

AMENDMENT TO THE
MASTER POWER PURCHASE AND SALE AGREEMENT
BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY
AND COMMUNITY RENEWABLE ENERGY SERVICES, INC.

This Amendment to the Master Power Purchase and Sale Agreement (“Amendment”) is made as of September 15, 2006 between COMMUNITY RENEWABLE ENERGY SERVICES, INC. (“CRES” or “Seller”) and PACIFIC GAS AND ELECTRIC COMPANY (“PG&E” or “Buyer”). PG&E and CRES are sometimes referred to herein individually as a “Party” and collectively as the “Parties”.

RECITALS

A. WHEREAS, the Parties entered into that certain Master Power Purchase and Sale Agreement (“Master Agreement”) and Confirmation Letter for Unit(s)-Firm Renewable Product (“First Confirmation”) on September 18, 2003, as amended by those two Confirmation Letters for CRES and July 8, 2004 extension letter (hereinafter, the Master Agreement, First Confirmation, Confirmation Letters and extension letter collectively are referred to as the “Agreements”), pursuant to which CRES agreed to sell to PG&E certain renewable energy and capacity subject to the terms and conditions of the Agreements;

B. WHEREAS, the Parties are entering into this Amendment, in part, as a means to resolve the Parties’ disputes regarding CRES’s revisions to Contract Capacity pursuant to Section 15 of the First Confirmation, which the Parties have settled on the terms and conditions set forth in that Settlement Agreement between the Parties, dated September 15, 2006

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("Settlement Agreement"), and to address CRES's claims regarding the economic viability of its performance under the Agreements and entitlement to Production Tax Credits;

C. WHEREAS, the Parties also are entering into this Amendment to modify the Agreements so that they serve the Parties more effectively; and

D. WHEREAS, the Parties desire to amend the Agreements as set forth herein.

E. NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Parties agree to modify the Agreements as follows:

AGREEMENT

1. General.

1.1 Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings specified in the Agreements; provided that, to the extent that any definitions of this Amendment are inconsistent with the Agreements, this Amendment shall govern the rights and obligations of the Parties.

1.2 Incorporation By Reference. All of the terms and conditions of the Settlement Agreement are incorporated herein by this reference.

2. Effective Date.

2.1 Upon CPUC Approval. Except for the modification to Section 15 ("Seller's Revisions of Contract Capacity") of the First Confirmation, which the Parties shall comply with in accordance with the provisions of paragraph 2.2 below, this Amendment shall become effective ("Effective Date") upon the date that a CPUC order or resolution approving the Amendment as filed in its entirety, without conditions or modifications, and without alteration of the CPUC's prior findings on the Agreements, becomes final and non-appealable and which contains the following finding: this Amendment and PG&E's entry into this Amendment are reasonable and prudent for all purposes, including, but not limited to, PG&E's recovery in rates of all payments made under this Amendment, subject only to CPUC review with respect to the reasonableness of PG&E's administration of the Amendment ("CPUC Approval"). In the event the Effective Date is after January 1, 2007, the revisions to Sections 5 and 6.c. of the First

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Confirmation, as set forth in paragraphs 4.3 and 4.4 below, shall not become effective until the first day of the month immediately following the Effective Date.

2.2 Upon Execution for Contract Capacity. The Parties shall comply with the modification to Section 15 (“Seller’s Revisions of Contract Capacity”) of the First Confirmation, which is set forth in paragraph 4.9 below, upon the Parties’ execution of this Amendment. In the event that the CPUC does not approve this Amendment as filed in its entirety, without conditions or modifications, as specified in paragraph 2.1 above, CRES shall indemnify PG&E for any monetary penalties, costs or disallowances assessed by the CPUC against PG&E for complying with this Amendment’s modification to Section 15 of the First Confirmation. Such indemnification by CRES does not include payments that PG&E may make to CRES for Received Energy delivered to PG&E by CRES from the Unit.

3. Term of Amendment. The term of this Amendment (“Amendment Term”) shall commence on the Effective Date and remain in effect as set forth in Section 7 of the First Confirmation; provided that, the Parties shall comply with the modification to Section 15 (“Seller’s Revisions of Contract Capacity”) of the First Confirmation, which is set forth in paragraph 4.9 below, upon the Parties’ execution of this Amendment. This Amendment shall remain in effect for so long as the Agreements remain in effect.

4. Amendments.

4.1 Definitions. The following definitions shall be added to Section 1 in the First Confirmation:

- “Capacity Attributes” means any current or future defined characteristic, certificate, tag, credit, or ancillary service attribute, whether general in nature or specific as to the location or any other attribute of the Unit(s), intended to value any aspect of the capacity of the Unit(s) to produce Energy or ancillary services, including, but not limited to, any accounting construct so that the full amount of Contract Capacity may be counted toward an RA Requirement (as

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defined herein) or any other measure by the CPUC, ISO, FERC, or any other entity vested with the authority under federal or state law, to require PG&E to procure, or to procure at PG&E's expense, RA (as defined herein) or other such products.

