delivery of output to PG&E from the curtailed Unit(s) at the level that was in effect when PG&E provided notice of the Complete Curtailment. For a Partial Curtailment, immediately upon the Ending of the Partial Curtailment, SIERRA shall recommence the delivery of output to PG&E from the curtailed Unit(s) at the level that was in effect when PG&E provided notice of the Partial Curtailment.

(d) Pro Rata Application of This Section:

This Section 10 shall apply on a pro rata basis as of the Effective Date of the Amendment for the remainder of the calendar year in which the Effective Date falls. As set forth in Section 3 of the Amendment, this Section 10 shall commence on the Effective Date and remain in effect for so long as the Agreements remain in effect.

(e) Waiver; Sales to Third Parties During Partial Curtailment:

SIERRA waives any claim for and agrees that it shall not seek any compensation or damages from PG&E for any administrative penalties or fines, economic losses or damage to the Unit(s) resulting from PG&E's exercise of its curtailment rights under and in accordance with this Section 10. Subject to any ISO order or instruction to the contrary, SIERRA is entitled during a Partial Curtailment to sell energy from the Unit(s) into the wholesale market."

4.8 Seller's Revisions of Contract Capacity. Section 15 of the First Confirmation shall be deleted in its entirety and replaced with the following:

"Seller's Revisions of Contract Capacity. Following the execution date of the Parties' Amendment, SIERRA shall have the option to decrease the Contract Capacity, which is 7.0 MW pursuant to Section 6.a., one time—and only one time—each calendar year by increments as small as 0.1 MW; provided that, SIERRA may only decrease the Contract Capacity by a total amount no greater than 2.0 MW in a given calendar year. SIERRA may not decrease the Contract Capacity pursuant to this Section 15 to a level which is less than 5.0 MW without PG&E's prior written consent, which consent may be withheld in PG&E's sole and absolute discretion.

To the extent that SIERRA has exercised its option to decrease the Contract Capacity as specified in this Section 15 for a particular calendar year, SIERRA may increase the Contract Capacity in a subsequent calendar year to a level which is no greater than 7.0 MW. SIERRA may not increase the Contract Capacity pursuant to this Section 15 to any level above 7.0 MW without PG&E's prior written consent, which consent may be withheld in PG&E's sole and absolute discretion.

Only one change may be made to the Contract Capacity in a given calendar year (i.e., only one change may be made in 2006, only one change may be made in 2007, and so forth). Any change to the Contract Capacity shall operate prospectively only.

The following deadlines shall apply to the exercise of SIERRA's annual option to change the Contract Capacity as specified in this Section 15 (hereinafter, "Annual Option"). SIERRA shall not be able to exercise the Annual Option without first providing PG&E with no less than 15 days' prior written notice ("Exercise Notice") as follows:

(a) To exercise the Annual Option for calendar year 2006, SIERRA must provide the Exercise Notice to PG&E on or before October 18, 2006. If SIERRA exercises the Annual Option by providing the Exercise Notice to PG&E by October 18, 2006, the change to Contract Capacity shall take effect as of November 1, 2006. If SIERRA does not provide the Exercise Notice to PG&E by October 18, 2006, SIERRA loses the Annual Option for 2006 and the Annual Option shall terminate for 2006 without any further action by the Parties.

(b) To exercise the Annual Option for a calendar year subsequent to 2006, SIERRA must provide the Exercise Notice in accordance with one of the deadlines specified in (i) or (ii) below. If SIERRA provides the Exercise Notice in accordance with one of these deadlines, the change to Contract Capacity shall take effect on the first day of the Period (June 1 for Period A or October 1 for Period B) following the Period in which SIERRA provided the Exercise Notice, *subject to the limit of one change to Contract Capacity per calendar year.*

(i) *Subject to the one change per calendar year limit*, for a change to take effect on June 1 (the commencement date for Period A) of a given calendar year, SIERRA must provide the Exercise Notice to PG&E by May 18 of that calendar year.

(ii) *Subject to the one change per calendar year limit*, for a change to take effect on October 1 (the commencement date for Period B) of a given calendar year, SIERRA must provide the Exercise Notice to PG&E by September 17 of that calendar year.

If SIERRA does not provide the Exercise Notice to PG&E in accordance with either (i) or (ii) above for a given calendar year, SIERRA loses the Annual Option for that calendar year and the Annual Option shall terminate for that calendar year without any further action by the Parties.

For those calendar years subsequent to 2006, SIERRA may submit a request to PG&E to change the Contract Capacity outside of the deadlines set forth above, but approval of that request may be withheld in PG&E's sole and absolute discretion. If PG&E does not approve the request in writing within 30 days of the request's submission date, the request shall be deemed rejected.

4.9 Production Tax Credits. Section 19 of the First Confirmation shall be deleted in its entirety and replaced with the following:

"SIERRA shall retain any rights to any Production Tax Credits realized or obtained by SIERRA."

4.10 Reliability Requirements. Section 20 of the First Confirmation shall be amended to add the following phrase after "ISO reliability requirements": "including, but not limited to, RA Requirements".

