

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) ("*Master Agreement*") is made as of the following date: January 6, 2004 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name: FPL Energy Power Marketing, Inc. ("Party A")

Name: Pacific Gas and Electric Company ("Party B")

All Notices:

All Notices:

Street: 700 Universe Blvd.

Street: 245 Market Street

City: Juno Beach, FL **Zip:** 33408

City: San Francisco, CA **Zip:** 94105

Attn: Contracts/Legal Department

Attn: Contract Administration

Phone: n/a

Phone: (415) 973-4941

Facsimile: 561-625-7504

Facsimile: (415) 973-9176

Duns: 05-448-1341

Duns: 556650034

Federal Tax ID Number: [REDACTED]

Federal Tax ID Number: [REDACTED]

Invoices:

Invoices:

Attn: Power Invoice Administration

Attn: Marc Renson

Phone: 561-304-5820

Phone: (415) 973-1721

Facsimile: 561-625-7663

Facsimile: (415) 973-2151

Scheduling:

Scheduling:

Attn: Scheduling Desk

Attn: Kevin Coffee

Phone: 561-625-7100

Phone: (415) 973-7631

Facsimile: 561-625-7504

Facsimile: (415) 973-5333

Payments:

Payments:

Attn: Power Accounting

Attn: Marc Renson

Phone: 561-304-5820

Phone: (415) 973-1721

Facsimile: 561-625-7663

Facsimile: (415) 973-2151

Wire Transfer:

Wire Transfer:

BNK: [REDACTED]

BNK: [REDACTED]

ABA: [REDACTED]

ABA: [REDACTED]

ACCT: [REDACTED]

ACCT: [REDACTED]

Credit and Collections:

Credit and Collections:

Attn: Credit Manager

Attn: Manager, Credit Risk Management

Phone: 561-304-5940

Phone: (415) 973-5244

Facsimile: 561-625-7642

Facsimile: (415) 973-7301

With additional Notices of an Event of Default:

With additional Notices of an Event of Default to:

Attn: Contracts/Legal Department

Attn: Rich Miram

Phone: n/a

Phone: (415) 973-1170

Facsimile: 561-625-7504

Facsimile: (415) 973-9176

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff Tariff Market-Based Sales Dated October 1, 1998 Docket Number ER98-3566-000

Party B Tariff n/a Dated n/a Docket Number n/a

Article Two

Transaction Terms and Conditions

Optional provision in Section 2.4. If not checked, inapplicable

Article Four

Remedies for Failure to Deliver or Receive

Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

5.1(g) Cross Default for Party A:

Party A:

Cross Default Amount \$

Other Entity: FPL Group Inc

Cross Default Amount \$100,000,000

5.1(g) Cross Default for Party B:

Party B: Pacific Gas and Electric Company

Cross Default Amount \$ 50,000,000; provided, however, that in the event that Party B's reorganization under the Bankruptcy Proceeding is successfully completed, with Party B's pre-petition debts being discharged, this amount will immediately and automatically be amended to be \$100,000,000

Other Entity: _____

Cross Default Amount \$ _____

5.6 Closeout Setoff

Option A (Applicable if no other selection is made.)

Option B - (as amended pursuant to this Cover Sheet)

Option C (No Setoff)

Article Eight

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

Option A

Option B Specify: _____

Option C

(b) Credit Assurances:

Not Applicable

Applicable

(c) Collateral Threshold:

Not Applicable

Applicable

If applicable, complete the following:

Party B Collateral Threshold:

On any day of determination, (a) the amount set forth below under the heading "Collateral Threshold" opposite the Credit Rating for Party B on the relevant date of determination, and if Party B's Credit Ratings shall not be equivalent, the lower Credit Rating shall govern or (b) zero if on the relevant date of determination Party B has a Credit Rating from neither of the rating agency(ies) specified below or an Event of Default with respect to Party A has occurred and is continuing: :

Collateral Threshold (in millions of dollars)	Credit Rating (Moody's)	Credit Rating (S&P)
\$30	Aaa	AAA
\$25	Aa2, Aa1	AA, A+
\$20	A1, Aa3	A+, AA-
\$15	A3, A2	A-, A
\$10	Baa1	BBB+
\$7	Baa2	BBB
\$5	Baa3	BBB-
\$ 2	Below Baa3	Below BBB-

Provided, however, that in the event Party B attains Credit Ratings of Baa3 or higher from Moody's and BBB- or higher from S&P, then, at such time, the above matrix will immediately and automatically be amended to provide that Party B's Collateral Threshold, at a Credit Rating of below Baa3 from Moody's or below BBB- from S&P, will be Zero.

