Pacific Gas and
Electric Company

245 Market Street
San Francisco, CA 94105-1702
Mailing Address
Mail Code N12
P.O. Box 770000
San Francisco, CA 94177-0001

September 17, 2003

33R007 2003
Confirmation Agreement
Sierra Power Corporation
Locked File

Sierra Power Corporation
9000 Rd. 234
Terra Bella, CA 93270

Gentlemen:

Re: Confirmation Letter for Sierra Power Corporation

On September 18, 2003, PG&E executed a contract to procure renewable energy and capacity from the subject facility. The Parties recognize that deliveries under the contract need to occur on an expedited basis to maintain the viability of the facility because:

- It is an existing biomass renewable project,
- The contract with DWR expired at the end of June, and
- Since then, the parties have been in good faith negotiations.

Section 1.b. of the contract now states (emphasis added):

"CPUC Approval" means that the CPUC has issued a final order, no longer subject to appeal, without conditions or modifications unacceptable to the Parties, or either of them, that: (1) finds that any procurement pursuant to this Agreement is deemed incremental procurement by PG&E from a renewable resource for purposes of determining PG&E's compliance with any obligation that it may have pursuant to the Renewable Portfolio Standard, CPUC Decision 03-06-071, or other applicable law to procure an additional one percent (1%) of its annual electricity sales from renewable resources; (2) finds that any procurement pursuant to this Agreement be deemed part of PG&E's "baseline" quantity of eligible renewable resources for purposes of Section 399.15 of the Public Utilities Code or other applicable law; and (3) approves this Agreement in its entirety, and contains findings that this Agreement and PG&E's entry into this Agreement are reasonable and prudent for all purposes, including, but not limited to, PG&E's recovery in rates of all payments made under this Agreement, subject only to CPUC review with respect to the reasonableness of PG&E's administration of the Agreement. If there is no timely application for rehearing or reconsideration of an acceptable CPUC resolution approving procurement pursuant to this Agreement, that resolution shall be deemed to satisfy this "CPUC Approval"

To expedite deliveries under the contract, the Parties thus agree to modify Section 1.b. to read as follows (emphasis added):

CPUC Approval" means that the CPUC has issued a resolution approving PG&E's Advice Letter, without conditions or modifications unacceptable to the Parties, "or either of them, that: (1) finds that any procurement pursuant to this Agreement is deemed incremental procurement by PG&E from a renewable resource for purposes of determining PG&E's compliance with any obligation that it may have pursuant to the Renewable Portfolio Standard, CPUC Decision 03-06-071, or other applicable law to procure an additional one percent (1%) of its annual electricity sales from renewable resources; (2) finds that any procurement pursuant to this Agreement be deemed part of PG&E's "baseline" quantity of eligible renewable resources for purposes of Section 399.15 of the Public Utilities Code or other applicable law; and (3) approves this Agreement in its entirety, and contains findings that this Agreement and PG&E's entry into this Agreement are reasonable and prudent for all purposes, including, but not limited to, PG&E's recovery in rates of all payments made under this Agreement, subject only to CPUC review with respect to the reasonableness of PG&E's administration of the Agreement."

This letter agreement may be signed in counterparts, and a facsimile shall have the same legal effect as an original

For PG&E:

Name: Roy Kuga
Title: Director - Gas & Electric Supply
Date: 9/18/03

For Sierra Power Corporation:

Name: Kent Duysen
Title: President
Date: 9/22/03