue until December 31, 2009, unless earlier terminated in accordance with the terms hereof. Thereafter this Confirmation shall automatically renew for thirty (30) day periods unless either party shall deliver a notice of termination fifteen (15) days prior to the expiration of the initial term or any renewal term. If CPUC Approval has not been received or waived by May 15, 2005, this Confirmation shall terminate immediately and there shall be no obligation by either Party to the other under this Confirmation.

3. Point of Interconnection and Delivery Point.

3.1 Point of Interconnection. The "CAISO Point of Interconnection" in NP15 shall mean for each of Donnell's PH, Beardsley PH and Tulloch PH:

(1) For Donnell's PH, the CAISO Point of Interconnection is Switch 147 at Spring Gap Junction, located at the end of the Gen-Tie portion of PG&E's Donnell's-Curtis 115 kV Transmission Line; or

(2) For Beardsley PH, the CAISO Point of Interconnection is Switch 147 at Spring Gap Junction, located at the end of the Gen-Tie portion of PG&E's Donnell's-Curtis 115 kV Transmission Line; or

(3) For Tulloch PH, the CAISO Point of Interconnection is the interconnection of the 115 kV Tulloch Tap Line with PG&E's Bellota-Riverbank-Melones 115kV Transmission Line.

3.2 **Delivery Point.** The Delivery Point shall be NP15 as presently defined by CAISO tariffs (the "Delivery Point"),

3.3 **Delivery Point Contingencies.**

A. **New Zonal System.** If at any time during the Delivery Term the CAISO or a successor organization replaces the current NP-15 zone with one or more new zones for energy delivery, then the new delivery point for this Transaction shall be the newly established zone within which the CAISO Point of Interconnection lies (the "New Zonal Delivery Point"). Under such circumstance, the Price shall become the new Dow Jones Index price published for the New Zonal Delivery Point. If Dow Jones does not publish such a price but another index price for the New Zonal Delivery Point is published, such new index price shall become the Price. If no index price is published for the New Zonal Delivery Point, the Parties shall in good faith negotiate a price that equitably reflects the economic value of energy delivered at the New Zonal Delivery Point.

B. **New Nodal System.** If at any time during the Delivery Term the CAISO or a successor organization replaces the current NP-15 zone with a nodal system for energy delivery, then the new delivery point for this Transaction shall be the CAISO Point of Interconnection if the CAISO Point of Interconnection is designated as a node for energy delivery. If the CAISO Point of Interconnection is not so designated, the Parties shall in good faith negotiate a node as the new delivery point that most accurately reflects the transformation and transmission characteristics of the CAISO Point of Interconnection (in either case, the "New Nodal Delivery Point"). Under such circumstance, the Price shall become the price published by the CAISO (or another third party if one exists and the CAISO has not published such a price) for such New Nodal Delivery Point. If no such price is published, the Parties shall in good faith negotiate a price that equitably reflects the economic value of energy delivered at the New Nodal Delivery Point.

4. **Measurement of Delivered Energy.** All Energy sold and delivered by the Tri-Dam System to PG&E shall be measured in megawatt hours ("MWh") at the CAISO revenue meter at each PH, net of any and all transformation and transmission losses between the PH and the Delivery Point as determined by the applicable Generation Meter Multipliers ("GMM's") or any successor method to account for transmission losses established by the CAISO (or successor organization).

Tri-Dam shall allow PG&E access to meters and Meter Data Acquisition and Processing System (as defined by the CAISO) data and will list PG&E on Schedule 3 (Access to Meter Data and Authorized Users) of its agreement with the CAISO.

5. **Scheduling and Scheduling Coordinator.** PG&E shall be Tri-Dam's designated Scheduling Coordinator ("SC") (as defined by CAISO tariff). PG&E will schedule and dispatch the Tri-Dam System using Prudent Utility Practices, and Tri-Dam shall employ Prudent Utility Practices and exercise reasonable efforts to operate and maintain the System in accordance with PG&E's dispatch and schedule orders.

All generation interconnection and scheduling services shall be performed in accordance with all applicable operating policies, criteria, guidelines and tariffs of the CAISO or its successor, and any other generally accepted operational requirements. Tri-Dam, at its own expense, shall be responsible for complying with the contractual, metering and interconnection requirements as set forth in PG&E's applicable tariffs, the CAISO tariff and implementing CAISO standards and requirements, including but not limited to executing a CAISO Interconnection, Participating Generator and Meter Service agreements and PG&E Special Facilities agreements, so as to be able to deliver the Tri-Dam System's Product to the CAISO controlled grid. Tri-Dam

will exercise reasonable efforts to comply with conditions that might arise if the CAISO modifies or amends its scheduling protocols in the future.

Tri-Dam shall concurrently enter into separate contractual arrangements with PG&E for the provision of all Direct Assignment Transmission Facilities ("Gen-ties") for the Project (collectively, "Gen-tie Agreements"), under which Tri-Dam shall pay customary and reasonable fees associated with all special facilities and interconnection agreements related to these Gen-ties. The Tri-Dam System Gen-ties are as follows:

- (1) The Donnell's Gen-Tie portion, from Donnell's PH to Spring Gap Junction, (FERC 2118) of PG&E's Donnell's-Curtis 115 kV Transmission Line;
- (2) PG&E's 115 kV Beardsley Tap Line (FERC 2118) connecting Beardsley PH to PG&E's Donnell's-Curtis 115 kV Transmission Line; and
- (3) PG&E's 115 kV Tulloch Tap Line connecting Tulloch PH to PG&E's Bellota-Riverbank-Melones 115 kV Transmission Line.