Party B Independent Amount: \$0

Party B Rounding Amount: \$250,000

(d) Downgrade Event:

- Not Applicable
- Applicable

Provided, however, that in the event Party B attains Credit Ratings of Baa3 or higher from Moody's and BBB- or higher from S&P, then, at such time, the above selection for Downgrade Event will immediately and automatically be amended to "Applicable."

If applicable, complete the following:

- It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if Party B is not rated by either S&P or Moody's.
- Other:
Specify: _____

(e) Guarantor for Party B: Not Applicable

Guarantee Amount: Not Applicable

8.2 Party B Credit Protection:

(a) Financial Information:

- Option A
- Option B Specify: FPL Group, Inc.
- Option C Specify: _____

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable

If applicable, complete the following:

Party A Collateral Threshold

On any day of determination, (a) the lower of (i) the amount of the guaranty in force or effect from Party A's Guarantor and supporting Party A's obligations hereunder or (ii) the amount set forth below under the heading Party A Collateral Threshold opposite the Credit Rating for Party A's Guarantor on the relevant date of determination, and if Party A's Guarantor's Credit Ratings shall not be equivalent, the lower Credit Rating shall govern or (b) zero if on the relevant date of determination Party A's Guarantor has a Credit Rating from neither of the rating agency(ies) specified below or an Event of Default with respect to Party A has occurred and is continuing:

Collateral Threshold (in millions of dollars)	Credit Rating (Moody's)	Credit Rating (S&P)
\$30	Aaa	AAA
\$25	Aa2,Aa1	AA, A+
\$20	A1, Aa3	A+, AA-
\$15	A3, A2	A-, A
\$10	Baa1	BBB+
\$7	Baa2	BBB
\$5	Baa3	BBB-
\$ Zero	Below Baa3	Below BBB-

Party A Independent Amount: \$US Zero

Party A Rounding Amount: \$250,000

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party A if Party A's Guarantor's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if Party A's Guarantor is rated by neither S&P or Moody's.

Other:
Specify: _____

(e) Guarantor for Party A: FPL Group Capital Inc

Guarantee Amount: \$as set forth in Guaranty

Article Ten

Confidentiality

- Confidentiality Applicable If not checked, inapplicable.

Schedule M

- Party A is a Governmental Entity or Public Power System
- Party B is a Governmental Entity or Public Power System
- Add Section 3.6. If not checked, inapplicable
- Add Section 8.4. If not checked, inapplicable

Other Changes _____

Specify, if any: The following changes shall be applicable.

GENERAL TERMS AND CONDITIONS.

PG&E is currently the debtor in possession in Case No. 01-30923 DM (Chapter 11) (the "Bankruptcy Proceeding") of the United States Bankruptcy Court of the Northern District of California, San Francisco Division ("the Bankruptcy Court"). The Parties desire to set forth certain terms and conditions applicable to any future purchase and/or sale transactions for PG&E

during the pendency of the Bankruptcy Proceeding. Provided that any payments due by PG&E for transactions hereunder are timely made as set forth in this Master Agreement, Party A agrees that "Event of Default" Section 5.1(d) shall not apply to PG&E as a Defaulting Party by virtue of its current status as debtor in possession in the Bankruptcy Proceeding and "Event of Default" Section 5.1(g)(i) shall not apply with respect to borrowed money indebtedness incurred prior to the Bankruptcy Proceeding.

On the first day of the calendar month beginning after the credit rating of PG&E's senior unsecured long-term debt shall have been upgraded to at least "BBB-" by Standard & Poor's or "Baa3" by Moody's, the exception set forth above shall be rescinded and the full credit and collateral obligations contained in the Master Agreement shall apply to PG&E.

1. **ARTICLE ONE: GENERAL DEFINITIONS.** Amend Article One as follows:

1.1 "Affiliate" is amended in its entirety to read:

"Affiliate" means (i) with respect to Party A, any entity which directly or indirectly controls, is controlled by, or is under a common control with Party A, and (ii) with respect to Party B, PG&E Corporation.

1.12 "Credit Rating" is amended by (i) replacing the phrase "unsecured, senior long-term debt obligations" in the second line thereof with the phrase "unsecured, unsubordinated senior long-term debt obligations"; (ii) replacing the word "issues" in the fourth line with the word "issuer"; and (iii) inserting the following as the final sentence thereof: "The standing guaranty of FPL Group, Inc. in favor of Party A's Guarantor shall not be considered to constitute "third party credit enhancement" for purposes of this definition."