- “Resource Adequacy (“RA”)” means the procurement obligation of load serving entities, including PG&E, as such obligations are described in CPUC Decision (D.) 04-10-035 and D.05-10-042 and subsequent CPUC decisions addressing RA issues, as those obligations may be altered from time to time in the CPUC RA Rulemakings (R.) 04-04-003 and R.05-12-013 or by any successor proceeding, and all other RA obligations established by any other entity, including the ISO.
- “RA Capacity” means the maximum amount of deliverable Contract Capacity, as specified in Section 6.a. of the First Confirmation, which qualifies for PG&E's RA Requirements. The Contract Capacity is 12.0 MW pursuant to Section 6.a. of the First Confirmation.
- “RA Requirements” means the requirements for load serving entities, including PG&E, to meet RA or successor program requirements, as the CPUC, ISO and/or any other regional entity have prescribed or may prescribe.

4.2 Section 4 of the First Confirmation shall be amended by striking the following clause: “except as set forth in Section 10.d. of this Agreement.” Thus, as amended, Section 4 shall read:

“Seller represents and warrants that the output of the Unit(s) up to the Contract Capacity shall be dedicated and delivered solely to Buyer throughout the Term of Agreement. Buyer represents and warrants that it shall take or pay for the output scheduled from the Unit(s), up to the amount of the Contract Capacity, throughout the Term of the Agreement, unless excused pursuant to the terms of this Agreement.”

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4.3 Energy Price. Section 5 of the First Confirmation shall be amended by changing the Energy Price of “\$30.00 per MWh” where it appears in that Section to “\$42.00 per MWh”. In addition, as set forth in paragraph 2.1 of this Amendment, in the event the Effective Date is after January 1, 2007, the revisions to this Section 5 of First Confirmation, as set forth herein, shall not become effective until the first day of the month immediately following the Effective Date. Thus, as amended, Section 5 shall read:

“Buyer shall be obligated to take or pay for all available output from the Unit(s) up to the Contract Capacity, at a rate of \$42.00 per MWh throughout the Term of Agreement, unless excused pursuant to the terms of this Agreement. In addition, Buyer will pay Seller at a rate of \$42.00 per MWh for up to one (1.0) MW above the Contract Capacity for all Received Energy delivered by Seller from the Unit(s). In the event the Effective Date is after January 1, 2007, this amended Section 5 shall not become effective until the first day of the month immediately following the Effective Date.”

4.4 Capacity.

Section 6.c. in the First Confirmation shall be deleted in its entirety and replaced with the following:

“Commencing on January 1, 2007, the Capacity Price and Energy Price shall be adjusted each year for the Amendment Term by 75% of the annual percentage change in the CPI during the previous year; however, no such adjustment to the Contract Capacity Price or Energy Price shall exceed 2.75% per year (“CPI Adjustment”). As set forth in paragraph 2.1 above, in the event the Effective Date is after January 1, 2007, the annual 2007 adjustment to reflect the CPI change from calendar year 2006 shall not become effective until the first day of the month immediately following the Effective Date and in succeeding years shall become effective as of the first day of the calendar year.

CRES may request to apply its share of the applicable CPI Adjustment to the Energy Price as an adjustment to the Contract Capacity Price in lieu of an adjustment to the Energy Price (“Energy Price to Contract Capacity Price CPI Adjustment”) in order to preserve CRES’s right to

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receive subsidies available from the CEC; provided that, the sole reason and purpose for any such election is to preserve CRES's right to receive CEC subsidies and the adjustment is made through a \$/kW-month conversion to the Contract Capacity Price. An example of an Energy Price to Contract Capacity Price CPI Adjustment is set forth on Exhibit A attached hereto. For each calendar year in which such an election is made in accordance with this Section 6.c., the amount of the Energy Price increase due to an Energy Price to Contract Capacity Price CPI Adjustment shall be multiplied by 0.6205 (annual weighted average of 85% Availability Factor) to convert the increase into a \$/kW-month adjustment to the Contract Capacity Price. CRES shall request any Energy Price to Contract Capacity Price CPI Adjustment by February 1 of the applicable calendar year in which such adjustment is to be applied and the adjustment will be applied retroactively as of January 1 of that year. Unless rejected by PG&E as specified below, the adjustment shall remain in effect for the entirety of the applicable calendar year.

At the same time CRES requests an Energy Price to Contract Capacity Price CPI Adjustment, CRES shall provide documentation to PG&E supporting the Energy Price to Contract Capacity Price CPI Adjustment that clearly evidences how the Energy Price to Contract Capacity Price CPI Adjustment impacts CRES's ability to preserve CEC payment subsidies. If CRES fails to provide such documentation to PG&E when the request is made, PG&E shall not be required to approve CRES's request for an Energy Price to Contract Capacity Price CPI Adjustment. CRES's request for an Energy Price to Contract Capacity Price CPI Adjustment shall be deemed to be approved by PG&E unless PG&E provides notice to CRES no later than February 27 of the applicable calendar year that CRES's documentation fails to evidence the need for the Energy Price to Contract Capacity Price CPI Adjustment."

4.5 Availability Factor: Section 6.d. in the First Confirmation shall be deleted in its entirety and replaced with the following:

"Availability Factor. The Availability Factor shall be calculated for each Period as follows:

Received Energy (limited by Contract Capacity) + potential energy not delivered due to a Curtailment pursuant to amended Section 10 (as set forth in paragraph 4.8 below)

Contract Capacity x (Total Hours in Period – any Force Majeure hours in Period)

Where,

Curtailments are any reductions in deliveries pursuant to amended Section 10, and are measured by the positive difference in MWh between: (a) the amount of MW the Seller is allowed to deliver after complying with the amended Section 10 curtailment instruction times the number of hours of curtailment in the Period pursuant to amended Section 10 and (b) the MWh the Seller could have delivered in the same period in the absence of any curtailment under amended Section 10. The level of MWh the Seller could have delivered is determined by the average operating capacity, up to the Contract Capacity, during four hours of operation before the start of any Curtailment. The Availability Factor can be no greater than 100%.