Notwithstanding anything to the contrary herein, each of the Parties shall be excused from performance under this Confirmation to the extent that the Gen-Ties and any other interconnection or transmission facilities are not available to transmit power from the respective PH. Both Parties agree to use all reasonable efforts to resolve as soon as possible any Gen-Tie or any other interconnection or transmission facility problem which results in such facility(ies) not being available to transmit power from the respective PH.

6. CAISO Charges. PG&E and Tri-Dam shall cooperate to minimize CAISO delivery imbalances and any resulting fees, liabilities, assessments or similar charges assessed by the CAISO ("CAISO Charges") to the extent possible, and shall each promptly notify the other as soon as possible of any material loss of system capability (including Capacity and Ancillary Services), deviation or imbalance that is occurring or has occurred. Tri-Dam shall reimburse PG&E for any CAISO Charges incurred by PG&E as a result of Tri-Dam's loss of system capability (including Capacity and Ancillary Services), deviation or imbalance. Any such CAISO Charges reimbursable to PG&E shall be limited to the period until the commencement of the next settlement period following Tri-Dam's notification for which the delivery schedule can be adjusted.

Notwithstanding anything to the contrary herein, in the event Tri-Dam makes a change to its schedule on the actual date and time of delivery for any reason (other than an adjustment imposed by CAISO) which results in differences between the System's actual generation of Product and scheduled generation of Product (whether in part or in whole), Tri-Dam shall use reasonable efforts to notify PG&E at least one (1) hour prior to the deadline for PG&E to submit hour-ahead schedules to CAISO in its capacity as an SC. PG&E shall use its best efforts to accommodate Tri-Dam's changes and mitigate any imbalance penalties or charges levied for such changes.

Additionally, Tri-Dam shall be responsible for any "non-Performance Penalties" assessed to PG&E by the CAISO ("CAISO Penalties") and not due to any fault of PG&E, which shall include without limitation any deviation, imbalance or uninstructed energy charges or penalties payable to the CAISO that are due to the fault of Tri-Dam. To the extent that Tri-Dam materially deviates from valid dispatch orders or does not deliver its scheduled Energy or Ancillary Services (other than an adjustment imposed by the CAISO, a deviation due to any fault of PG&E, or an excused Tri-Dam failure to deliver, whether for reasons of Force Majeure or otherwise), and such departure results in CAISO Penalties being assessed to PG&E, such CAISO Penalties shall be passed on to Tri-Dam. Any such CAISO Penalties passed on to Tri-Dam shall be limited to the period until the commencement of the next settlement period following Tri-Dam's notification (as described above) for which the delivery schedule can be adjusted.

7. **RMR.** Tri-Dam shall not apply for or request RMR status during the term of this Confirmation with respect to any of the generating assets that comprise the Tri-Dam System without the consent of PG&E, which consent shall not be withheld so long as Tri-Dam agrees to assign to PG&E any and all RMR payments Tri-Dam receives from CAISO, less a reasonable amount to cover Tri-Dam's related incremental operating and maintenance costs and to account for any limitations on Tri-Dam's water usage.

8. **Coordinated Planning and Operations.** Tri-Dam and PG&E shall cooperate to develop coordinated operations schedules and forecasts. Tri-Dam shall own, operate and maintain the Tri-Dam System in accordance with Prudent Utility Practices and all FERC, environmental and other regulatory permit and license terms and conditions. Planned Outages and Maintenance Outages (both as defined below) shall be coordinated with and subject to approval by PG&E, which approval shall not be unreasonably withheld, delayed or conditioned. A Planned Outage or Maintenance Outage shall not be scheduled during On-Peak Hours (as defined below) during the months of June, July, August or September, or, unless reasonably necessary, in December. Tri-Dam shall coordinate Planned Outages and Maintenance Outages at the Donnell's PH and Beardsley PH to coincide with outages at PG&E's Spring Gap – Stanislaus Project (FERC 2130) to the extent possible. PG&E shall schedule and dispatch the Tri-Dam System based on PG&E's electrical load, capacity and/or ancillary services requirements consistent with the Dispatch Control Criteria set forth in Section 9, Prudent Utility Practices and all Tri-Dam System, FERC, and any other regulatory permit and/or license terms and conditions that are applicable to the Tri-Dam System.

Tri-Dam and PG&E shall share watershed hydrologic information and data, and jointly develop and concur on forecasts of runoff and operations schedules. Tri-Dam and PG&E shall regularly confer on forecasts as snowfall, precipitation and runoff information become available.

From time-to-time as reasonably determined to be necessary by the Parties, the Parties shall agree upon written operating procedures ("Operating Procedures") addressing how the Parties will coordinate operations and perform their respective obligations under this Confirmation, including, but not limited to: (1) the method of day-to-day communications for operating, scheduling and dispatching the System; (2) key personnel lists for each Party; (3) the methods and procedures of collecting and sharing hydrologic data, and jointly developing and conferring on forecasts of runoff and operations schedules; (4) procedures for Forced Outage, Maintenance Outage or Planned Outage reporting; (5) procedures for reporting daily reservoir levels, available powerhouse capacity and energy output; (6) procedures for record keeping; and (7) scheduling Maintenance Outages and Planned Outages; provided that the failure to agree on Operating Procedures will not relieve the Parties of their respective obligations under this Confirmation.

