

Execution Version

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

This Confirmation documents a Transaction under Section 2.1 of, and is being provided pursuant to and in accordance with, the Master Power Purchase and Sale Agreement dated October 6, 2004 (the "Master Agreement") between Diablo Winds, LLC ("Party A" or "Seller") and Pacific Gas and Electric Company ("Party B," "Buyer" or "PG&E"), and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement. This Confirmation shall confirm the Transaction agreed to on October 6, 2004, between Diablo Winds, LLC and Pacific Gas and Electric Company regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party A

Buyer: Party B

Product:

- Into _____, Seller's Daily Choice
- Firm (LD)
- Firm (No Force Majeure)
- System Firm
(Specify System: _____)
- Unit Firm
(Specify Unit(s): _____)
- Other: Seller shall make available and deliver to Buyer at the Delivery Point the Energy Output from Seller's wind generation facilities comprised of 31 Vestas Turbines designated in Exhibit A with a stipulated nominal rating of 580 kW located at Sections 9, 10, 14, 22, and 23, or portions thereof, all in T2S, R3E, MDB&M in Alameda County in the Altamont Pass area of

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And Pursuant to May 20, 2003, Modified Protective Order

California, whose aggregate nameplate rating shall not exceed 18.0 MW (the "Units"), as and when such Energy Output is generated, except as provided under Special Condition 11 below. The Energy Output shall not be delivered to Buyer at a rate that exceeds 18.0 MWh per hour.

- Transmission Contingency (if not marked, no transmission contingency).
 - FT-Contract Path Contingency Seller Buyer
 - FT-Delivery Point Contingency Seller Buyer
 - Transmission Contingent Seller Buyer
 - Other Transmission Contingency

(Specify: _____)

Contract Quantity: As described in the definition of the Product

Delivery Point: The PG&E high side (230kV) bus bar at the existing Elworthy substation (the "Initial Delivery Point"). If at any time during the term of this Agreement NP15 is reconfigured in connection with any change in the structure of the relevant market so as to preclude delivery at the Initial Delivery Point, from and after such reconfiguration (the "Reconfiguration Time") the Delivery Point for this Agreement shall be the Zone(s), Node(s), and/or Delivery Point(s) that most closely resemble the Initial Delivery Point. In the event that, following the Reconfiguration Time, as a direct result of such reconfiguration, (i) Seller is subject to any incremental costs in connection with its delivery obligations under this Agreement or (ii) Buyer is subject to any incremental costs in connection with its receipt obligations under this Agreement, the Parties shall negotiate in good faith to allocate such incremental costs in a manner so as to preserve the economic substance of this Agreement with respect to Seller's delivery obligation or Buyer's receipt obligations.

Contract Price: The "Contract Price" shall be \$43.00 per megawatt hour of energy; provided however, that on the fourth anniversary of the first day of the Delivery Period, and on each anniversary of such date thereafter, the then current Contract Price shall be multiplied by the sum of one plus the percentage increase during the previous twelve months (such percentage increase, the "CPI Change") in the Consumer Price Index - All Urban Consumers, U.S. All Items ("CPI") as then most-recently published by the U.S. Department of Labor ("DOL"), and the product of such calculation shall be the new Contract Price; and provided further, that for purposes of this Confirmation, the CPI Change for any such adjustment shall not be less than zero percent nor

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more than two percent. If, at any time during the term of this Confirmation the CPI is no longer published, then such adjustment shall be based on the most closely-comparable consumer inflation index then published or specified by the DOL.

Energy Price: Not applicable.

Other Charges: Not applicable.

Delivery Period: From the later of (a) the first day on which CPUC Approval is obtained and (b) the date on which the first new turbine to be installed is determined to be substantially complete for purposes of the agreement providing for its construction (which date shall be provided by Seller to Buyer in writing promptly after its occurrence), and continuing for eleven calendar years plus 183 days following the date the last new turbine to be installed is determined to be substantially complete for purposes of the agreement providing for its construction (which date shall be provided by Seller to Buyer in writing promptly after its occurrence); provided that in no event shall the Delivery Period continue after June 30, 2016.

Special Conditions:

1. Force Majeure: Buyer shall not be required to make any payments for any portion of the Energy Output or Scheduled Energy under this Confirmation that is not delivered or scheduled, as appropriate, as a result of Force Majeure during the term of such Force Majeure. Seller shall not substitute energy from any other source for the output of the Units during an outage resulting from Force Majeure or curtailment under Special Condition 11 below.