In calculating the Availability Factor, “Period” means the individual months of June, July, August and September (Period A), and the aggregate of the months of October through May (Period B).”

4.6 Capacity Payments. Section 6.e.i. of the First Confirmation shall be amended by changing “92%” where it appears in that Section to “90%”. Section 6.e.ii. of the First Confirmation shall be amended by changing “85%” where it appears in that Section to “83%”. The examples in Section 6.e.iv. of the First Confirmation shall be deleted in their entirety and replaced with examples set forth on Exhibit B attached hereto.

4.7 Price Cap. The following shall be added as Section 6.f. in the First Confirmation:
“Price Cap. Commencing on the Effective Date and continuing through December 31 2010, the sum of the Energy Price and the Capacity Price (in \$/MWh) shall not exceed \$88.50 per MWh. Commencing on January 1, 2011 until the end of the Amendment Term, the sum of

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the Energy Price and the Capacity Price shall be capped at the all-in prices paid to PG&E's Qualifying Facilities under existing Standard Offer Agreements as calculated in accordance with Exhibit C attached hereto."

4.8 Curtailement of the Units by Buyer. Section 10, and all subsections of Section 10, of the First Confirmation shall be deleted in their entirety (including Appendix B) and replaced with the following:

"Curtailement of the Unit(s).

(a) **Curtailement Reasons:**

PG&E shall have the right, and CRES shall agree, to curtail the Units(s) to the extent specified in this Section 10, upon PG&E's request and at no cost to PG&E, for: (i) any System Emergency, as defined in the ISO Tariff, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (ii) any warning of an anticipated System Emergency declared by the ISO; (iii) any warning of a "PG&E Anticipated System Emergency" (as defined below) declared by PG&E; (iv) over generation as defined in the ISO Tariff or PG&E's forecast of such, including, but not limited to, a request by the ISO to manage over generation conditions pursuant to ISO Operating Procedure G 202, as it may be amended, supplemented or replaced (in whole or in part) from time to time; (v) PG&E to avoid receiving negative market prices to sell surplus energy; and (vi) PG&E to avoid a hydro spill condition for safety reasons. Subsections (a)(i) through (a)(vi) above are referred to collectively as the "Curtailement Reasons". A "PG&E Anticipated System Emergency" shall mean an actual or imminent condition or situation, which jeopardizes PG&E's electric system integrity or the integrity of other systems to which PG&E is connected, as determined by PG&E in PG&E's sole discretion. Illustrative examples of curtailments that PG&E may exercise pursuant to this Section are set forth on Exhibit D attached hereto.

(b) **Curtailement Limits:**

PG&E shall have the right to curtail the Unit(s) for up to a total of 300 hours each calendar year ("PG&E's Curtailement"). Any curtailment ordered or instructed by the ISO

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(including, but not limited to, subsections (a)(i), (a)(ii) and (a)(iv) above, as such subsections relate to an ISO order or instruction) shall not count against the 300 hours of PG&E's Curtailment in a calendar year under subsections (b)(i) and b(ii) below. The following limits shall apply to PG&E's Curtailment, but not to any curtailment ordered or instructed by the ISO:

(i) PG&E shall have the right to completely curtail the Unit(s) ("Complete Curtailment"), provided that a Complete Curtailment must remain in effect for no less than 168 hours. PG&E shall provide CRES with 48 hours advance notice of a Complete Curtailment. Such notice shall be provided as specified in subsection (c) below.

(ii) PG&E shall have the right to partially curtail the Unit(s) by no more than 3.0 MW ("Partial Curtailment") for up to 200 hours each calendar year, provided that a Partial Curtailment must remain in effect for no less than 10 hours. CRES shall have no obligation to partially curtail the Unit(s) by any more than 3.0 MW pursuant to a Partial Curtailment that is not ordered or instructed by the ISO. PG&E shall provide CRES with notice of a Partial Curtailment no later than: (a) for day-ahead scheduling, 2 hours before the CRES's Scheduling Coordinator is required to submit its preferred day-ahead schedule to the ISO; (b) for intra-day scheduling changes, 1 hour before the CRES's Scheduling Coordinator is required to submit its preferred hour-ahead schedule to the ISO. Such notice shall be provided as specified in subsection (c) below.

(c) Curtailment Notice and Compliance:

PG&E's notice of a Complete Curtailment or a Partial Curtailment shall be oral and confirmed in writing and shall state the amount of allowable delivery measured in MW, the duration of the applicable curtailment period, including an ending date and time ("Ending"), and the applicable Curtailment Reason. CRES shall partially or completely curtail the Units(s), as applicable, in accordance with PG&E's notice. For a Complete Curtailment, no later than 24 hours following the Ending of the Complete Curtailment, CRES shall recommence the delivery of output to PG&E from the curtailed Unit(s) at the level that was in effect when PG&E provided notice of the Complete Curtailment. For a Partial Curtailment, immediately upon the Ending of

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the Partial Curtailment, CRES shall recommence the delivery of output to PG&E from the curtailed Unit(s) at the level that was in effect when PG&E provided notice of the Partial Curtailment.

