

**FIRST AMENDMENT TO POWER PURCHASE AGREEMENT
WHEELABRATOR SHASTA ENERGY COMPANY INC. (PG&E Log No. 13P045)**

THIS AGREEMENT is by and between **WHEELABRATOR SHASTA ENERGY COMPANY, INC.** ("Seller"), a Delaware corporation, and **PACIFIC GAS AND ELECTRIC COMPANY** ("PG&E"), a California corporation. PG&E and Seller are sometimes referred to herein individually as "Party" and collectively as the "Parties".

RECITALS

A. There is a Long-Term Energy and Capacity Power Purchase Agreement between Seller and PG&E (the "PPA"), signed by PG&E on October 22, 1984, and by Seller's predecessor, Valley Power Associates, on October 12, 1984, for the 54,900 kw [nameplate rating] biomass facility (PG&E Log No. 13P045) located at Cottonwood, CA.; and

B. The Facility began initial energy deliveries under the PPA on October 30, 1987, and has since regularly produced energy for sale to PG&E under the PPA; and

C. Seller originally elected Curtailment Option B, Appendix C of the PPA ("Option B"). PG&E has issued curtailment notices to Seller pursuant to Option B from time to time. Seller believes that PG&E has improperly implemented the curtailment provisions of the PPA, and PG&E denies these claims. Seller has asked to switch from Option B to Curtailment Option A, effective June 1, 1996; and

D. PG&E and Seller have agreed to Seller's request to switch the terms of the PPA from Curtailment Option B to Option A. PG&E and Seller have agreed to release any claims they may have against each other related to Curtailment Option B; and

E. Seller represents that it has sufficient fuel available to operate the Facility continuously under the PPA at its firm capacity rating of 49,680 kw through September 30, 1996; and

F. The Parties have agreed that it will be to their mutual benefit to agree to terms under which Seller will reduce deliveries to PG&E from June 1, 1996, through July 31, 1996, in exchange for a curtailment payment calculated in accordance with this Agreement, and which will provide benefits for PG&E customers in the form of reduced payments to Seller.

AGREEMENT

THEREFORE, in consideration of the mutual covenants in this Agreement, the Parties agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following terms shall have the following meanings:

1.01 Accepted Curtailment Time Period -- Those Curtailment Time Periods during each Curtailment Week for which Seller accepts PG&E's offered curtailment price and agrees to curtail deliveries from the Facility; Seller has accepted all Curtailment Time Periods from 0001 hours June 1, 1996, through 2400 hours July 31, 1996.

1.02 Amount of Curtailment or W -- Calculated pursuant to the formula in Section 5 of this Agreement, the amount by which Seller decreases the Facility's power deliveries to PG&E during each Accepted Curtailment Time Period.

1.03 Curtailment Time Periods -- The nineteen (19) periods of time each week (excepting weeks that include Holidays where there are 18) for which PG&E may quote a curtailment price under this Agreement, namely (i) 1:00 a.m. to 5:00 a.m. each day, (ii) 5:00 a.m. to 8:30 a.m. Monday through Friday, excluding Holidays, (iii) 9:30 p.m. to 1:00 a.m. the following day Monday through Friday, excluding Holidays, and (iv) 5:00 a.m. Saturday, Sunday, and Holidays through 1:00 a.m. the following day between 0001 hours June 1, 1996, and 2400 hours July 31, 1996.

1.04 Curtailment Week -- The period of time beginning each Wednesday at 9:30 p.m. and ending the following Wednesday at 9:30 p.m.

1.05 kw - Kilowatts.

1.06 kwh - Kilowatt hours.

1.07 Amount of Curtailment or W: Calculated pursuant to the formula in Section 5 of this Agreement, the amount by which Seller decreases the Facility's power deliveries to PG&E during the Accepted Curtailment Time Period.

1.08 Facility: Seller's generating facility identified in Recital A above.

1.09 Forced Outage: Any outage resulting from a design defect, inadequate construction, operator error or a breakdown of the mechanical or electrical equipment that fully or partially curtails the electrical output of the Facility.