For the purposes of this Confirmation the following definitions shall apply:

"Forced Outage" means an unplanned reduction or suspension of the electrical output from the System in response to a mechanical, electrical or hydraulic control system trip or operator-initiated trip in response to an alarm or equipment malfunction.

"Maintenance Outage" means a short-term reduction or suspension of electrical output scheduled in advance to the extent practicable, as necessary for inspection, maintenance or repair of one or more equipment groups.

"Planned Outage" means a reduction or suspension of electrical output scheduled in advance and coordinated between PG&E and Tri-Dam as provided above in this Section 8. Such Planned Outage provides for, but is not limited to, removing the equipment from service availability for inspection and/or general overhaul of one or more major equipment groups.

9. **Dispatch Control Criteria.** The following Tri-Dam System assets shall be dispatched and controlled in accordance with the following:

(A) Tulloch: As produced, based on water operation requirements. Tri-Dam shall have the final decision on Tulloch PH dispatch.

(B) Beardsley: Tri-Dam and PG&E shall exchange System hydrology information and jointly concur on Tri-Dam System operations, including Sand Bar Project. However, if there is no agreement, Tri-Dam shall have the final decision on the monthly PH release quantities, and PG&E shall have the final decision on daily and hourly Beardsley PH dispatch, in accordance with such monthly PH quantities. Tri-Dam shall, to the extent feasible: 1) avoid spills beyond Sand Bar Diversion outside of spring spill conditions and recreation and supplemental flow periods consistent with Tri-Dam's FERC Project 2005 and PG&E's FERC Project 2130 new license conditions; and 2) unless agreed to otherwise, release for use through Stanislaus PH the monthly and annual CWA amounts specified in Appendix A.

(C) Donnells:

(1) During Controlled Period (as set forth in Appendix A): Tri-Dam and PG&E shall exchange System hydrology information and jointly agree on Tri-Dam System operations, including Sand Bar Project. However, if there is no agreement, PG&E shall have the final decision on monthly, daily, and hourly Donnells PH dispatch for both Energy and Ancillary Services production, subject to the minimum Donnells PH flows set forth in Appendix A; provided that, in the event the United States Bureau of Reclamation's ("USBR") forecast, as referenced in the 1988 agreements between Tri-Dam and the USBR (typically published on or about April 1 of each year), for inflow to the New Melones Reservoir between October 1 and September 30 is less than 600,000 acre feet, then PG&E and Tri-Dam shall consider in good faith, and to the extent possible, mitigate impacts on water supply to the constituent members of Tri-Dam.

(2) During Uncontrolled Period (as set forth in Appendix A): Tri-Dam and PG&E shall exchange System hydrology information and jointly agree on Tri-Dam System operations, including Tri-Dam's Sand Bar Project. However, if there is no agreement, Tri-Dam shall have the final decision on the monthly Donnells PH release quantities, and PG&E shall have the final decision on daily and hourly Donnells PH dispatch for both Energy and Ancillary Services production within the month.

10. **Contract Price and Payment Structure.**

10.1 **Price Index.** The price paid for delivered Energy shall be based on the Daily Firm Dow Jones Index Prices for NP15 as reported by Dow Jones and as set forth below ("Price"). However, should the Daily Firm Dow Jones Index Prices for NP15, as set forth below, no longer be published and made available, or are no longer representative of NP15 prices, the Parties will cooperatively work together to identify and agree upon a mutually acceptable substitute that most closely resembles the Daily Firm Dow Jones Index for NP15 ("Price Substitute").

10.2 **Definitions.** The following definitions shall apply to this Transaction:

(a) "On-Peak Hours" shall mean Monday through Saturday, hours ending 0700 – 2200 PPT (6:00 am to 10:00 pm), excluding NERC Holidays.

- (b) "On-Peak Energy" shall mean Energy delivered during On-Peak Hours.
- (c) "Daily Firm On-Peak Price" shall mean the Dow Jones Firm Electricity Price Index at NP 15 for On-Peak Energy.
- (d) "Off-Peak Hours" shall mean Monday through Saturday, hours ending 0100 – 0600 PPT (12:00 midnight to 6:00 am), plus hours ending 2300 – 2400 PPT (10:00 pm to 12:00 midnight), excluding NERC Holidays.
- (e) "Off-Peak Energy" shall mean Energy delivered during Off-Peak Hours.
- (f) "Daily Firm Off-Peak Price" shall mean the Dow Jones Firm Electricity Price Index at NP 15 for Off-Peak Energy.
- (g) "24-hour Hours" shall mean Sundays and NERC Holidays, hours ending 0100 – 2400 PPT (12:00 midnight to 12:00 midnight).
- (h) "24-hour Energy" shall mean Energy delivered during 24-hour Hours.
- (i) "Daily 24-hour Firm Price" shall mean the Dow Jones Firm Electricity Price Index at NP 15 for 24-hour Energy.
- (j) "NERC Holidays" shall mean: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. Three of these days, Memorial Day, Labor Day, and Thanksgiving Day occur on the same day each year. Memorial Day is the last Monday in May; Labor Day is the first Monday in September; and Thanksgiving Day is the fourth Thursday in November. New Year's Day, Independence Day, and Christmas Day, by definition, are predetermined dates each year. However, in the event they occur on a Sunday, the "NERC Holiday" is celebrated on the Monday immediately following that Sunday. However, if any of these days occur on a Saturday, the "NERC Holiday" remains on that Saturday.
- (k) "Transmission Loss Factor" shall mean those loss factors (commonly referred to as GMM's) included in CAISO settlements for each individual PH, or any successor mechanism to account for transmission losses as may be determined by the CAISO or any successor organization.
- (l) "Transformation Loss Factor" shall mean those loss factors included in CAISO settlements for each individual PH, or any successor mechanism to account for transformation losses as may be determined by the CAISO or any successor organization. To the extent that Tri-Dam meters located at the respective PH are located on the high side of the transformer or are adjusted to the high side of the transformer, the Transformer Loss Factor shall be deemed to be 1.0.