2. Land Rights: Seller hereby grants to Buyer all necessary rights of way and easements, including adequate and continuing access rights on property of Seller, to install, operate, maintain, replace, and remove any of Buyer's facilities necessary to this Transaction. If any part of Buyer's equipment is or will be installed on property owned by another party other than Seller, Seller shall, at its own cost and expense, obtain from the owners thereof all necessary rights of way and easements in a form reasonably satisfactory to Buyer, for the construction, operation, maintenance, and replacement of Buyer's equipment upon such property. If Seller is unable to obtain such rights of way and easements after using

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commercially reasonable efforts, Seller shall reimburse Buyer for all reasonable costs incurred by Buyer in obtaining such rights of way and easements. Buyer shall at all times have the right of ingress to and egress from the Units at all reasonable hours for any purposes reasonably connected with this Confirmation and the Master Agreement or the exercise of any and all rights secured to Buyer by law or its tariff schedules.

3. Meters: All output from the Units must be delivered through a ISO-approved meter as described in Exhibit B to this Confirmation, and that meter must be dedicated exclusively to those Units. Such meter shall be the "revenue meter" for purposes of the definition of "Energy Output" contained in the Master Agreement.

4. Conditions Precedent: The effectiveness of this Confirmation is conditioned on CPUC Approval. This Confirmation and the Master Agreement may be terminated by either Party by written notice to the other within thirty (30) days thereafter if (i) CPUC Approval is denied by the CPUC or (ii) CPUC Approval has not been received by the date which is nine (9) months after this Confirmation is executed.

Each Party agrees to cooperate reasonably with the other in support of, and to take no action that could reasonably be expected to delay or prevent, the satisfaction of the condition precedent set forth in this paragraph 4, provided that Buyer shall have no obligation to take any action which it determines would be detrimental to its interests in the proceeding for CPUC Approval, in any other proceeding before the CPUC or in any other forum. Each Party agrees to notify the other promptly upon becoming aware of the satisfaction of such condition precedent.

5. EWG Status: Seller shall take all necessary steps to qualify the Units for Exempt Wholesale Generator ("EWG") status as defined by and under the jurisdiction of the Federal Energy Regulatory Commission. Seller will also negotiate and execute all agreements with jurisdictional entities which become necessary as a result of the Units obtaining EWG status, including but not limited to a ISO Participating Generator Agreement, and Meter Service Agreement for ISO Metered Entities.

6. Participating Intermittent Resource: Seller shall use all commercially reasonable efforts to cause the Units to become a Participating Intermittent Resource (as defined in the ISO tariff) in the ISO's Participating Intermittent Resource Program ("PIRP") at all times during the Delivery Period, including without limitation negotiating a Letter of Intent to become a Participating Intermittent Resource. Seller and Buyer shall comply with Amendment 42, and all applicable protocols issued by the ISO relating to Participating Intermittent Resources, including the EIRP, for the term of the Delivery Period. As used in this Confirmation, "EIRP" means the Eligible Intermittent Resources Protocol, as in effect on the date of execution of this Confirmation and as may be amended from time-to-time, which is part of the ISO tariff. As used in this Confirmation, "Amendment 42" means those terms and conditions in Amendment 42 to the ISO tariff filed in Docket No. ER02-922-000 (Intermittent Resources; CT 487; Intra zonal Congestion; Real Time Pricing) that define and approve the PIRP as in effect on the date this Confirmation is executed and as may be amended from time to time.

7. Scheduling and Scheduling Coordinator: Each of Seller and Buyer shall be its own Scheduling Coordinator ("SC") with respect to this Transaction or designate a qualified third party to fulfill such role. Throughout the Delivery Period, Seller will schedule an SC-to-SC trade for the anticipated output of the Unit solely to Buyer's SC, as provided in this paragraph 7, and the energy so scheduled shall be Scheduled Energy. Conduct of deliveries through SC-to-SC trades shall be in compliance with the Settlement and Billing Protocol of the ISO tariff, including, but not limited to, Sections SBP2.14, Inter-Scheduling Coordinator Energy Trades (the "ISO Scheduling Protocols"). Seller's SC shall be responsible for scheduling the forecast of Energy Output to the Delivery Point during the applicable Delivery Period in accordance with Amendment 42 and the EIRP. Seller shall submit schedules, and any updates to such schedules of Scheduled Energy to the ISO based on the most current forecast of Energy Output consistent with Amendment 42 and the EIRP, unless otherwise agreed by mutual consent. Buyer's Scheduling Coordinator shall conduct all scheduling in full compliance with the applicable ISO tariff, protocols and scheduling practices for day-ahead or hour-ahead energy.