1.10 Holiday(s): July 4, 1996.

- 1.11 PPA force majeure provision: Section A-8 of Appendix A of the PPA.
- 1.12 Nameplate: The generator nameplate rating identified in Recital A.
- 1.13 PPA Curtailment Provisions: Section A-7 of Appendix A and Appendix C of the PPA.
- 1.14 Non-Curtailment Hours: All hours between 0001 hours June 1, 1996, and 2400 hours July 31, 1996, which are not part of the Curtailment Time Period, less any hours of curtailment pursuant to the PPA Curtailment Provisions during such Non-Curtailment Hours.
- 1.15 Prudent Electrical Practices: Those practices, methods, and equipment, as changed from time to time, that are commonly used in prudent electrical engineering and operations to design and operate electrical equipment lawfully and with safety, dependability, efficiency, and economy.
- 1.16 Scheduled Maintenance: An outage to perform maintenance on the Facility that is scheduled in advance, is of a predetermined duration, and meets the PPA requirements for Scheduled Maintenance, including annual hour limits and notice requirements. These requirements are specified in the PPA in Section E-3, Appendix E.

2. CHANGE TO PPA CURTAILMENT PROVISIONS

The PPA is amended by changing the terms of Article 7 of the PPA so that Seller's selection of curtailment choices is changed from Curtailment Option B to Curtailment Option A. As a result, for energy deliveries after May 31, 1996, PG&E will no longer pay Seller the 7.7% and 9.6% adder to the energy price paid during the off peak and super-off peak periods for projects which elected Curtailment Option B, which adder is found in Appendix B of the PPA.

3. RELEASE

3.01 Seller does for itself, its officers, directors, agents, employees, attorneys, representatives, subsidiaries, affiliates, predecessors, successors, partners, limited partners, and assigns, hereby release and forever discharge PG&E and its officers, directors, agents, employees, attorneys, representatives, subsidiaries, affiliates, predecessors, successors and assigns from any and all claims, demands, causes of action, obligations or liabilities of any nature whatsoever (including attorney's fees and costs of suit), whether known or unknown, which Seller has or ever had against PG&E related to PG&E's implementation of Curtailment Option B of the PPA.

3.02 Seller represents and warrants that it has given any and all notices, and obtained any and all consents, powers and authorities, necessary to permit it and the

persons executing this Agreement for it, to enter into this Agreement, settle, compromise, and release the claims settled, compromised, and released herein, to do, undertake or forebear from any act called for herein, and to make this Agreement, and all the provisions hereof, fully binding on and enforceable against Seller.

3.03 Seller acknowledges that it may have claims against PG&E of which it is currently unaware and that it agrees that this Agreement is intended to and does extend to any and all claims it may have against PG&E, whether known or unknown, related to PG&E's implementation of Curtailment Option B. As a further inducement and consideration, Seller expressly and specifically waives any rights or benefits available to it under California Civil Code Section 1542, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

3.04 Seller acknowledges that it may have sustained damages, losses, costs or expenses that are currently unknown or unsuspected, and that such damages, losses, costs, or expenses as may have been sustained may give rise to additional damages, losses, costs or expenses in the future. Seller acknowledges that the facts may be other than it now understands them, and this Agreement has been negotiated and agreed upon in light of this situation, and Seller hereby expressly waives any and all rights which it may have under California Civil Code Section 1542.

3.05 Seller and PG&E acknowledge that the valuable consideration for settlement of their dispute is solely for their own business purposes and for the purpose of obtaining peace and preventing protracted litigation between them. Neither the fact of this Agreement, nor any of the consideration paid under it is or shall be construed to be an admission that any claim compromised or released by this Agreement is valid.

3.06 This Release is freely and voluntarily made. Seller has not been influenced to any extent in making this release by any representation or statements made by any representative, agent, employee, attorney, or servant of PG&E.