10.3 Payment Formulae. Tri-Dam shall invoice PG&E for delivered Energy, in accordance with Article 6 of the Master Agreement, for the aggregate sum of the monthly payments due the Donnell PH, the Beardsley PH and the Tulloch PH ("Total Monthly Payment"). PG&E shall invoice Tri-Dam for any ISO charges to the extent applicable under this Confirmation. Each Party shall have the right to audit invoices of the other during the Delivery Term, and, upon delivery of an audit request, shall be provided reasonable access to the other parties' books and records for the purposes of conducting such audit. The sum of the monthly payments due from each PH shall be determined for each PH separately as set forth below ("Monthly PH Payment Amount"):

(a) Tulloch. The Tulloch Monthly PH Payment Amount shall be the sum of (i), (ii) and (iii), where:

(i) equals:

\sum (The amount of On-Peak Energy delivered during an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour) * (Daily Firm On-Peak Price - \$3.00)

The summation is for all periods of time in the month during which On-Peak Energy is delivered.

(ii) equals:

\sum (The amount of Off-Peak Energy delivered during an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour) * (Daily Firm Off-Peak Price - \$3.00.)

The summation is for all periods of time in the month during which Off-Peak Energy is delivered.

(iii) equals:

\sum (The amount of 24-hour Energy delivered during an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour) * (24-hour Firm Price - \$3.00)

The summation is for all periods of time in the month during which 24-hour Energy is delivered.

(b) Beardsley. The Beardsley Monthly PH Payment Amount shall be the sum of (i), (ii) and (iii), where:

(i) equals:

\sum (The amount of On-Peak Energy delivered during an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour) * (Daily Firm On-Peak Price - \$3.00)

The summation is for all periods of time in the month during which On-Peak energy is delivered.

(ii) equals:

\sum (The amount of Off-Peak Energy delivered in an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour) * (Daily Firm Off-Peak Price - \$3.00)

The summation is for all periods of time in the month during which Off-Peak Energy is delivered.

(iii) equals:

\sum (The amount of 24-hour Firm Energy delivered in an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour) * (24-hour Firm Price - \$3.00)

The summation is for all periods of time in the month during which 24-hour Energy is delivered.

(c) **Donnells.** The Donnells Monthly PH Payment Amount shall be the sum of (A) (i) and B (i), (ii) and (iii), and subject to (C), below, where:

(A) During the Controlled Period (as defined in Appendix A):

(i) equals:

$[\sum$ (The amount of On-Peak Energy delivered during an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour), plus \sum (The amount of Off-Peak Energy delivered in an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour), plus \sum (The amount of 24-hour Energy delivered in an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour)) * (the average of all Daily Firm On-Peak Prices for the month in which the Energy was delivered, + \$8.00)] – Capacity Unavailability Payment Adjustment – Ancillary Services Payment Adjustment

The first summation is for all periods of time in the month during which On-Peak Energy is delivered. The second summation is for all periods of time in the month during which Off-Peak Energy is delivered. The third summation is for all periods of time in the month during which 24-hour Energy is delivered.

(B) During the Uncontrolled Period (as defined in Appendix A):

(i) equals:

\sum (The amount of On-Peak Energy delivered in an hour * The Transformation Loss Factor for such hour * The Transmission Loss Factor for such hour) * (average of all Daily Firm On-Peak Prices for the month in which the On-Peak Energy was delivered, + \$3.00)] – Ancillary Services Payment Adjustment .

The summation is for all periods of time in the month during which On-Peak Energy is delivered.

(ii) equals:

$[\sum(\text{The amount of Off-Peak Energy delivered in an hour} * \text{The Transformation Loss Factor for such hour} * \text{The Transmission Loss Factor for such hour}) * (\text{the average of all Daily Firm Off-Peak Prices for the month in which the Off-Peak Energy was delivered,} + \$3.00)] - \text{Ancillary Services Payment Adjustment}$

The summation is for all periods of time in the month during which Off-Peak Energy is delivered.

(iii) equals:

$[\sum(\text{The amount of 24-hour Firm Energy delivered in an hour} * \text{The Transformation Loss Factor for such hour} * \text{The Transmission Loss Factor for such hour}) * (\text{the average of all the 24-hour Firm Prices for the month in which the 24-hour Firm Energy was delivered} + \$3.00)] - \text{Ancillary Services Payment Adjustment.}$

The summation is for all periods of time in the month during which 24-hour Energy is delivered.

In the event that the Donnells PH within a month shifts from Controlled Period to Uncontrolled Period, then (i) the portion of the month that is within the Controlled Period will be based on the Energy delivered during such Controlled Period and the Section 10.3(c)(A) Payment Formula shall apply; and (ii) the portion of the month that is within the Uncontrolled-Period will be based on the Energy delivered during such Uncontrolled Period and the Section 10.3(c)(B) Payment Formulae shall apply.