(d) **Pro Rata Application of This Section:**

This Section 10 shall apply on a pro rata basis as of the Effective Date of the Amendment for the remainder of the calendar year in which the Effective Date falls. As set forth in Section 3 of the Amendment, this Section 10 shall commence on the Effective Date and remain in effect for so long as the Agreements remain in effect.

(e) **Waiver; Sales to Third Parties During Partial Curtailment:**

CRES waives any claim for and agrees that it shall not seek any compensation or damages from PG&E for any administrative penalties or fines, economic losses or damage to the Unit(s) resulting from PG&E's exercise of its curtailment rights under and in accordance with this Section 10. Subject to any ISO order or instruction to the contrary, CRES is entitled during a Partial Curtailment to sell energy from the Unit(s) into the wholesale market."

4.9 Seller's Revisions of Contract Capacity. Section 15 of the First Confirmation shall be deleted in its entirety and replaced with the following:

"CRES has *no* right whatsoever to increase or decrease the Contract Capacity by any amount. CRES covenants that it will *not* increase or decrease the Contact Capacity by any amount."

4.10 Production Tax Credits. Section 19 of the First Confirmation shall be deleted in its entirety and replaced with the following:

"CRES shall retain any rights to any Production Tax Credits realized or obtained by CRES."

4.11 Reliability Requirements. Section 20 of the First Confirmation shall be amended to add the following phrase after "ISO reliability requirements": "including, but not limited to, RA Requirements".

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4.12 Resource Adequacy. Section 22 of the First Confirmation shall be deleted in its entirety and replaced with the following:

“Resource Adequacy. During the Amendment Term, CRES grants, pledges, assigns and otherwise commits to PG&E the Contract Capacity, including Capacity Attributes, from the Unit(s) as is needed to enable PG&E to meet its RA Requirements. CRES covenants throughout the Amendment Term that it will take no action or permit any other person or entity (other than PG&E) to take any action that would impair in any way PG&E’s ability to rely on the Contract Capacity, including Capacity Attributes, in order to satisfy the RA Capacity portion of PG&E’s RA Requirements. CRES understands that the CPUC and ISO are currently in the process of developing requirements for RA and that these requirements and the implementation thereof have not been finalized. CRES covenants that throughout the Amendment Term the Unit(s) will qualify and will be certified by the CEC as an Eligible Renewable Energy Resource and the Product delivered to PG&E will qualify under the requirements of the California Renewables Portfolio Standard in effect as of the Effective Date.

(a) The Parties agree that throughout the Amendment Term they shall take all commercially reasonable actions and execute any and all documents or instruments reasonably necessary to enable PG&E to get full credit for the RA Capacity in meeting its RA Requirements. Such commercially reasonable actions may include, but are not limited to, the following:

(i) Cooperating with and encouraging the regional entity, including the ISO, if applicable, responsible for RA administration to certify or qualify the RA Capacity for the purposes of RA Requirements, including complying with requirements that the CPUC has established and may establish in the future, such as calculation of RA Capacity over all hours required for eligibility for RA Requirements and delivery of the RA Capacity to the ISO Interconnection Point; and

(ii) Negotiating in good faith to make necessary amendments (which may relate to determinations of cost responsibilities to maintain the benefits and burdens negotiated by the Parties for the Amendment), if any, to the Amendment or to subsequent clarifications, revisions or decisions of the CPUC or any other entity, including the ISO, with respect to RA.

(b) If CRES fails to provide notice to the ISO and sufficient notice to PG&E to take action necessary to avoid monetary penalties assessed by the CPUC and/or the ISO against PG&E for PG&E's failure to meet the requirements of the CPUC and/or the ISO related to PG&E's obligation to submit an approved RA Capacity demonstration, to the extent such monetary penalties were the result of CRES not fulfilling its obligations in providing RA to PG&E, CRES shall indemnify PG&E for any such monetary penalties and the costs incurred by PG&E to replace, if required, any RA Capacity."

4.13 Security Provided By Seller. Section 29.1. of the First Confirmation and the Confirmation Letter dated October 17, 2003 shall be amended to add the following:

"Increased Performance Security Amount. CRES shall provide to PG&E additional security in the amount of \$627,964.00 ("Increased Performance Security Amount") to secure performance of CRES's obligations hereunder by either:

(a) Posting a Letter of Credit within 7 Business Days of the Effective Date in an amount equal to \$1,069,804.00 ("Revised Security Amount"), substantially in the form attached hereto as Exhibit E. CRES also may make a one-time election at any time during the Amendment Term to fund the Revised Security Amount with a Letter of Credit. If CRES funds the Revised Security Amount with a Letter of Credit, PG&E shall return the security deposit in the amount of \$441,840.00 ("Initial Security Amount") that CRES previously posted, plus the applicable interest, and, if CRES previously deposited cash in the Increased Performance Security Amount pursuant to subsection (b) below, PG&E shall return that cash deposit, plus the applicable interest, no later than 3 Business Days after its receipt of the Letter of Credit for the Revised Security Amount; or

(b) **Depositing cash in the Increased Performance Security Amount pursuant to following schedule:** Commencing with the first monthly invoiced amount due and owing to CRES by PG&E hereunder and continuing for a total of 9 consecutive months, PG&E shall deduct one-ninth of the Increased Performance Security each month, or \$69,773.78, from each monthly invoiced amount for the Product delivered during the applicable month and hold such amount in satisfaction of the Increased Performance Security Amount. However, if in any month during such 9 month period the monthly invoiced amount due and owing to CRES by PG&E is not sufficient to allow PG&E to deduct \$69,773.78, PG&E shall continue to deduct the remaining amount of the Increased Performance Security Amount from the monthly invoiced amounts after the 9 month period until the remaining balance of Increased Performance Security Amount is satisfied by CRES.”