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7.1. Annual Forecast of Delivery Schedules: No later than forty-five (45) days before the beginning of each calendar year, Seller shall provide a non-binding forecast of each month's average-day deliveries of Energy Output, by hour, for the following calendar year.

7.2. Monthly Forecast of Delivery Schedules: Ten (10) Business Days before the beginning of each month, Seller shall provide a non-binding forecast of each day's expected deliveries of Energy Output, by hour, for the following month ("Monthly Delivery Forecast").

7.3. Daily Delivery Schedules: No later than fourteen (14) hours before the beginning of the Day-Ahead trading day (i.e., 38 hours in advance of the beginning of the trading day) in accordance with the ISO Scheduling Protocols, Seller's Scheduling Coordinator shall provide Buyer with a copy of a non-binding hourly forecast of deliveries of Energy Output for each trading day; provided, however, that a schedule provided on a day before any non-Business Day shall include deliveries forecast for each day to and including the next Business Day. Each delivery schedule shall clearly identify, for each hour, Seller's best estimate of all amounts of Energy Output to be delivered to Buyer pursuant to this Confirmation. Seller shall deliver Energy Output in accordance with its Day-Ahead schedule and subject to the applicable ISO tariff. Seller shall promptly provide Buyer with a copy of any and all updates to such schedule indicating a change in Scheduled Energy from the then-current schedule, which is provided to the ISO under Amendment 42 and any and all scheduling protocols issued by the ISO. These notices and schedules shall be sent to:

Day-Ahead Trading Desk

Phone: 415-973-6222

Fax: 415-973-0400

Email: duenergy@pge.com

7.4. Hourly Delivery Schedules: In the event that Seller makes a change to its schedule on the date of delivery for any reason, including Forced Outages (other than a scheduling change imposed by Buyer or ISO), which results in a change to its deliveries

(whether in part or in whole), Seller shall notify Buyer immediately by calling Buyer's on-duty Scheduling Coordinator to provide any and all changes to the Day-Ahead Schedule and to provide a revised schedule thereto as soon as possible, but in no event later than (1) hour before Buyer's Scheduling Coordinator is required to submit Hour-Ahead schedules to the ISO. With respect to any Forced Outage, Seller shall (i) use commercially reasonable efforts to notify Buyer, orally, of such outage within one (1) hour of the occurrence of such outage, (ii) provide a written estimate of the expected duration of such outage within twenty four (24) hours after submittal of the initial notification pursuant to clause (i) of this paragraph 7.4 to Buyer, in a form reasonably requested by Buyer. Seller shall keep Buyer informed of any developments that will affect either the duration of such outage or the availability of the Unit during or after the end of such outage. These notices and schedule changes shall be sent to:

Hour-Ahead Trading Desk
Phone: 415-973-7900
Fax: 415-972-5340
Email: rtenergy@pge.com

7.5 Energy Settlement: Buyer shall pay the Contract Price for all Scheduled Energy, as adjusted pursuant to the specific conditions set forth in this section pertaining to the treatment of energy imbalances. Buyer and Seller recognize that from time to time the amount of Energy Output will deviate from the amount of Scheduled Energy. "Imbalance Energy" means the amount of energy, in any given hour, by which the amount of Energy Output deviates from the amount of Scheduled Energy. When Energy Output minus Scheduled Energy is a positive amount, it shall be considered "Positive Imbalance Energy"; when Energy Output minus Scheduled Energy is a negative amount, the absolute (i.e., positive) value of that amount shall be considered the "Negative Imbalance Energy."

7.5.1 PIRP Intervals: For those ISO settlement intervals in which the Units are deemed to be in the PIRP program. Buyer agrees to pay the ISO for imbalances as follows:

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(a) In the event of Positive Imbalance Energy, Buyer will pay Seller for the Positive Imbalance Energy at a price equal to the difference of the Contract Price minus the Weighted-Average Monthly Imbalance Price used by the ISO to settle imbalances with PIRP entities. If such difference is a negative number, Seller shall pay Buyer an amount for the Positive Imbalance Energy at a price equal to the absolute value of that difference.