(C) **Unavailability Payment Adjustment Factors:** The Capacity Unavailability Payment Adjustment and Ancillary Services Unavailability Payment Adjustment (collectively "Unavailability Payment Adjustments") are applicable when Donnells PH Capacity or Ancillary Services are not fully available during: (1) a Controlled Period in the case of the Capacity Unavailability Payment Adjustment or (2) all periods in the case of the Ancillary Services Unavailability Payment, in each case for reasons other than Tri-Dam's excuses from performance under this Confirmation or the Master Agreement.

The Unavailability Payment Adjustment Factors are subject to the following limitations (in all cases subject to pro rata adjustment in the event the Delivery Term ends before December 31 of any year):

(i) the Capacity Unavailability Payment Adjustment shall not exceed \$300,000 in any calendar year;

(ii) the Ancillary Services Unavailability Payment Adjustment shall not exceed \$100,000 in any calendar year; and

(iii) the total of the Capacity Unavailability Payment Adjustment and Ancillary Services Unavailability Payment Adjustment shall not exceed \$350,000 in any calendar year.

Additionally, a Donnells Monthly PH Payment Amount shall not be negative for any month due to Unavailability Payment Adjustments, and any excess Unavailability Payment Adjustments not collected in a month will be carried over and applied to the subsequent month's Donnells Monthly PH Payment Amount.

The Capacity Unavailability Payment Adjustment and Ancillary Services Unavailability Payment Adjustment are in addition to any CAISO Charges that may be owed pursuant to Section 6, and are the sole remedy available to PG&E for Tri-Dam's failure to deliver Product under this Transaction. Notwithstanding the foregoing, the Capacity Unavailability Payment Adjustment and Ancillary Services Unavailability Payment Adjustment shall not be interpreted as replacing or affecting in any way any Termination Payment calculated pursuant to this Agreement.

(i) Monthly Capacity Unavailability Payment Adjustment:

The Monthly Capacity Unavailability Payment Adjustment = $[\sum \text{Hourly Capacity Availability Target (in MWh)} - \sum \text{Hourly Declared Capacity Availability (in MWh)}] * [\text{for the month in which the Energy was delivered, the average of all Daily Firm On-Peak Prices} - (\text{the average of all Daily Firm Off-Peak Prices and 24-hour Firm Prices})]$ (all in \$/MWh).

Where: 1. Hourly Capacity Availability Target is, for each On-Peak Hour in a month during the Controlled Period, the lesser of: (1) 72 MW; or (2) the maximum Capacity available after, taking into account the reservoir storage level at the Donnells PH, as set forth in Appendix B.

2. The Hourly Declared Capacity Availability is, for each On-Peak Hour in a month during the Controlled Period, the lesser of: (1) the maximum Capacity at which Tri-Dam determines Donnells PH is mechanically and electrically capable of generating Energy; or (2) the actual available Capacity at the time of delivery.

Any known limitations on capacity must be declared orally and in writing (by fax or electronic mail) to Tiger Creek as soon as Tri-Dam becomes aware of the limitation, or as soon as Tri-Dam anticipates imposing a planned limitation, e.g., auto testing clearance.

Tri-Dam shall be entitled to an aggregate annual Planned Outage allowance of 176 On-Peak Hours for Planned Outages ("Planned Outage Allowance") plus an additional annual outage allowance of 96 On-Peak Hours for any outages, including Forced Outages, Scheduled Outages, or Planned Outages ("Additional Outage Allowance"). All outages that qualify as a Planned Outage Allowance or an Additional Outage Allowance shall reduce the Hourly Capacity Availability Target in the Monthly Capacity Unavailability Adjustment.

Notwithstanding the foregoing, for the period of time between October 1, 2005 and December 31, 2005 during the Delivery Term the Planned Outage Allowance shall be 176 hours, less the number of Planned Outage Allowance hours used during the Confirmation Agreement for the period of time between January 1, 2005 and September 30, 2005 ("Confirmation A"). In addition, for the same period of time the Additional Outage Allowance shall be 96 hours, less the number of Additional Outage Allowance hours used during Confirmation A.

(ii) Monthly Ancillary Services Unavailability Payment Adjustment: The Ancillary Services Unavailability Payment Adjustment formula specified below shall be applied to any hours that the Donnells PH is restricted from Ancillary Services operations, and only during those times

when the Capacity Unavailability Payment Adjustment is not being applied (the "Ancillary Services Unavailability Payment Adjustment"); that is, both the Ancillary Services Unavailability Payment Adjustment and the Capacity Unavailability Payment Adjustment cannot be applied simultaneously to the same Capacity in any hour.

Monthly Ancillary Services Unavailability Payment Adjustment = Σ [(Hourly Ancillary Services Unavailability (in MWh) * 0.25 * (Hourly CAISO Reg Up Price + Hourly CAISO Reg Down Price)].

The summation is for all periods of time in the month during which On-Peak Energy, Off-Peak Energy or 24-hour Energy is delivered.

Where: Hourly CAISO Reg Up and CAISO Reg Down Prices = the ISO's hourly regulation up and hourly regulation down prices as reported by the CAISO in the Open Access Same-Time Information System ("OASIS") for each hour of the month in which the Ancillary Services Unavailability Payment Adjustment applies.

If PG&E schedules Reg Down (as defined by the CAISO), and the CAISO utilizes it, and it causes additional spill at Donnell's during the time Reg Down is being utilized, then PG&E will keep Tri-Dam whole by paying Tri-Dam for the lost generation at the rate PG&E would have paid absent the Reg Down effect. If there is no resulting spill as a direct result of the Reg Down effect, there will be no adjustments.