5. **Further Actions and CPUC Approval.**

(a) **Further Actions.** PG&E shall file the Amendment through an advice letter filing with the CPUC no later than 21 Business Days following the full execution of the Amendment. CRES shall provide to the CPUC and PG&E all necessary financial data, plant operating data and any other related information to support the Amendment.

(b) **CPUC Approval as Condition Precedent.** CPUC Approval of both the Amendment and the Settlement Agreement is a condition precedent to the effectiveness of the Amendment. Thus, if the Settlement Agreement does not receive CPUC Approval, this Amendment shall not become effective regardless of whether this Amendment receives CPUC Approval. The Parties agree that if the CPUC fails to approve the Amendment or the Settlement Agreement as reasonable, and fails to adopt either unconditionally and without modification, including the findings and determinations requested under paragraph 2.1 of this Amendment, both the Amendment and the Settlement Agreement shall not become effective and all of the following shall apply:

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(i) Both the Amendment and the Settlement Agreement shall terminate, subject to the terms of paragraph 6 below.

(ii) The Parties shall revert back to and continue to operate under the Agreements, as unmodified by this Amendment.

(iii) CRES shall indemnify PG&E as set forth in paragraph 2.2 of this Amendment.

(iv) The Parties shall retain all of their respective rights, claims and remedies under the Agreements, as unmodified by this Amendment.

6. **Request for Negotiation.** In the event either the Amendment or the Settlement Agreement does not receive CPUC Approval (hereinafter, a “Failure of Approval”), no later than 10 days from the date of such Failure of Approval, a Party may submit to the other Parties a letter requesting a face-to-face negotiation (“Letter Request”) to discuss a response to the Failure of Approval. The Letter Request must be served on all of the Parties in accordance with Section 10.7 of the Master Agreement. Within a reasonable amount of time after receiving the Letter Request, the Parties shall hold a face-to-face negotiation on a mutually agreeable date and at a mutually agreeable location. If the Parties are unable to reach complete agreement on a response to the Failure of Approval within 30 days from the date of the negotiation (this 30-day deadline may be extended by mutual agreement of the Parties), this Amendment and the Settlement Agreement shall terminate without any further action by any of the Parties. If the Parties timely reach complete agreement on a revised version of the Amendment and the Settlement Agreement in response to the Failure of Approval, this Amendment and the Settlement Agreement shall terminate on the date such revised agreements are executed without any further action by any of the Parties. In the event there is a Failure of Approval and no Letter Request is served by any of the Parties within the 10-day period following the Failure of Approval, this Amendment and the Settlement Agreement shall terminate without any further action by any of the Parties.

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7. Nonadmission. This Amendment does not constitute an admission of any disputed facts or issues of law in this or any other matter. Whether or not the Amendment becomes effective, it shall not be admissible against either Party as establishing any precedent under the Agreements, or creating any admission or course of dealing. If this Amendment does not become effective, it shall not be used in any way to construe the terms of the Agreements.

8. Entire Agreement. This Amendment constitutes the entire agreement between the Parties with regard to the subject matter described herein and supersedes any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings with respect thereto. The Parties each acknowledge that in making this Amendment they have not relied upon any statement or representation not set forth in this Amendment and that they have acted freely and voluntarily and are not acting under coercion or duress. No modification of this Amendment, and no waiver of any right hereunder or provision hereof, shall be binding on CRES or PG&E unless set forth in a writing duly executed by CRES and PG&E.

9. Severance. Should any provision of this Amendment be held unenforceable or illegal, such illegality or unenforceability shall not invalidate the remainder of the Amendment. Instead, this Amendment will be construed as if it did not contain the illegal or unenforceable part, and the rights and obligations of the Parties shall be construed and enforced accordingly.

10. Applicable Law. This Amendment shall be governed by and construed in accordance the applicable law specified in the Agreements and any disputes relating to this Amendment shall be resolved in accordance with the dispute resolution procedures set forth in the Agreements.

11. Full Force and Effect. Except as modified herein, the Agreements remain unchanged and in full force and effect according to their terms.

12. Binding Nature. This Amendment shall inure to the benefit of and be binding upon the Parties, including successors-in-interest, whether by purchase, merger, assignment or otherwise.

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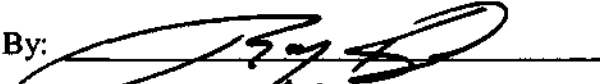
13. Headings. The headings contained in this Amendment are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

14. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. If this Amendment is executed in counterparts, no signatory hereto shall be bound until all of the Parties have duly executed or caused to be duly executed a counterpart of this Amendment. A signature provided via facsimile or in PDF form shall have the same legal effect as an original.