4.11 Resource Adequacy. Section 22 of the First Confirmation shall be deleted in its entirety and replaced with the following:

"Resource Adequacy. During the Amendment Term, SIERRA grants, pledges, assigns and otherwise commits to PG&E the Contract Capacity (as may be adjusted pursuant to amended

Section 15 of the First Confirmation), including Capacity Attributes, from the Unit(s) as is needed to enable PG&E to meet its RA Requirements. SIERRA covenants throughout the Amendment Term that it will take no action or permit any other person or entity (other than PG&E) to take any action that would impair in any way PG&E's ability to rely on the Contract Capacity, including Capacity Attributes, in order to satisfy the RA Capacity portion of PG&E's RA Requirements. SIERRA understands that the CPUC and ISO are currently in the process of developing requirements for RA and that these requirements and the implementation thereof have not been finalized. SIERRA covenants that throughout the Amendment Term the Unit(s) will qualify and will be certified by the CEC as an Eligible Renewable Energy Resource and the Product delivered to PG&E will qualify under the requirements of the California Renewables Portfolio Standard in effect as of the Effective Date.

(a) The Parties agree that throughout the Amendment Term they shall take all commercially reasonable actions and execute any and all documents or instruments reasonably necessary to enable PG&E to get full credit for the RA Capacity in meeting its RA Requirements. Such commercially reasonable actions may include, but are not limited to, the following:

(i) Cooperating with and encouraging the regional entity, including the ISO, if applicable, responsible for RA administration to certify or qualify the RA Capacity for the purposes of RA Requirements, including complying with requirements that the CPUC has established and may establish in the future, such as calculation of RA Capacity over all hours required for eligibility for RA Requirements and delivery of the RA Capacity to the ISO Interconnection Point; and

(ii) Negotiating in good faith to make necessary amendments (which may relate to determinations of cost responsibilities to maintain the benefits and burdens negotiated by the Parties for the Amendment), if any, to the Amendment or to subsequent

clarifications, revisions or decisions of the CPUC or any other entity, including the ISO, with respect to RA.

(b) If SIERRA fails to provide notice to the ISO and sufficient notice to PG&E to take action necessary to avoid monetary penalties assessed by the CPUC and/or the ISO against PG&E for PG&E's failure to meet the requirements of the CPUC and/or the ISO related to PG&E's obligation to submit an approved RA Capacity demonstration, to the extent such monetary penalties were the result of SIERRA not fulfilling its obligations in providing RA to PG&E, SIERRA shall indemnify PG&E for any such monetary penalties and the costs incurred by PG&E to replace, if required, any RA Capacity."

4.12 Security Provided By Seller. Section 29.l. of the First Confirmation shall be amended to add the following:

"Increased Performance Security Amount. SIERRA shall provide to PG&E additional security in the amount of $374,897.00 ("Increased Performance Security Amount") to secure the performance of SIERRA's obligations hereunder by either:

(a) Posting a Letter of Credit within 7 Business Days of the Effective Date in an amount equal to $632,637.00 ("Revised Security Amount"), substantially in the form attached hereto as Exhibit D. SIERRA also may make a one-time election at any time during the Amendment Term to fund the Revised Security Amount with a Letter of Credit. If SIERRA funds the Revised Security Amount with a Letter of Credit, PG&E shall return the security deposit in the amount of $257,740.00 ("Initial Security Amount") that SIERRA previously posted, plus the applicable interest, and, if SIERRA previously deposited cash in the Increased Performance Security Amount pursuant to subsection (b) below, PG&E shall return that cash deposit, plus the applicable interest, no later than 3 Business Days after its receipt of the Letter of Credit for the Revised Security Amount; or

(b) Depositing cash in the Increased Performance Security Amount pursuant to following schedule: Commencing with the first monthly invoiced amount due and owing to SIERRA by PG&E hereunder and continuing for a total of 9 consecutive months, PG&E shall

deduct one-ninth of the Increased Performance Security each month, or $41,655.22, from each monthly invoiced amount for the Product delivered during the applicable month and hold such amount in satisfaction of the Increased Performance Security Amount. However, if in any month during such 9 month period the monthly invoiced amount due and owing to SIERRA by PG&E is not sufficient to allow PG&E to deduct $41,655.22, PG&E shall continue to deduct the remaining amount of the Increased Performance Security Amount from the monthly invoiced amounts after the 9 month period until the remaining balance of Increased Performance Security Amount is satisfied by SIERRA."

5. Further Actions and CPUC Approval.

(a) Further Actions. PG&E shall file the Amendment through an advice letter filing with the CPUC no later than 21 Business Days following the full execution of the Amendment. SIERRA shall provide to the CPUC and PG&E all necessary financial data, plant operating data and any other related information to support the Amendment.