(b) In the event of Negative Imbalance Energy, Seller will pay Buyer the difference of the Contract Price minus the Weighted-Average Monthly Imbalance Price used by the ISO to settle imbalances with PIRP entities, provided that if such difference is a negative number, no adjustment payment will be made by either Buyer or Seller under this clause 7.5.1(b).

7.5.2 Non-PIRP Intervals: For those ISO settlement intervals in which the Units are not deemed to be in the PIRP program, Buyer agrees to compensate Seller for imbalances as follows:

(a) Imbalance Price: For each Non-PIRP Interval in which there is Positive Imbalance Energy, the Imbalance Price shall be the Ex Post Price applied by the ISO with respect to positive uninstructed imbalance energy charges for the applicable ISO settlement time interval at the Delivery Point. For each Non-PIRP Period in which there is Negative Imbalance Energy, the Imbalance Price shall be the Ex Post Price applied by the ISO with respect to negative uninstructed imbalance energy charges for the applicable time interval at the Delivery Point.

(b) True Up Adjustment for Positive Imbalance Energy (Over Deliveries): For each Non-PIRP Interval in which there is Positive Imbalance Energy, Buyer will pay Seller for the Positive Imbalance Energy at a price equal to the difference of the Contract Price minus the Imbalance Price. If such difference is a negative number, Seller shall pay Buyer an amount for the Positive Imbalance Energy at a price equal to the absolute value of that difference. Buyer shall receive all Environmental Attributes for all Energy Output, regardless of whether any or all of it was sold into the ISO.

(c.) True Up Adjustment for Negative Imbalance Energy (Under Deliveries): For each Non-PIRP Period in which there is Negative Imbalance Energy, Seller will pay Buyer the difference of the Contract Price minus the applicable Imbalance Price, provided that if such difference is a negative number, no adjustment payment will be made by either Buyer or Seller under this clause 7.5.2 (c).

7.5.3 Billing: On or about the tenth (10th) day of each month, Seller will provide to Buyer complete records of Energy Output and Scheduled Energy for the preceding month, including an invoice for all Scheduled Energy provided pursuant to Section 6.1 of the Master Agreement. Monthly billing for Imbalance Energy shall be accomplished after receipt of Seller's ISO settlement invoice for the entire relevant billing period. Subsequent true-up adjustments will be provided as necessary.

7.6 ISO Charges: Seller shall be liable and reimburse Buyer for any Penalties, as defined in this paragraph 7.6, incurred by Buyer as a result of Seller's failure to abide by the ISO tariff and all applicable protocols. Buyer shall be liable and reimburse Seller for any Penalties, incurred by Seller as a result of Buyer's failure to abide by the ISO tariff and all applicable protocols. Seller and Buyer shall cooperate to minimize imbalances and Penalties to the extent possible. Seller shall promptly notify Buyer as soon as possible of any material imbalance that is occurring or has occurred. Such notification shall not alter each Party's responsibilities with respect to payment for imbalances and Penalties under this Confirmation. As used herein, "Penalties" means any fees, liabilities, assessments, or similar charges, including without limitation uninstructed deviation penalties, assessed by the ISO.

7.7 Amendment 42: If either (a) Amendment 42 is no longer in effect or (b) Amendment 42 is materially changed, then the Parties shall use commercially reasonable efforts to negotiate a mutually acceptable successor arrangement and modify this Confirmation, as necessary, to arrive at a mutually agreeable amendment that will provide a scheduling or other arrangement for the delivery of energy from the Unit(s) to Buyer. Unless and until such mutually agreeable amendment is executed and effective,

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each of the Parties' obligations hereunder shall continue in full force and effect and Buyer shall pay Seller on a monthly basis for Scheduled Energy or Energy Output as provided in this Confirmation.