For illustrative purposes only, a sample calculation of the Monthly Capacity Unavailability Payment Adjustment and the Monthly Ancillary Services Unavailability Payment Adjustment is attached as Appendix C.

11. Environmental Attributes. For the Delivery Term, Tri-Dam grants to PG&E the Environmental Attributes related to the Product being delivered, as such term is described below.

"Environmental Attributes" means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Unit(s), and its displacement of conventional energy generation. Environmental Attributes include but are not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as Green Tag Reporting Rights. Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on kWh basis and one Green Tag represents the Environmental Attributes associated with one (1) MWh of energy. Environmental Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Unit(s), (ii) production tax credits associated with the construction or operation of the energy projects and other financial incentives in the form of credits, reductions, or allowances associated with the project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or "tipping fees" that may be paid to Tri-Dam to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-

existing pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Unit(s) for compliance with local, state, or federal operating and/or air quality permits. If Tri-Dam's Unit(s) is a biomass or landfill gas facility and Tri-Dam receives any tradable Environmental Attributes based on the greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, it shall provide PG&E with sufficient Environmental Attributes to ensure that there are zero net emissions associated with the production of electricity from such facility."

Tri-Dam agrees that it shall use reasonable efforts to obtain and maintain for the Delivery Term a California Energy Commission ("CEC") certification of those Tri-Dam facilities eligible as renewable energy resources for California's Renewable Portfolio Standard ("RPS") program, in accordance with the CEC's Renewables Portfolio Standard Eligibility Guidebook (publication no. 500-04-002F1) and as may be subsequently amended, for the Delivery Term.

12. Resource Adequacy. For the Delivery Term, Tri-Dam grants to PG&E the full capacity of the Tri-Dam System to meet its resource adequacy requirements ("Resource Adequacy Capacity"), as this term is used in CPUC Decision D.04-01-050. The Parties shall take all reasonable actions, including amending this Confirmation (provided such amendments do not adversely affect Tri-Dam), to enable PG&E to use the capacity to meet PG&E's resource adequacy requirements as ultimately determined by the CPUC in R.04-04-003.

13. Related Agreements; Conflicts. The Parties acknowledge that this Confirmation is being executed and delivered in conjunction with certain related agreements, including the Master Agreement, as amended, the Coordinated Operations Agreement, and the Gen-tie Agreements, all in form and substance satisfactory to both Parties (collectively, the "Related Agreements"). The Parties agree that, with the exception of the Gen-Tie Agreements, should the terms of this Confirmation at any time be in conflict with the terms of a Related Agreement, then the terms and conditions of this Confirmation shall control and take precedence over the terms set forth in such Related Agreement.

14. Sand Bar Settlement Extension. The Parties agree to extend the terms of the Sand Bar Settlement Agreement, dated April, 25, 1995, until such time as the Coordinated Operations Agreement is executed and delivered.

15. Good Faith; Further Assurances. Each of the Parties hereby covenants that it shall perform its actions, obligations and duties in connection with this Confirmation and the Related Agreements in good faith. The Parties agree to take such further actions and execute such further instruments as may be necessary to carry out the intentions of this Confirmation and the Related Agreements.

16. Regulatory Conditions. Within 120 days of the FERC's issuance of new licenses covering the Tri-Dam System, the following condition must be met to the mutual satisfaction of the Parties, or the Confirmation terminates automatically:

The FERC has issued new licenses covering the Tri-Dam System, which allow for full performance of the Transaction contemplated by this Confirmation, and such licenses are no longer subject to appeal. If the terms and conditions of the new FERC licenses significantly impact the operations of the System (as currently proposed by Tri-Dam's submittals to FERC, and included in this Confirmation) such that the value of the Products are materially changed, the Parties may reconsider and seek revision of the terms and conditions of the Confirmation.

17. CPUC Approval. Within thirty (30) days of the execution and delivery of this Confirmation, PG&E shall apply for, and use best efforts to obtain, the CPUC approval of the terms of this Confirmation, without any conditions or modifications.

18. Early Termination. Either Party may terminate this Confirmation for its convenience as follows: (i) a Party may terminate this Confirmation effective December 31, 2007, by providing written notice to the other Party on or before June 30, 2007 and payment of the sum of \$1.5 million upon termination; or (ii) a Party may terminate this Confirmation effective December 31, 2008, by providing written notice to the other Party on or before June 30, 2008 and payment of the sum of \$1 million upon termination.

Execution Copy

17. **CPUC Approval.** Within thirty (30) days of the execution and delivery of this Confirmation, PG&E shall apply for, and use best efforts to obtain, the CPUC approval of the terms of this Confirmation, without any conditions or modifications.

18. **Early Termination.** Either Party may terminate this Confirmation for its convenience as follows: (i) a Party may terminate this Confirmation effective December 31, 2007, by providing written notice to the other Party on or before June 30, 2007 and payment of the sum of \$1.5 million upon termination; or (ii) a Party may terminate this Confirmation effective December 31, 2008, by providing written notice to the other Party on or before June 30, 2008 and payment of the sum of \$1 million upon termination.

IN WITNESS WHEREOF, each of the Parties has caused this Confirmation to be duly executed by its authorized representative as of the date first written above.

