Execution Version

AMENDMENT TO THE

MASTER POWER PURCHASE AND SALE AGREEMENT

BETWEEN

PACIFIC GAS AND ELECTRIC COMPANY

AND SIERRA POWER CORPORATION

This Amendment to the Master Power Purchase and Sale Agreement ("Amendment") is made as of September 15, 2006 between SIERRA POWER CORPORATION ("SIERRA" or "Seller") and PACIFIC GAS AND ELECTRIC COMPANY ("PG&E" or "Buyer"). PG&E and SIERRA 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 that Confirmation Letter for SIERRA and July 8, 2004 extension letter (hereinafter, the Master Agreement, First Confirmation, Confirmation Letter and extension letter collectively are referred to as the "Agreements"), pursuant to which SIERRA 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 SIERRA'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

("Settlement Agreement"), and to address SIERRA'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

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 4.8 below, and the associated adjustment to Contract Capacity, 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, SIERRA 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 SIERRA does not include payments that PG&E may make to SIERRA for Received Energy delivered to PG&E by SIERRA 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 4.8 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 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 7.0 MW pursuant to Section 6.a., which may be adjusted in accordance with Section 15 of the First Confirmation as amended by the Parties' Amendment.
- "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, except as provided to Seller's sawmill adjacent to the Unit. 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."

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 Contract 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.

SIERRA 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 SIERRA's right to receive subsidies available from the CEC; provided that, the sole reason and purpose for any such election is to preserve SIERRA'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 amended 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 0.635 (annual weighted average of 87% Availability Factor) to convert the increase into a $/kW-month adjustment to the Contract Capacity Price. SIERRA 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 SIERRA requests an Energy Price to Contract Capacity Price CPI Adjustment, SIERRA 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 SIERRA's ability to preserve CEC payment subsidies. If SIERRA fails to provide such documentation to PG&E when the request is made, PG&E shall not be required to approve SIERRA's request for an Energy Price to Contract Capacity Price CPI Adjustment. SIERRA'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 SIERRA no later than February 27 of the applicable calendar year that SIERRA'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 4.7 below) + Received Energy up to 1.0 MW above Contract Capacity

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

Where,

i. 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%.

ii Received Energy up to 1.0 MW above the Contract Capacity shall apply only if and when the Seller designates its Contract Capacity as 6.0 MW or less and such designation complies with amended Section 15.

iii 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 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

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 B attached hereto."

4.7 Curtailment 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:

"Curtailment of the Unit(s).

(a) Curtailment Reasons:

PG&E shall have the right, and SIERRA 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 "Curtailment 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 C attached hereto.

(b) Curtailment 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 Curtailment"). Any curtailment ordered or instructed by the ISO

(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 SIERRA 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 2.0 MW and to a level no lower than 5.0 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. SIERRA shall have no obligation to partially curtail the Unit(s) by any more than 2.0 MW or to a level lower than 5.0 MW pursuant to a Partial Curtailment that is not ordered or instructed by the ISO. PG&E shall provide SIERRA with notice of a Partial Curtailment no later than: (a) for day-ahead scheduling, 2 hours before the SIERRA'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 SIERRA'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. SIERRA 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, SIERRA shall recommence the