15. Legal Advice. The Parties represent and warrant that they have employed attorneys to represent them with respect to this Amendment and all matters covered hereby, and that they have been fully advised by such attorneys regarding their rights with respect to this Amendment. No provision of this Amendment shall be interpreted for or against PG&E or CRES because PG&E, CRES's, or their respective attorneys or representatives drafted the particular provision.

IN WITNESS WHEREFORE, CRES and PG&E have caused this Amendment to be executed by their duly authorized representatives as of the dates set forth below.

PACIFIC GAS AND ELECTRIC COMPANY

By:  Cran
Title: VP Energy Supply
Date: 9/15/06

COMMUNITY RENEWABLE ENERGY SERVICES, INC.

By: _____
Title: _____
Date: _____

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13. Headings. The headings contained in this Amendment are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

14. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. If this Amendment is executed in counterparts, no signatory hereto shall be bound until all of the Parties have duly executed or caused to be duly executed a counterpart of this Amendment. A signature provided via facsimile or in PDF form shall have the same legal effect as an original.

15. Legal Advice. The Parties represent and warrant that they have employed attorneys to represent them with respect to this Amendment and all matters covered hereby, and that they have been fully advised by such attorneys regarding their rights with respect to this Amendment. No provision of this Amendment shall be interpreted for or against PG&E or CRES because PG&E, CRES's, or their respective attorneys or representatives drafted the particular provision.

IN WITNESS WHEREFORE, CRES and PG&E have caused this Amendment to be executed by their duly authorized representatives as of the dates set forth below.

PACIFIC GAS AND ELECTRIC COMPANY

By: _____

Title: _____

Date: _____

COMMUNITY RENEWABLE ENERGY SERVICES, INC.

By: [Signature]

Title: V.P.

Date: 9-14-06

EXHIBIT A

**ILLUSTRATIVE EXAMPLE OF AMENDED SECTION 6.C.
ENERGY PRICE TO CONTRACT CAPACITY PRICE CONVERSION &
CPI ADJUSTMENT**

This illustration is provided by way of an example only and is intended to be consistent with the revisions the Parties agreed to in Section 6.c. of the First Confirmation as proposed in paragraph 4.4 of this Amendment. If there is any inconsistency between the provisions of amended Section 6.c. and this Exhibit A, the terms of amended Section 6.c. shall prevail.

A. Assumptions for the Illustrative Example

1. Maximum subsidy or "CEC Cap" CEC will pay	\$15/MWh ¹
2. Maximum total aggregate energy payment CEC will allow for payment of full subsidy or "CEC Target"	\$60.00/MWh This \$60/MWh CEC Target means that a renewable producer receiving a direct energy payment from purchaser of greater than \$45/MWh will not be eligible to receive the full \$15/MWh CEC subsidy or CEC Cap.
3. Prior year Energy Price	\$44.50/MWh
4. Prior year Contract Capacity Price	\$16.00/kW-month
5. Prior calendar year % Consumer Price Index ("CPI") increase	3.00%
6. Maximum current year % CPI increase to each Contract Capacity Price and Energy Price	2.25% (0.75 x 3.00%)

¹ At the present time, the \$15/MWh assumed in A.1. for purposes of this illustration represents the maximum amount of subsidy the CEC will provide a renewable biomass producer, such as Seller. In the future, the CEC may decrease or may increase the maximum amount of subsidy it may provide a renewable biomass producer. In the event that the maximum CEC subsidy then applicable is at a \$/MWh amount different than the \$15/MWh currently in effect and reflected in A.1., the assumptions used in this illustrative example should be changed to reflect the then current maximum \$/MWh CEC subsidy.

B. Calculation of Seller’s Eligibility to Convert a Portion of Energy Price to Contract Capacity Price & CPI Adjustment

Change in Energy Price and Eligibility for Full CEC Subsidy if Total Authorized % CPI Increase (2.25%) Applied to Energy Price

<p>1. Prior year Energy Price increased by 2.25% CPI increase authorized for Energy Price</p>	<p>\$45.50/MWh</p>
<p>2. Current year total aggregate energy payment (\$/MWh) without an amended Section 6.c. adjustment</p>	<p>\$60.50/MWh Sum of \$45.50/MWh adjusted Energy Price and \$15/MWh CEC maximum subsidy</p>
<p>3. Implications on CEC subsidy if the authorized 2.25% increase based on CPI is allocated to Energy Price</p>	<p>For purposes of enabling Seller to continue to receive a CEC subsidy equal to the full \$15/MWh subsidy assumed available in this example, amended Section 6.c. provides the Seller the opportunity to convert a portion of the authorized CPI increase in the Energy Price to an increase in the Contract Capacity Price.</p> <p>In this illustration, if the sum of Seller’s Energy Price adjusted for the authorized % CPI increase plus the CEC Cap exceeds the CEC Target of \$60/MWh, a portion of the amount of the authorized % CPI increase that results in the higher than \$60/MWh shall be converted to a Contract Capacity Price increase.</p>
<p>4. Seller eligibility for conversion of a portion of % CPI Adjustment to Energy Price to Contract Capacity Price per amended Section 6.c.</p>	<p>Yes – Seller eligible.</p> <p>Seller has the right in accordance with amended Section 6.c. (conversion illustrated in Section C. below) to convert \$0.50/MWh of the authorized CPI Energy Price increase into an increase to the Contract Capacity Price.</p> <p>\$0.50/MWh of the CPI-authorized increase will be applied to the Energy Price resulting in a current year \$45.00/MWh Energy Price.</p>