Tri-Dam: Oakdale Irrigation District

PG&E: Pacific Gas and Electric Company

By: Frank B. Clark

By: _____

Name: Frank B. Clark

Name: _____

Title: President

Title: _____

Tri-Dam: South San Joaquin Irrigation District

By: Robert Schulz

Name: Robert Schulz

Title: President

IN WITNESS WHEREOF, each of the Parties has caused this Confirmation to be duly executed by its authorized representative as of the date first written above.

Tri-Dam: Oakdale Irrigation District

By: _____

Name: _____

Title: _____

PG&E: Pacific Gas and Electric Company

By: 

Name: Gordon R. Smith

Title: President and CEO

Tri-Dam: South San Joaquin Irrigation District

By: _____

Name: _____

Title: _____

Appendix A

Part I. Donnells Controlled and Uncontrolled Periods Definitions

Chart A-I-1

Hydro Condition	Controlled Period	Uncontrolled Period
Critical Dry	Entire Year	Not applicable
Dry	Entire Year	Not applicable
Normal	July 1 to end of February or to filling of Donnells Reservoir (which ever occurs first)	Beginning the day after the end of the Controlled Period and lasting until June 30
Wet	August 1 to end of February or to filling of Donnells reservoir (which ever occurs first)	Beginning the day after the end of the Controlled Period and lasting until July 31

Part II. Hydro Condition Type

- A. The determination of hydro condition type year will be based on the California Department of Water Resource's (DWR) forecast for annual unimpaired inflow into New Melones Reservoir (as set forth in DWR's Bulletin 120 entitled Water Conditions in California.

Chart A-II-1

Hydro Condition	DWR Forecast Annual Unimpaired Inflow into New Melones Reservoir (acre-feet)
Critical Dry	Less than or equal to 350,000
Dry	Greater than 350,000 and less than or equal to 676,000
Normal	Greater than 676,000 and less than 1,585,000
Wet	Greater than or equal to 1,585,000

- B. Clarifications:
1. The Parties agree that January and February 2005 shall be designated as Normal, and will also be considered Control Period unless events cause a shift to Uncontrolled Period, as set forth above, prior to the end of either month. .
 2. Starting March 1, 2005 and for use thereafter:
 - (i) The "February 1 Forecast" will be used to determine the March Hydro Condition Type;
 - (ii) The "March 1 Forecast" will be used to determine the April Hydro Condition Type;
 - (iii) The "April 1 Forecast" will be used to determine the May Hydro Condition Type; and

(iv) The May forecast will be used to determine the Hydro Condition Type for the period of time from June through the end of February of the following year.

Part III. Minimum Amounts of Water Through Donnels PH

Each year the Control Water Amount ("CWA") will be calculated based on the water year type. The CWA is used to calculate the minimum amounts of water to be released through Donnels PH in various months and to calculate the minimum annual amount of water to be released through Donnels PH. The minimum amounts of water released through Donnels PH will be reduced for outages in accordance with this Appendix A.

**Control Water Amount Calculation
Chart A-III-1**

	Critical Dry	Dry	Normal	Wet
Control Water Amount, Ac-Ft * ("CWA")	Donnels end of May Storage + Relief end of May Storage minus 21000 minus fish water releases + forecasted natural inflow to Donnels for June through December	Donnels end of May Storage + Relief end of May Storage minus 21000 minus fish water releases + forecasted natural inflow to Donnels for June through December	Donnels end of June Storage + Relief end of June Storage minus 21000 minus fish water releases + forecasted natural inflow to Donnels for July through December	Donnels end of July Storage + Relief end of July Storage minus 21000 minus fish water releases + forecasted natural inflow to Donnels for August through December

Calculation of Minimum Amounts of Water Through Donnels PH

Chart A-III-2

Time Period	Amount	Amount	Amount	Amount
January	None	None	None	None
February	None	None	None	None
March	None	None	Not Applicab.	Not Applicab.
April	None	None	Not Applicab.	Not Applicab.
May	None	None	Not Applicab.	Not Applicab.
June	10% of CWA	10% of CWA	Not Applicab.	Not Applicab.
July	15% of CWA	15% of CWA	15% of CWA	Not Applicab.
August	15% of CWA	15% of CWA	20% of CWA	20% of CWA
September	5% of CWA	5% of CWA	10% of CWA	20% of CWA
October	5% of CWA	5% of CWA	5% of CWA	5% of CWA
November	5% of CWA	5% of CWA	5% of CWA	10% of CWA
December	5% of CWA	5% of CWA	5% of CWA	10% of CWA
Annual	90% of CWA from 6/1 to 12/31	90% of CWA from 6/1 to 12/31	85% of CWA from 7/1 to 12/31	80% of CWA from 8/1 to 12/31

* The CWA may be reduced for Planned Supplemental water release at Beardsley to meet FERC license requirements.

Meeting the required minimum amounts of water to be released through Donnell's PH (as set forth above) assumes there are no limitations on Donnell's PH or transmission capabilities. If any limitations exist, the required minimum amounts of water to be released through Donnell's PH will be proportionately reduced.

Forecasted natural flow is to be agreed upon assuming average precipitation for the remainder of the year and reduced for possible early summer spills. If there is no agreement, then: the Critical Dry year amount will be 20,000 acre-feet; the Dry year amount will be 68,000 acre-feet; the Normal average year amount will be 60,000 acre-feet; and the Wet year amount will be 75,000 acre-feet.