3.07 Seller represents and warrants that it has not assigned to any other party the claims being released, and that it is fully entitled to give this release and discharge to PG&E.

4. CURTAILMENT PROVISION - June and July 1996

4.01 Seller shall operate the Facility so that the Amount of Curtailment during each of the Accepted Curtailment Time Periods of each Curtailment Week is equal to or greater than 40% of the average hourly deliveries during the Non-Curtailment Hours of

the same Curtailment Week and shall not increase the average hourly deliveries during Non-Curtailment Hours of that Curtailment Week by more than 1% over the PPA Firm Capacity of 49,680 kW. If Seller fails to meet the 40% condition above during an Accepted Curtailment Time Period, PG&E shall make no curtailment payment for such Accepted Curtailment Time Period. If Seller fails to meet the 1% condition above during a Curtailment Week, PG&E shall make no curtailment payment for such Curtailment Week. For purposes of this section, average hourly deliveries shall be calculated by dividing total kwh deliveries during the appropriate time period by the number of hours in the same time period.

4.02 In addition to the notice requirements in the PPA, Seller shall notify PG&E of all hours during which energy deliveries from the Facility cease or are reduced due to Forced Outage, *force majeure* (pursuant to the PPA *force majeure* provision), scheduled maintenance or PG&E-caused outages. Notices for Forced Outage or PG&E-caused outages shall be made within 24 hours of each occurrence.

4.03 Extended Outage

It is an express purpose of this Agreement that Seller be compensated only for curtailment it would not otherwise have provided. Therefore, if the Facility's output is reduced due to Scheduled Maintenance, Forced Outage, PG&E-caused outage or *force majeure* (pursuant to the PPA *force majeure* provision) for a period of time immediately preceding or during a Curtailment Period, and, after completing all necessary repairs, Seller keeps the Facility off-line during such Curtailment Period rather than returning to operation, PG&E will not pay for such curtailment unless Seller provides documentation (for example, an operations log) demonstrating to PG&E's satisfaction that the repairs or maintenance were completed prior to the beginning of the Curtailment Period. PG&E reserves the right to consider other evidence, such as the Facility's performance when it returns to operation, in determining whether or not the repairs or maintenance were completed in a timely manner.

5. PAYMENT TERMS FOR CURTAILMENT - June and July 1996

5.01 Payments for reduction of energy deliveries during the Curtailment Period shall be calculated using the formulas described in this Section 5. Per PPA Section A-4, Appendix A, payments for the Curtailment Period shall appear on the next PPA power purchase statement following the end of the calendar month in which the reduction of deliveries occurred. PG&E retains its rights under the PPA Curtailment Provisions, as amended in Section 2 above. If PG&E exercises its rights under the PPA Curtailment

Provisions during the term of this Curtailment Agreement, those hours shall be excluded from the energy curtailment payment calculations in this Section 5.

5.02 Curtailment Calculations

Curtailment payments to Seller shall be calculated as described in this section.

Energy Curtailment Payment

$W = \text{Amount of Curtailment (kwh) for each Accepted Curtailment Time Period}$

$$W = (A - B) * (C)$$

Where:

- A = average generation level (in kw) from the Facility to PG&E during the most recent continuous sixty (60) minutes of Non-Curtailment Hours. Generation in excess of 49,900 kw shall be excluded from the calculation of "A".
- B = average generation level (in kw) from the Facility during each Accepted Curtailment Time Period less generation during any hour of scheduled maintenance, forced outage, force majeure (pursuant to the PPA *force majeure* provision) or curtailment pursuant to the PPA curtailment provisions.
- C = total hours during each Accepted Curtailment Time Period, less any hours of Scheduled Maintenance, Forced Outage, force majeure (pursuant to the PPA *force majeure* provision) and curtailment pursuant to the PPA Curtailment Provisions during such Accepted Curtailment Time Period.

If the amount of curtailment or W is not equal to or greater than the product of (i) 40% and (ii) A and (iii) C, then W shall be set to zero for purposes of calculating curtailment payments for each Accepted Curtailment Time Period.