1.24 "Gains" is amended by adding the phrase "in accordance with Section 5.2" immediately following the words "commercially reasonable manner."

1.27 "Letter(s) of Credit" is amended in its entirety to read:

"Letter(s) of Credit" means one or more irrevocable, non-transferable standby letters of credit issued by a U.S. commercial bank or a U.S. branch of a foreign bank with such bank having a credit rating of at least A from S&P or A2 from Moody's, and otherwise being acceptable to the Party in whose favor the letter of credit is issued and in a form acceptable to such Party. Costs of a letter of credit shall be borne by the applicant for such letter of credit."

1.28 "Losses" is amended by adding the phrase "in accordance with Section 5.2" immediately following the words "commercially reasonable manner."

1.46 "Potential Event of Default" is deleted in its entirety.

1.50 "Recording" is amended by replacing the term "Section 2.4" with the term "Section 2.5."

1.51 "Replacement Price" is amended by adding (a) "for delivery" immediately before "at the Delivery Point" in the second line and (b) replacing "at Buyer's option" in the fifth line with "absent a purchase".

1.53 "Sales Price" is amended by (a) deleting "at the Delivery Point" from the second line; (b) deleting "at Seller's option" from the fifth line and replacing it with "absent a sale"; and (c) inserting after "commercially reasonable manner" in the sixth line, the following: "; provided, however if the Seller is unable after using commercially reasonable efforts to resell all or a portion of the Product not received by Buyer, the Sales Price with respect to such unsold Product shall be deemed equal to zero (0)".

1.62 "Broker or Index Quotes" is added as follows:

"Broker or Index Quotes" means quotations solicited or obtained in good faith from (a) regularly published and widely-distributed daily forward price assessments from a broker that is not an Affiliate of either Party and who is actively participating in markets for the relevant Products or (b) end-of-day prices for the relevant Products published by exchanges which transact in the relevant markets."

1.63 "Market Quotation Average Price" is added as follows:

"Market Quotation Average Price" means the arithmetic mean of the quotations solicited in good faith from not less than three (3) Reference Market-Makers (as hereinafter defined); provided, however, that the Party obtaining the quotes shall use reasonable efforts to obtain good faith quotations from at least five (5) Reference Market-Makers and, if at least five (5) such quotations are obtained, the Market Quotation Average Price shall be determined by disregarding the highest and lowest quotations and taking the arithmetic mean of the remaining quotations. The quotations shall be based on the offers to sell or bids to buy, as applicable, obtained for transactions substantially similar to each Terminated Transaction. The quote must be obtained assuming that the Party obtaining the quote will provide sufficient credit support for the proposed transaction. Each quotation shall be obtained, to the extent reasonably practicable, as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the Party obtaining the quotations and in accordance with the notice pursuant to Section 5.2 which designates the Early Termination Date. If fewer than three quotations are obtained, it will be deemed that the Market Quotation Average Price in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined."

1.64 "Reference Market Maker" is added as follows:

"Reference Market Maker" means any marketer, trader, or dealer in energy products that is not an Affiliate of either Party and who is providing sufficient credit support such that the Party obtaining the quote has included and currently includes such marketer, trader, or dealer among the companies with which it has management preapproval to transact for the relevant Products."

2. **ARTICLE TWO: TRANSACTION TERMS AND CONDITIONS.** Amend Article Two as follows:

Section 2.3 is amended to delete the phrase "substantially in the form of Exhibit A" from the first sentence thereof.

3. **ARTICLE THREE: OBLIGATIONS AND DELIVERIES.** Amend Article Three as follows:

Add a new Section 3.4 to read as follows:

"3.4. Index Transactions. If the Contract Price for a Transaction is determined by reference to a third-party information source, then the following provisions shall be applicable to such Transaction.

(a) Market Disruption. If a Market Disruption Event occurs during a Determination Period, the Floating Price for the affected Trading Day(s) shall be determined by reference to the Floating Price specified in the Transaction for the first Trading Day thereafter on which no Market Disruption Event exists; provided, however, if the Floating Price is not so determined within three (3) Business Days after the first Trading Day on which the Market Disruption Event occurred or existed, then the Parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), and if the Parties have not so agreed on or before the twelfth Business Day following the first Trading Day on which the Market Disruption Event occurred or existed, then the Floating Price shall be determined in accordance with Section 5.2.

(b) For purposes of this Section 3.4, the following definitions shall apply:

(i) "Determination Period" means each calendar month a part or all of which is within the Delivery Period of a Transaction.