(b) CPUC Approval as Condition Precedent. CPUC Approval of both the Amendment and the Settlement Agreement is a condition precedent to the effectiveness of the Amendment. Thus, if the Settlement Agreement does not receive CPUC Approval, this Amendment shall not become effective regardless of whether this Amendment receives CPUC Approval. The Parties agree that if the CPUC fails to approve the Amendment or the Settlement Agreement as reasonable, and fails to adopt either unconditionally and without modification, including the findings and determinations requested under paragraph 2.1 of the Amendment, both the Amendment and the Settlement Agreement shall not become effective and all of the following shall apply:

(i) Both the Amendment and the Settlement Agreement shall terminate, subject to the terms of paragraph 6 below.

(ii) The Parties shall revert back to and continue to operate under the Agreements, as unmodified by this Amendment.

(iii) SIERRA shall indemnify PG&E as set forth in paragraph 2.2 of this Amendment.

(iv) The Parties shall retain all of their respective rights, claims and remedies under the Agreements, as unmodified by this Amendment.

6. Request for Negotiation. In the event either the Amendment or the Settlement Agreement does not receive CPUC Approval (hereinafter, a "Failure of Approval"), no later than 10 days from the date of such Failure of Approval, a Party may submit to the other Parties a letter requesting a face-to-face negotiation ("Letter Request") to discuss a response to the Failure of Approval. The Letter Request must be served on all of the Parties in accordance with Section 10.7 of the Master Agreement. Within a reasonable amount of time after receiving the Letter Request, the Parties shall hold a face-to-face negotiation on a mutually agreeable date and at a mutually agreeable location. If the Parties are unable to reach complete agreement on a response to the Failure of Approval within 30 days from the date of the negotiation (this 30-day deadline may be extended by mutual agreement of the Parties), this Amendment and the Settlement Agreement shall terminate without any further action by any of the Parties. If the Parties timely reach complete agreement on a revised version of the Amendment and the Settlement Agreement in response to the Failure of Approval, this Amendment and the Settlement Agreement shall terminate on the date such revised agreements are executed without any further action by any of the Parties. In the event there is a Failure of Approval and no Letter Request is served by any of the Parties within the 10-day period following the Failure of Approval, this Amendment and the Settlement Agreement shall terminate without any further action by any of the Parties.

7. Nonadmission. This Amendment does not constitute an admission of any disputed facts or issues of law in this or any other matter. Whether or not the Amendment becomes effective, it shall not be admissible against either Party as establishing any precedent

under the Agreements, or creating any admission or course of dealing. If this Amendment does not become effective, it shall not be used in any way to construe the terms of the Agreements.

8. Entire Agreement. This Amendment constitutes the entire agreement between the Parties with regard to the subject matter described herein and supersedes any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings with respect thereto. The Parties each acknowledge that in making this Amendment they have not relied upon any statement or representation not set forth in this Amendment and that they have acted freely and voluntarily and are not acting under coercion or duress. No modification of this Amendment, and no waiver of any right hereunder or provision hereof, shall be binding on SIERRA or PG&E unless set forth in a writing duly executed by SIERRA and PG&E.

9. Severance. Should any provision of this Amendment be held unenforceable or illegal, such illegality or unenforceability shall not invalidate the remainder of the Amendment. Instead, this Amendment will be construed as if it did not contain the illegal or unenforceable part, and the rights and obligations of the Parties shall be construed and enforced accordingly.

10. Applicable Law. This Amendment shall be governed by and construed in accordance the applicable law specified in the Agreements and any disputes relating to this Amendment shall be resolved in accordance with the dispute resolution procedures set forth in the Agreements.

11. Full Force and Effect. Except as modified herein, the Agreements remain unchanged and in full force and effect according to their terms.

12. Binding Nature. This Amendment shall inure to the benefit of and be binding upon the Parties, including successors-in-interest, whether by purchase, merger, assignment or otherwise.

13. Headings. The headings contained in this Amendment are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

14. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. If this Amendment is executed in counterparts, no signatory hereto shall be bound until all of the Parties have duly executed or caused to be duly executed a counterpart of this Amendment. A signature provided via facsimile or in PDF form shall have the same legal effect as an original.

15. Legal Advice. The Parties represent and warrant that they have employed attorneys to represent them with respect to this Amendment and all matters covered hereby, and that they have been fully advised by such attorneys regarding their rights with respect to this Amendment. No provision of this Amendment shall be interpreted for or against PG&E or SIERRA because PG&E, SIERRA's, or their respective attorneys or representatives drafted the particular provision.

IN WITNESS WHEREFORE, SIERRA and PG&E have caused this Amendment to be executed by their duly authorized representatives as of the dates set forth below.

PACIFIC GAS AND ELECTRIC COMPANY

By: _____ CAW

Title: VP Energy Supply

Date: 9/15/06

SIERRA POWER CORPORATION

By: _____

Title: _____

Date: _____

Execution Version

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IN WITNESS WHEREFORE, SIERRA and PG&E have caused this Amendment to be executed by their duly authorized representatives as of the dates set forth below.

PACIFIC GAS AND ELECTRIC COMPANY

By: _____

Title: _____

Date: _____

SIERRA POWER CORPORATION

By: _____

Title: President

Date: Sept. 14, 2006