C. Example of Increases in Contract Capacity Price Resulting from Application of the Amended Section 6.c. Energy Price to Contract Capacity Price CPI Adjustment

1. Factor for conversion of \$/MWh to \$/kW-month per amended Section 6.c.	0.6205
2. Conversion of \$0.50/MWh to \$/kW-month per amended Section 6.c.	0.6205 x \$0.50/MWh = \$0.31 kW-month Contract Capacity Price increase
3. Increase in Contract Capacity Price in this example for the current year in steps A and B	<p>Contract Capacity Price increased to \$16.36/kW-month -- represents the 2.25% CPI increase over prior year \$16.00/kW-month Contract Capacity Price;</p> <p style="text-align: center;">and</p> <p>Contract Capacity Price, as a result of conversion of \$0.50/MWh, increased by \$0.31/kW-month -- which yields a total Contract Capacity Price for the current year of \$16.67/kW-month.</p>

EXHIBIT B

Examples of Capacity Payment Adjustments:

Example A: For a month in Period A, the Capacity Payment would be adjusted as follows, depending on the Unit(s)' Availability Factor:

Assumed Availability Factor	Change in Capacity Payment
97%	$(97-95)*3 = +6\%$
95%	0%
90%	0%
89.5%	$(89.5-90)*5 = -2.5\%$
87.5%	$(87.5-90)*5 = -12.5\%$

Example B: If the Unit(s) had achieved the following Availability Factors in Period B, Capacity Payments would be calculated as below:

<u>Month/Total Period (Hours per month)</u>	<u>Assumed Availability Factor</u>	<u>Monthly Adjustment/Total Period True-Up</u>	
		<i>Adjustment Calculation</i>	<i>Capacity Payment (Assuming a Contract Capacity of 10 MW & Capacity Price of 14.50 \$/kw-mo)</i>
October (744)	85	$(85-83)*1.5 = 3.0\% \geq 0 = 0\%$	$10*1000*14.50*(100\%-0\%) = \$145,000$
November (720)	80	$(80-83)*1.5 = -4.5\%$	$10*1000*14.50*(100\%-4.5\%) = \$138,475$
December (744)	83	0%	$10*1000*14.50*(100\%-0\%) = \$145,000$
January (744)	87	$(87-83)*1.5 = 4.5\% \geq 0 = 0\%$	$10*1000*14.50*(100\%-0\%) = \$145,000$
February (672)	85	$(85-83)*1.5 = 3.0\% \geq 0 = 0\%$	$10*1000*14.50*(100\%-0\%) = \$145,000$

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March (744)	88	$(88-83)*1.5 = 7.5 \geq 0 = 0\%$	$10*1000*14.50*(100\%-0\%) = \$145,000$
April (720)	86	$(86-83)*1.5 = 4.5 \geq 0 = 0\%$	$10*1000*14.50*(100\%-0\%) = \$145,000$
May (744)	82	$(82-83)*1.5 = -1.5\%$	$10*1000*14.50*(100\%-1.5\%) = \$142,825$
Total Hours in Period (5832)			
Total Payments in Period	84.506		\$1,151,300
Total Period Amount Due	84.506	$(84.506-83)*1.5 = 2.259\% \geq 0 = 0\%$	$10*1000*14.50*8*(100\%-0\%) = \$1,160,000$
Final Month True-up			$\$1,160,000 - \$1,151,300 = \$8,700$

EXHIBIT C

Price Cap Post 2010

For purposes of paragraph 4.7 of this Amendment, commencing on January 1, 2011 and through the Term of the Master Agreement, the sum of the Energy Price and Capacity Price paid to CRES shall be capped at the all-in prices paid to PG&E's existing QFs under standard offer agreements as set forth below.

The price cap shall be the sum of: (a) then current PG&E SRAC prices, or fixed energy price in lieu of PG&E's SRAC, as determined by the CPUC for renewable or non gas-fired QFs operating under standard offer agreements, and as may be modified by the CPUC for an electricity market-based SRAC mechanism; and (b) an agreed upon capacity price of \$180/kw-yr, converted to \$/MWh. The capacity price conversion to \$/MWh is $\$180/\text{kw-yr} \times 1000 \times 1/8760(.85)$. The capacity price component of the price cap shall be \$24.174/MWh, unless the capacity price to be paid to existing QFs under standard offer agreements is revised by the CPUC to be lower than \$180/kw-yr. In such event, the capacity price component of the price cap shall be the capacity price established by the CPUC for existing renewable or non-gas fired QFs converted to \$/MWh as per the formula herein. If the sum of the Energy Price and Capacity Price exceeds the price cap, an adjustment shall be made to the Energy Price so that the sum does not exceed the price cap.