(ii) "Exchange" means, in respect of a Transaction, the exchange or principal trading market specified in the relevant Transaction.

(iii) "Floating Price" means a price per unit in \$U.S. specified in a Transaction that is based upon a Price Source.

(iv) "Market Disruption Event" means, with respect to any Price Source, any of the following events: (a) the failure of the Price Source to announce or publish the specified Floating Price or information necessary for determining the Floating price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading in the relevant options contract or commodity on the Exchange or in the market specified for determining a Floating Price; (c) the temporary or permanent discontinuance or unavailability of the Price Source; (d) the temporary or permanent closing of any Exchange specified for determining a Floating Price; or (e) a material change in the formula for or the method of determining the Floating Price.

(v) "Price Source" means, in respect of a Transaction, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the specified price (or prices from which the specified price is calculated) specified in the relevant Transaction.

(vi) "Trading Day" means a day in respect of which the relevant Price Source published the Floating Price.

(c) Corrections to Published Prices. For purposes of determining a Floating Price for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within two (2) years of the original publication or announcement, either Party may notify the other Party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than thirty (30) days after publication or announcement of that correction, a Party gives notice that an amount is so payable, the Party that originally either received or retained such amount will, not later than ten (10) Business Days after the effectiveness of that notice, pay, subject to any applicable conditions precedent, to the other Party that amount, together with interest at the Interest Rate for the period from and including the day on which payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

(d) Calculation of Floating Price. For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three (3) decimal places. If the fourth (4th) decimal number is five (5) or greater, then the third (3rd) decimal number shall be increased by one (1), and if the fourth (4th) decimal number is less than five (5), then the third (3rd) decimal number shall remain unchanged."

4. **ARTICLE FIVE: EVENTS OF DEFAULT; REMEDIES.** Amend Article Five as follows:

Section 5.2 is amended to (i) add the words "and time of day" in the third line immediately following the first instance of the word "day" and (ii) add the following at the end of the Section:

"The Non-Defaulting Party shall determine its Gains and Losses by determining the Market Quotation Average Price for each Terminated Transaction. In the event the Non-Defaulting Party is not able, after commercially reasonable efforts, to obtain the Market Quotation Average Price with respect to any Terminated Transaction, then the Non-Defaulting Party shall calculate its Gains and Losses for such Terminated Transaction in a commercially reasonable manner by calculating the arithmetic mean of at least three (3) Broker or Index Quotes for transactions substantially similar to each Terminated Transaction. Such Broker or Index Quotes must be obtained assuming that the Party obtaining the quote will provide sufficient credit support for the proposed transaction. In the event the Non-Defaulting Party is not able, after commercially reasonable efforts to obtain at least three (3) Broker or Index Quotes with respect to any Terminated Transaction, then the Non-Defaulting Party shall calculate its Gains and Losses for such Terminated Transaction in a commercially reasonable manner by reference to information supplied to it by one or more third parties including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets. Third parties supplying such information may include, without limitation, dealers in the relevant

markets, end-users of the relevant product, information vendors and other sources of market information; provided, however, that such third parties shall not be Affiliates of either Party. Only in the event the Non-Defaulting Party is not able, after using commercially reasonable efforts, to obtain such third party information, then the Non-Defaulting Party shall calculate its Gains and Losses for such Terminated Transaction in a commercially reasonable manner using relevant market data it has available to it internally."

Amend Section 5.3 by inserting "plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Defaulting Party Pursuant to Article Eight," between the words "that are due to the Non-Defaulting Party," and "plus any and all other amounts" in the sixth line.

The following is added to the end of Section 5.4: "Notwithstanding any provision to the contrary contained in this Agreement, the Non-Defaulting Party shall not be required to pay to the Defaulting Party any amount under Article 5 until the Non-Defaulting Party receives confirmation satisfactory to it in its reasonable discretion (which may include an opinion of its counsel) that all other obligations of any kind whatsoever of the Defaulting Party to make any payments to the Non-Defaulting Party or any of its Affiliates under this Agreement or otherwise which are due and payable as of the Early Termination Date (including for these purposes amounts payable pursuant to Excluded Transactions) have been fully and finally performed."

