



**Pacific Gas and
Electric Company®**

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May 12, 2009

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Mr. Michael L. Hawkins
Mt. Poso Cogeneration Co.
36157 Famoso Woody Road
P.O. Box 81256
Bakersfield, CA 93380

Subject: Letter Agreement Extending QF Contract Log No. 25C018

The purpose of this letter agreement ("Extension Agreement") is to set forth the terms and conditions under which the QF Contract Log No. 25C018 (the "QF Contract") (dated 11/30/1984, with an expiration date of 05/14/09) between Pacific Gas and Electric Company ("PG&E") and Mt. Poso Cogeneration Co. ("Seller") (collectively, the "Parties") will be extended. The Parties agree as follows:

1. Rates. For the term of this Extension Agreement, PG&E will pay Seller \$90/MWh for non-renewable energy and \$118.40 for RPS-eligible renewable energy. Seller agrees to perform the acts needed to document the eligibility of generation produced through the combustion of biomass for the California Renewables Portfolio Standard (RPS) program. Eligibility for the RPS requires certification of the facility as a dual-fuel "Eligible Renewable Energy Resource" by the California Energy Commission (CEC), registration of the facility with the Western Renewable Energy Generation Information System database, and the Seller's monthly calculation of the ratio of energy from biomass versus non-biomass feedstock based on the CEC-approved methodology.

2. Term. The Effective Date of this Agreement shall be May 15, 2009. The term (Term) of this Extension Agreement is for up to two (2) years, from May 15, 2009 through May 14, 2011 (the "Extension Period"). The Agreement will terminate earlier if: (1) the California Public Utilities Commission ("CPUC") approves an RPS contract (still under negotiation) between Buyer and Seller for the same project, and the term of such contract commences prior to the end of the Extension Period, (2) if the Parties are unable to execute an RPS contract by July 15, 2009, and Seller elects to terminate, or (3) sixty (60) days after the CPUC issues a decision that does not approve the RPS agreement. As of midnight on the day following the earliest of the aforementioned dates, this Extension Agreement shall terminate automatically and neither Party shall have any further obligations under either the QF Contract or this Extension Agreement except for payments already owing at the time of such termination; provided that, if the CPUC decision disapproving the RPS agreement is based in whole or in part on deficiencies in the filing, the Parties shall make a good faith effort to refile for approval and wait for the CPUC's subsequent decision before terminating this Extension Agreement.

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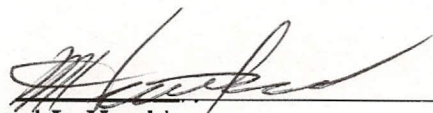
3. No Other Changes. All other provisions of the QF Contract shall remain in effect for the Extension Period.

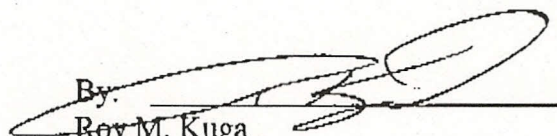
The Parties acknowledge their agreement to this Extension Agreement by their signatures below.

Agreed to and Accepted:

MT.POSO COGENERATION CO.

PACIFIC GAS AND ELECTRIC
COMPANY

By: 
Michael L. Hawkins
[Title] *Partner*
[Date] *MM4 12-2009*

By: 
Roy M. Kuga
Vice President, Energy Supply
[Date] *5/12/09*