EXHIBIT D

**ILLUSTRATIVE EXAMPLES OF CURTAILMENTS PG&E MAY EXERCISE
PURSUANT TO SECTION 4.8 OF THE AMENDMENT**

The following is provided by way of an example only and with respect to only certain of the Curtailment Reasons. This Exhibit is intended to be consistent with the revisions the Parties agreed to in Section 10 of the First Confirmation, as set forth in paragraph 4.8 of this Amendment. This Exhibit is not intended to be, and shall not be interpreted or construed as, an exhaustive list of the circumstances or conditions under which PG&E may exercise a curtailment under amended Section 10. If there is any inconsistency between the provisions of amended Section 10 and this Exhibit, the terms of amended Section 10 shall prevail.

Potential ISO Over Generation

There are situations when the ISO will send out market notices to Scheduling Coordinators advising of potential over generation conditions for upcoming hours. The notice typically includes the amount of anticipated over generation as well as the requirements for decrement energy bids to mitigate the over generation condition. If the ISO sends out such a notice, PG&E and other Scheduling Coordinators will evaluate their portfolios and schedule a reduction of schedules through the ISO Hour-Ahead Market to reduce available resources to mitigate the anticipated over generation condition. Under these conditions, PG&E would curtail Seller's generation under the "Partial Curtailment" provisions in Section 4.8 of this Amendment. In the event the above-described reduction of resources by the Scheduling Coordinators is insufficient, then the ISO will call upon Realtime Operational procedures, as outlined in ISO Operating Procedure G 202. When the ISO calls upon Seller pursuant to ISO Operating Procedure G 202 to curtail its generation, such curtailment shall not count against the 300 hours of PG&E's Curtailment as set forth in Section 4.8 of this Amendment.

Surplus Energy

There are situations where PG&E's portfolio has surplus generation after PG&E has taken measures to attempt to sell the surplus energy. In such situations, surplus generation will continue to exist and such a surplus condition would contribute to an operating emergency or an impairment of system reliability. Under these conditions, it is prudent for PG&E to minimize resource schedules to help mitigate the surplus condition and also to minimize PG&E's surplus portfolio exposure to ISO Negative Imbalance prices, which may be present in the surplus energy period. Under these conditions, PG&E would curtail Seller's generation under the "Partial Curtailment" provisions in Section 4.8 of this Amendment.

Hydro Spill Safety Condition

There are situations that make it unsafe to back down certain hydro units because doing so may create unsafe spill conditions. An example is during the spring runoff period when lakes are filling but have not quite topped off (filled and started to spill). Backing down certain hydro units during this period may create a situation that will start a spill condition and then, in turn, cause a rapid rise in river flow. Under these conditions, PG&E would curtail Seller's generation under the "Partial Curtailment" provisions in Section 4.8 of this Amendment.

EXHIBIT E

Letter of Credit

ISSUING BANK LETTERHEAD ADDRESS

Date: _____

Irrevocable Standby Letter of Credit Number: _____

Beneficiary: Pacific Gas and Electric Company
77 Beale Street, Mail Code B28L
San Francisco, CA 94105
Attn: Credit Risk Management Unit

Applicant: _____
[insert Applicant's address] _____

Account Party: _____
[insert Account Party's address] _____

[Advising Bank, if applicable]
[Confirming Bank, if applicable]

Amount: USD [Amount]
US Dollars [Spell out amount in words]

We hereby issue our Irrevocable Standby Letter of Credit ("Letter of Credit") at this office in your favor at the request of the Applicant and for the account of the Account Party. Payments under this Letter of Credit are payable at sight against the following documents:

1. Your sight draft drawn on us marked "drawn under [Issuing Bank] [Letter of Credit Number] dated [Date]";

AND

2. Beneficiary's signed statement certifying:

"Pursuant to the terms of that certain Power Purchase and Sale Agreement dated _____ ("Agreement") by and between Account Party and Beneficiary, Beneficiary is entitled to draw on this Letter of Credit for amounts owed by Account Party under the Agreement."

OR

Execution Version

"This Letter of Credit will expire in thirty (30) calendar days or less and Account Party has not provided alternate security acceptable to Pacific Gas and Electric Company."

This Letter of Credit expires at our counters located at [INSERT ADDRESS] on [INSERT DATE], ("Expiration Date") but the Expiration Date shall be automatically extended without amendment for a period of one year and on each successive Expiration Date, unless at least sixty (60) days before the then current Expiration Date, we notify you by registered mail or courier that we elect not to renew this Letter of Credit for such additional period.

Special Conditions:

1. Partial drawing(s) are permitted.
2. All banking charges associated with this Letter of Credit are for the account of the Applicant.
3. This Letter of Credit is not transferable.
4. This Letter of Credit shall terminate upon the earlier of:
 - a. the making by you of the final drawing available to be made hereunder;
 - b. the surrender of this original Letter of Credit accompanied by your letter acknowledging termination of this Letter of Credit; and
 - c. the Expiration Date.

We hereby engage with you that draft(s) drawn under and in compliance with the terms of this Letter of Credit will be duly honored if drawn and presented for payment at any time before the close of business [INSERT TIME] at our counters located at [INSERT ADDRESS] on or before the Expiration Date or in the event of Force Majeure, as defined under Article 17 of the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500 ("UCP"), that interrupts our business, within fifteen (15) days after resumption of our business, whichever is later.

Except as otherwise stated herein, this credit is subject to the UCP and, with respect to matters not so covered, this Letter of Credit is subject to and governed by the laws of the State of New York.

If you have any questions regarding this Letter of Credit, please call [Telephone No.].

By: _____
Authorized Signature
Name: _____
Title: _____