Option B of Section 5.6 is deleted in its entirety and replaced with the following:

"Option B: Upon the designation of an Early Termination Date the non-defaulting party (the "Non-Defaulting Party" or "X") may, at its option and in its discretion, setoff, against any amounts Owed to the Defaulting Party ("Y") by X or any Affiliate of X under this Agreement or under any other agreement, instrument and/or undertaking, any amounts Owed by Y to X or any of X's Affiliates (irrespective of the place of payment or booking office of the obligation) under this Agreement or under any other agreement, instrument and/or undertaking (the "Net Settlement Amount"). The obligations of Y and X under this Agreement in respect of such Net Settlement Amount shall be deemed satisfied and discharged to the extent of any such setoff exercised by X and/or X's Affiliates. X will give Y notice of any setoff effected under this Section as soon as practicable after the setoff is effected provided that failure to give such notice shall not affect the validity of the setoff. For purposes of this Section, "Owed" shall mean any amounts owed or otherwise accrued and payable (regardless of whether such amounts have been or could be invoiced) as of the Early Termination Date. Amounts subject to the setoff permitted in this Section may be converted by X into any currency in which any obligation Owed is denominated at the rate of exchange at which X, acting in a reasonable manner and in good faith, would be able to purchase the relevant amount of the currency being converted. If an obligation is unascertained, X may in good faith estimate that obligation and setoff on the basis of such estimate, subject to the relevant party accounting to the other when the obligation is ascertained. Nothing in this Section shall be effective to create a charge or other security interest except as may be provided under applicable law. This setoff provision shall be without limitation and in addition to any right of setoff, netting, offset, combination of accounts, counterclaim, recoupment, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise). Each of the parties represents and acknowledges that the rights set forth in this Section are an integral part of this Agreement between the parties and that without such rights the parties would not be willing to enter into the Agreement."

The following is deleted from Section 5.7: the phrase "or (b) Potential Event of Default" and the caption "(a)".

5. ARTICLE EIGHT: CREDIT AND COLLATERAL REQUIREMENTS. Amend Article Eight as follows:

Sections 8.1(d) and 8.2(d) are each amended by adding the following after "receipt of notice": "or fails to maintain such Performance Assurance or guaranty or other credit assurance for so long as the Downgrade Event is continuing."

The following shall be added as a new Section 8.4:

"8.4 Disputes with respect to the Calculation of Performance Assurance. In the event a Party is requested to provide or return Performance Assurance ("Providing Party") and such Providing Party disputes the other Party's ("Receiving Party") calculation of Performance Assurance due from the Providing Party, in whole or in part, the Providing Party shall, upon receipt of the Receiving Party's request for Performance Assurance or for the return thereof ("Initial Performance Assurance Request"), provide to the Receiving Party a detailed written explanation of the basis for such dispute and its alternative calculations and valuations; provided, however, that the Providing Party shall transfer that amount of Performance Assurance to the Receiving Party which is not in dispute. Upon Providing Party's request, the Receiving Party shall provide to the Providing Party a detailed written explanation of its calculations and valuations. With respect to the disputed portion of requested Performance Assurance, the Parties agree to negotiate in good faith for a period not to exceed one Business Day following Providing Party's receipt of the Initial Performance Assurance Request to determine the additional amount, if any, that the Providing Party shall be required to transfer in excess of the undisputed amount already agreed to be transferred to the Receiving Party. If the Parties cannot mutually agree upon such amount after such time, then each Party shall obtain quotations from one Reference Market-Maker for the mark-to-market value of all the relevant Transactions and shall provide copies of such quotations to the Receiving Party no later than the second Business Day following Providing Party's receipt of the Initial Performance Assurance Request. The Parties shall then use the arithmetic mean of those quotations (provided, that if only one Party is able to obtain a quotation, then that quotation shall be used) to compute the amount of disputed Performance Assurance, if any, due to the Receiving Party. Notwithstanding anything to the contrary, in no event shall the additional Performance Assurance, if any, be delivered to the Receiving Party later than four (4) Business Days following Providing Party's receipt of the Initial Performance Assurance Request."

6. ARTICLE TEN: MISCELLANEOUS. Amend Article Ten as follows:

Section 10.2(v) is amended by inserting at the beginning thereof: "Except with respect to Party B's status as a debtor-in-possession in the Bankruptcy Proceeding,"

Section 10.2(viii) is amended by adding to the end: "; information and explanations of the terms and conditions of each such Transaction shall not be considered investment or trading advice or a recommendation to enter into that Transaction; no communication (written or oral) received from the other Party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction; and the other Party is not acting as a fiduciary for or an adviser to it in respect of that Transaction;"

Section 10.2(ix) is deleted in its entirety and replaced with the following:

"(ix)(A) it is a 'forward contract merchant' within the meaning of the United States Bankruptcy Code; (B) it is an 'eligible contract participant' as such term is defined in the Commodity Exchange Act, as amended (7 U.S.C. § 1(a)(12)); and (C) it is an 'eligible commercial entity' as such term is defined in the Commodity Exchange Act, as amended (7 U.S.C. § 1(a)(11))."