5.03 Calculation of Curtailment Payment

Curtailment payments shall be computed for the Accepted Curtailment Time Periods and shall be paid to Seller following each billing period for all Accepted Curtailment Time Periods during the billing period along with payments for energy and capacity under the PPA. Curtailment payments shall be computed as follows:

Curtailment Payment (\$) = W x D

Where:

W = Amount of Curtailment (in kwh) from the calculation in Section 5.02

D = PG&E's price for the Curtailment Period, in \$/kwh, which is \$ 0.093/kwh

The foregoing energy curtailment payment described in this section is in addition to whatever payments are due Seller for energy deliveries in accordance with the provisions of the PPA.

6. CONFIDENTIALITY PROVISION

Seller agrees not to disclose the terms and conditions of this Agreement, including the provisions concerning curtailment and the contents of this Agreement, unless required by any governmental agency, regulatory authority, court, or otherwise by law to do so. Seller understands that it may disclose the terms and conditions of this Agreement to its tax advisors, accountants or to other advisors whom Seller may retain for financial or legal advice, but only on the condition that all such advisors should keep the terms and conditions of this settlement confidential.

7. MISCELLANEOUS

7.01 Seller represents that it has sufficient fuel available (current fuel inventory and fuel available to Seller for purchase) to operate the Facility under the PPA at its firm capacity rating of 49,680 kw through September 30, 1996. PG&E has relied substantially on Seller's representations in entering this Agreement and in determining that this Agreement provides benefits for PG&E's customers.

7.02 The Parties executed an agreement for Seller to participate in PG&E's weekly pay-for-curtailment program, signed by Seller on January 13, 1995. The Parties hereby agree that any weekly pay-for-curtailment agreements shall be terminated effective May 31, 1996 at 2400 hours.

7.03 This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, understandings and agreements between the Parties respecting the subject matter of this Agreement.

7.04 This Agreement may be modified or amended only by a written instrument signed by the authorized representatives of both Parties.

7.05 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 Agreement.

7.06 No provision of this Agreement shall be interpreted for or against PG&E or Seller because PG&E, Seller, or their respective attorneys drafted the particular provision.

7.07 This Agreement shall be construed and interpreted in accordance with the laws of the State of California, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

7.08 No term or provision herein shall be deemed waived and no breach excused unless such waiver or consent is in writing and signed by the party claimed to have so waived or excused.

7.09 Seller and PG&E represent that they have been represented by counsel of their own choosing regarding the preparation and negotiation of this Agreement and all the matters and claims set forth herein, and that each of them has read this Agreement and is fully aware of its contents and its legal effect.

7.10 All notices under this Agreement shall be addressed as follows:

To PG&E:

Mr. Marc L. Renson
Supervisor, Power Contracts, B13E
Pacific Gas and Electric Company
77 Beale Street, Room 1391
P.O. Box 770000
San Francisco, CA 94177

To Seller:

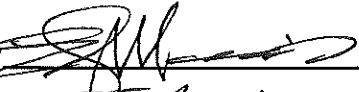

Wheelabrator Shasta Energy Company, Inc.
20811 Industry Road
Anderson, CA 96007

8. EFFECTIVE DATE AND TERM OF AGREEMENT

This Agreement shall be effective June 1, 1996. Sections 1, 4 and 5 of this Agreement shall terminate on July 31, 1996.

IN WITNESS WHEREOF, Seller and PG&E have caused this Agreement to be executed by their duly authorized representatives.

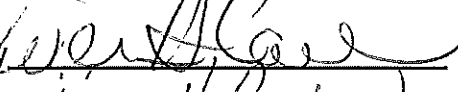
PACIFIC GAS AND ELECTRIC
COMPANY,
a California corporation

By 
Name E. Macias

Title Vice President

Date of Signature 5-24-96

WHEELABRATOR SHASTA ENERGY
COMPANY, INC.
a Delaware corporation

By 
Name William N. Carlson

Title Vice President

Date of Signature 5-25-96