



**Pacific Gas and
Electric Company®**

Roy M. Kuga
Vice President
Energy Supply

US Mail:
Mail Code N13R
Pacific Gas and Electric Company
P. O. Box 770000
San Francisco, CA 94177-0001

Overnight Mail:
Mail Code N13R
Pacific Gas and Electric Company
245 Market Street, Room 1360
San Francisco, CA 94105-1702

415.973.3806
Internal: 223.3806
Fax: 415.973.1859
Website: www.pge.com

March 19, 2008

VIA E-MAIL AND USPS

Mr. Gevan Reeves
Director, Origination
Calpine Corporation
3875 Hopyard Road, Suite 345
Pleasanton, CA 94588
greeves@calpine.com

Mr. Alex Makler
Vice President, Managing Counsel
Calpine Corporation
3875 Hopyard Road, Suite 345
Pleasanton, CA 94588
alexm@calpine.com

Dear Messrs. Reeves and Makler:

RE: Geysers Power Company, LLC

In anticipation of an objection by the CPUC to those changes made by the parties to the terms and conditions the CPUC has designated "non-modifiable" in Decision 07-11-025, as those provisions currently appear in the February 1, 2008 "Power Purchase and Sale Agreement between Pacific Gas and Electric Company (PG&E) and Geysers Power Company, LLC" (the "Geysers PPA"), PG&E proposes the following modifications to the Geysers PPA. These changes are intended to retain the parties' agreement unchanged, but to conform the wording of the non-modifiable provisions to the exact language approved by the CPUC.

If these changes are acceptable to Geysers Power Company, please counter-sign in the space provided below.

The proposed changes are:

- The definition of "Green Attributes" in Section 1.76 is changed to read:

"Green Attributes" means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Project, and its displacement of conventional Energy generation. Green Attributes include but are not limited to Renewable Energy Credits, as well as: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen

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- Section 10.1(j) is changed to read:

"Seller, and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement that: (i) the Project qualifies and is certified by the CEC as an Eligible Renewable Energy Resource ("ERR") as such term is defined in Public Utilities Code Section 399.12 or Section 399.16; and (ii) the Project's output delivered to Buyer qualifies under the requirements of the California Renewables Portfolio Standard. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law."


Except for these few wording modifications, the Geysers PPA shall remain unchanged by this letter agreement.

Best regards,



for
Roy M. Kuga
VP – Energy Supply

For Geysers Power Company, LLC:

By:  _____

Title: VICE PRESIDENT
DUNCAN BROWN

Date: March 20, 2008

oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions, such as Green Tag Reporting Rights. Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. Green Attributes do not include (i) any Energy, capacity, reliability or other power attributes from the Project, (ii) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the Project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits. If the Project is a biomass or landfill gas facility and Seller receives any tradable Green Attributes based on the greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, it shall provide Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Project."

- Two new definitions are added to Article One, as follows:

"Project" as it is used in Sections 1.76, 3.4(f) and 10.1(j) means Eligible Unit or Eligible Replacement Unit, and the references in Sections 1.76 and 10.1(j) to generation or output from the Project shall mean Delivered GA Energy from or associated with an Eligible Unit or Eligible Replacement Unit.

"GA" means Green Attributes.

- Section 3.4(f) is changed to read as follows:

"Seller hereby provides and conveys all Green Attributes associated with all electricity generation from the Project to Buyer as part of the Product being delivered. Seller represents and warrants that Seller holds the rights to all Green Attributes from the Project, and Seller agrees to convey and hereby conveys all such Green Attributes to Buyer as included in the delivery of the Product from the Project."

Section 3.4(b)(ii) is changed by adding the following phrase to the beginning of the Section:

"Notwithstanding Section 3.4(f)..."