Section 10.5, is amended by replacing the words "affiliate" and "affiliate's" with, respectively, "Affiliate" and "Affiliate's" in clause (ii), and in clause (iii) thereof immediately after the words "substantially all of the assets" insert the words "of such Party and". Section 10.5 is further amended by deletion of the phrase "tax and enforceability assurance" in the eleventh and twelfth lines thereof and replacement therewith of the phrase, "tax, credit and enforceability assurance."

Section 10.6 is amended to read in its entirety as follows:

"10.6 Governing Law; Venue; Dispute Resolution.

(a) Governing Law and Venue: THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT. Each party hereto irrevocably (i) submits to the non-exclusive jurisdiction of the federal and state courts located in the County of New York, State of New York; (ii) waives any objection which it may have to the laying of venue of any proceedings brought in any such court; and (iii) waives any claim that such proceedings have been brought in an inconvenient forum."

Section 10.11 is amended in its entirety to read as follows:

"10.11 Confidentiality. If the Parties have elected on the Cover Sheet to make this Section 10.11 applicable to this Master Agreement, neither Party shall disclose the terms or conditions of this Agreement to a third party (other than the Party's or the Party's Affiliates' employees, lenders, counsel, accountants, advisors or ratings agencies who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding or request applicable to such Party or any of its Affiliates, or as Party B deems necessary in order to demonstrate the reasonableness of its actions to duly authorized governmental or regulatory agencies, including, without limitation, the California Public Utilities Commission ("CPUC") or any division thereof; provided, however, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation. The confidentiality obligation hereunder shall not apply to any information that was or hereafter becomes available to the public other than as a result of a disclosure in violation of this Section 10.11. For purposes of this Section 10.11, Party B's Affiliates shall be limited to Pacific Gas and Electric Company Corporation."

Article 10 is amended by insertion of the following as Section 10.12:

"10.12 Additional Party B Representation and Warranty. Party B represents and warrants to Party A that Party B is entering into this Master Agreement in the ordinary course of its business, and this Master Agreement, and the covenants that Party B undertakes hereunder (including, without limitation, all obligations under Article 8 hereunder) are representative of agreements that Party B has historically entered into and continues to enter into in the ordinary course of its business. No approval of the Bankruptcy Court, nor any other approval relating to the Bankruptcy Proceeding, is required for Party B to enter into this Master Agreement or to perform its obligations hereunder (including, without limitation, all obligations under Article 8 hereunder)."

7. SCHEDULE P: PRODUCTS AND DEFINITIONS. Amend Schedule P as follows:

(1) Add the following definitions, in appropriate alphabetical order:

"CAISO Energy" means with respect to a Transaction, a Product under which the Seller shall sell and the Buyer shall purchase a quantity of energy equal to the hourly quantity without Ancillary Services (as defined in the Tariff) that is or will be scheduled as a schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the California Independent System Operator ("CAISO") (as amended from time to time, the "Tariff") for which the only excuse for failure to deliver or receive is an Uncontrollable Force (as defined in the Tariff).

"WECC" means the Western Electricity Coordinating Council.

"WSPP" means the Western Systems Power Pool.

"WSPP Agreement" means the Western Systems Power Pool Agreement as amended from time to time.

“West Firm” or “WSPP Firm” means with respect to a Transaction, a Product that is or will be scheduled as firm energy and consistent with the most recent rules adopted by the WECC for which the only excuses for failure to deliver or receive are if an interruption is (i) due to an Uncontrollable Force as provided in Section 10 of the WSPP Agreement; or (ii) where applicable, to meet Seller’s public utility or statutory obligations to its customers. Notwithstanding any other provision in this Master Agreement, if Seller exercises its right to interrupt to meet its public utility or statutory obligations, Seller shall be responsible for payment of damages for failure to deliver firm energy as provided in Article Four of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

REB

Party A -- FPL ENERGY POWER MARKETING, INC.

Party B -- PACIFIC GAS AND ELECTRIC COMPANY

By: Mark Maisto

By: Frank De Rosa

Name: MARK MAISTO

Name: Frank De Rosa

Title: PRESIDENT

Title: Director, Power Contracts

NEM
1/7/04

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