Fish water releases will be based on actual FERC requirements; for informational purposes only, the estimated fish water releases, in acre-feet, from the start of the control period to the end of the year are:

Chart A-III-3

Hydro Condition	Current License	SPLAT Proposal
Critical Dry (Starting June 1 st)	2122	10612
Dry (Starting June 1 st)	2122	13874
Normal (Starting July 1 st)	3045	15213
Wet (Starting August 1 st)	2430	14271

Reduction in the Required Minimum Amounts of Water to be Released Through Donnell's PH

The required minimum amounts of water to be released through Donnell's PH for a given time period (either monthly or annually) will be proportionally reduced for unavailability of Donnell's PH during On-Peak Hours as follows:

Reduced Monthly Minimum Amount of Water Released (in acre feet) = Original Required Minimum Amount of Water to be Released for the Month (in acre feet) x $(\sum \text{of the Hourly Declared Capacity Availability in MWh for the month} / \sum \text{of the Hourly Capacity Availability Target in MWh for the month})$.

Reduced Annual Minimum Amount of Water Released (in acre feet) = Original Required Minimum Amount of Water to be Released for the Year (in acre feet) x $(\sum \text{of the Reduced Monthly Minimum Amount of Water Released (in acre feet) summed over the year} / \sum \text{of the Original Required Minimum Amount of Water to be Released for the Month (in acre feet) summed over the year})$.

Where:

- (i) The Original Required Minimum Amount of Water to be Released for the Month is the CWA times the percentage for the month in this Appendix A for the appropriate water year type (critical dry, dry, normal or wet type); and
- (ii) The Original Required Minimum Amount of Water to be Released for the Year is the CWA times the annual percentage value corresponding to the appropriate water year type (critical dry, dry, normal or wet type) as specified in this Appendix A.

For example:

Assume it is a Normal water year, and the CWA is 116,000 acre feet; and

Assume that an outage occurs in July 2005, and only in July of 2005, so that the Donnellys PH Hourly Declared Capacity Availability is 17280 MWh in July; then

The "Summation of the Hourly Capacity Available Target in MWh for the month" for July 2005 in which there are 400 On-Peak Hours (and assuming Donnellys Reservoir had sufficient amounts of water in storage for 72 MWh of Hourly Capacity Available Target), is 72 MWh calculated over 400 hours, or 28800 MWh.

The Original Required Minimum Amount of Water to be Released (in acre feet) for July through December, using the factors from Chart A-III-2 above is as follows:

Month		Original Required Minimum Amount of Water to be Released for the Month (in acre feet)
July	15% of CWA	17400
August	20% of CWA	23200
September	10% of CWA	11600
October	5% of CWA	5800
November	5% of CWA	5800
December	5% of CWA	5800
Summation of the Original Required Minimum Amount of Water to be Released for the Month summed over the year		69600
Original Required Minimum Amount of Water to be Released for the Year	85% of CWA	116000

The Reduced Monthly Minimum Amount of Water Released (in acre feet) in July becomes 10440 acre feet (17400 acre feet * (17280 MWh/28800 MWh)).

The summation of the Reduced Monthly Minimum Amounts of Water Release in acre feet is 62640 acre feet (10440+23200+11600+5800+5800+5800).

The summation of the Original Required Minimum Amount of Water to be Released for the Month in acre feet is 69600.

Hence the Reduced Annual Minimum Amount of Water Released (in acre feet) is 88740 acre feet, (98600 * (62640/69600)).

Appendix B

**Donnells' Maximum Capacity Based on Reservoir Storage
Chart B-1**

Donnells Powerhouse Maximum Capacity (MW)	Water Surface Elevation (ft)	Donnells Reservoir Storage (acre-feet)
72	4916.0 to 4800.0	65,325 to 22,077
67.5	4800.0 to 4760.0	22,077 to 10,781
65.0	4760.0 to 4740.0	10,781 to 5,830
60.0	4740.0 to 4720.0	5,830 to 2,146

31	22	3	3	58	72	72	72	72	0	0.97440305	0.98650022	5	13 7515031	13 8141251	420 98	0	0.00	143 78	60 00	\$161,357 35	0	0	\$151,985 08
31	23	3	3	58	72	72	72	72	0	0.98043895	0.99653211	5	13 8068133	13 8695186	388 47	0	0.00	143 78	80 00	\$161,357 35	0	0	\$151,985 08
31	24	3	3	59	72	72	72	72	0	0.93877575	0.89897485	6	13 1211463	13 8790109	405 38	0	0.00	143 78	80 00	\$161,357 35	0	0	\$151,985 08
Weeks		31678.2	10892.8	8187 88	43872	30678						27 228	2 232 197 78	23468	\$161,357 35	\$108,886 08							
Hours in period		480	200	144																			
Average		79 198	54 084	58 30233																			

Payment reduction for outage
 Payment Reduction for A.S. Outage
 Addition back in for \$388,000 bill
 TOTAL for Month

Check for \$300,000
 Current Month
 Maximum for year
 Minimum
 Check \$350,000
 Cumulative Outage
 Cumulative A.S
 Addition back in

Check for \$100,000
 Current Month
 Maximum for year
 Minimum

\$161,357 35
 \$161,357 35
 \$390,000 00
 \$161,357 35
 \$161,357 35
 \$100,000 00
 \$0 00

\$161,357 35
 \$161,357 35
 \$161,357 35
 \$161,357 35

\$161,357 35
 \$161,357 35
 \$161,357 35

This spreadsheet will be modified as needed to match ISO settlement calculations, processes, and procedures.
 First week change will include modifying spreadsheet to perform calculations on a 10 minute basis.