8. Operating Communications: Seller shall maintain operating communications with the PG&E Control Center specified in the GIA (as defined in paragraph 9 of this Confirmation). Consistent with the GIA, the operating communications shall include, but not be limited to, system parallel operation or separation, scheduled and unscheduled outages, equipment clearances, protective relay operations, levels of operating voltage and reactive power, and daily capacity and generation reports. Seller shall be responsible for all outage coordination communications with ISO outage coordination personnel and ISO operations management, including submission to ISO of updates of outage plans, submission of clearance requests, and all other outage-related communications. Seller shall timely provide PG&E with copies of all outage plans and clearance requests submitted to ISO, and shall promptly inform PG&E of all clearance approvals and disapprovals and other communications with ISO pertaining to the status of planned or in-progress outages of Units. Seller shall maintain a summary of clearance information associated with all current and planned maintenance, including information on then current outages, and make this available to PG&E. If either Party receives information through ISO or directly from transmission or distribution system owners regarding maintenance that will directly affect the Units, it will provide this information promptly to the other Party.

9. Interconnection: Seller, at no cost to Buyer, agrees to furnish and install the relays, meters, power circuit breakers, synchronizer and other control and protective apparatus as Buyer, in its sole judgment, determines to be reasonably necessary for proper and safe operation of the Units in parallel with the PG&E or ISO system. Seller shall execute all other agreements required for the interconnection of a new power plant with ISO and/or Buyer, including but not limited to a Generator Interconnection Agreement between Seller and Buyer ("GIA").

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10. Operations Records: Seller shall keep a daily operations log for the Units which shall include information on availability, maintenance outages, circuit breaker trip operations requiring a manual reset, and any significant events related to the operation of the Units, including but not limited to: real and reactive power production; changes in operating status and protective apparatus operations; and any unusual conditions found during inspections. Seller's log shall be made available for inspection by PG&E upon reasonable notice, during normal business hours. Seller shall maintain complete daily operations records applicable to the Units, including but not limited to maintenance performed, kilowatts, kilovars and kilowatt-hours generated and settings or adjustments of the generator control equipment and protective devices. Seller's records shall be made available for inspection by PG&E upon reasonable prior notice, during normal business hours. Seller shall report to the designated Control Center daily at an agreed-upon time for the current day's operation, the hourly readings in kW of Energy Output delivered. Buyer shall have access to the Units at any time to inspect the Units and operations and maintenance records. Buyer may enter Seller's facilities with reasonable prior notice during business hours to audit, appraise, inspect and/or examine those facilities to confirm and/or verify Seller's performance.

11. CPUC Approval: Buyer shall file within five (5) days of execution this Confirmation and the Master Agreement, by advice letter, for approval by the CPUC under the rules for approval in R.01-10-024 and shall diligently pursue such approval.

12. Curtailments: Notwithstanding anything herein to the contrary, Buyer shall not be obligated to accept or pay for, and may require Seller to interrupt or reduce deliveries of energy (1) when and to the extent necessary in order to install, maintain, repair, replace, remove, investigate, or inspect any of its equipment or any part of its system provided that Buyer will make reasonable efforts to minimize such reductions, or (2) if Buyer or the ISO determines, that interruption or reduction of deliveries is necessary because of system emergencies, forced outages, force majeure, compliance with Prudent Electrical Practices, or compliance with ISO tariffs or rules. Whenever possible, Buyer shall give Seller reasonable notice of the possibility that interruption or reduction of deliveries may be required. In the

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event that Seller is curtailed by Buyer for reasons other than as permitted above, the provisions of Section 4.2 of the Master Agreement shall apply.

13. PTC Termination: If legislation granting production tax credits to the Units, as such credits are currently set forth in Section 45 of the Internal Revenue Code in effect on December 31, 2003 with respect to facilities placed in service prior to January 1, 2004, has not been enacted by December 31, 2005, then this Confirmation and the Transaction hereunder shall terminate automatically at 11:59 p.m. Pacific Prevailing Time on December 31, 2005. In the event of such termination, the parties may use good faith efforts to negotiate a mutually agreeable successor agreement.

PARTY A

Name: Diablo Winds, LLC
By: *[Signature]*
Title: Vice President
Telephone No.: (561) 691-7171
Facsimile No.: (561) 691-7177

PARTY B

Name: Pacific Gas and Electric Company
By: *[Signature]*
Title: President & CEO
Telephone No.: (415) 973-2155
Facsimile No.: (415) 973-6942

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EXHIBIT A

MAP OF TURBINES OPERATING UNDER THIS AGREEMENT



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MN (15.2° E)



Date Zoom 13-0

EXHIBIT B

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METERING DIAGRAM