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November 14, 2002

Confirmation Letter for: ***CPN/ PG&E – Unit-Firm Renewable Product Geysers Unit 20 (GEYS20 7 Unit20)***

When fully executed, this letter (this "Confirmation") confirms the agreement by Calpine Energy Services, L.P. ("Seller"), to provide, first to the California Department of Water Resources with respect to the Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("DWR"), under a separate confirmation, and then to Pacific Gas and Electric Company ("PG&E"), under this Confirmation, each of which shall be a "Buyer," the right to dispatch the unit identified below for all electrical products as specified herein. This Confirmation is executed pursuant to the Master Agreement (as hereinafter defined) and is expressly subject to satisfaction of the following conditions on or before December 31, 2002: (i) California Public Utilities Commission (CPUC) approval of the Transaction hereunder and the transaction under the confirmation letter dated November 14, 2002 between Seller and PG&E captioned "CPN/PG&E - Unit Firm Renewable Product, Geysers Unit 13 (GEYS13 7 Unit 13), (the "Unit 13 Confirmation"), including both cost recovery and assurances of reasonableness acceptable to PG&E in its sole discretion, (ii) approval of the United States Bankruptcy Court or the United States District Court, as applicable, and (iii) the execution by DWR of its separate confiiations for this Transaction and the Transaction reflected in the Unit 13 Confirmation (accepted offers will be reviewed by DWR for impact on its revenue requirements and administrative information before DWR executes its separate Confirmation). If the foregoing conditions have not been satisfied on or before December 31, 2002, either Party shall have the right to terminate this Confirmation upon written notice to the other Party; provided, however, that if PG&E desires to terminate this Confirmation, it must also be entitled to terminate and must concurrently terminate the Unit 13 Confirmation. Upon such termination, neither Party will have any further liability or obligation under this Confirmation to the other Party, except as expressly set forth herein.

"Master Agreement" means the Master Power Purchase & Sale Agreement, Version 2.1 (modified 4/25/00), including the Cover Sheet and exhibits thereto, prepared by the Edison Electric Institute and the National Energy Marketers Association, and entered into by Seller and PG&E, dated as of November 5,2002, as modified by the applicable Schedule A.

"CAISO" means the California Independent System Operator or any successor entity performing the same function.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Master Agreement.

1. Seller: Calpine Energy Services, L.P. ("Seller")

2. Buyer: Initially, DWR, under a separate confirmation letter (the "DWR Confirmation"), and subsequently PG&E, under this Confirmation, on the effective date of the novation from DWR as set forth here. On the next following Business Day after the date on which PG&E receives a credit rating from both Standard and Poor's and Moody's that is at least each agency's minimum investment grade credit rating, the DWR Confirmation shall terminate and be superseded automatically by this Confirmation, and DWR shall be superseded automatically as the Buyer by PG&E; provided that, PG&E may at any time after it has satisfied conditions (i) and (ii) described in the first paragraph of this Confirmation but before it receives the credit ratings specified herein, cause the novation to take effect immediately by providing written notice, by facsimile or otherwise, that it is exercising this right to substitute this Confirmation for DWR's Confirmation and to itself be substituted as the Buyer under the Transaction. PG&E shall notify Seller of the change and, within 15 days, Seller and PG&E shall each meet the credit requirements set forth in the Master Agreement. Failure of either Party to meet such credit requirements within this time shall constitute an Event of Default. If DWR defaults during the period in which it is the Buyer, this Confirmation shall thereby become null and void, and Seller shall have no recourse against PG&E as a result of either DWR's default or the existence of this Confirmation. Until the date (the "Acceptance Date") that is the earliest of (i) the date as of which DWR has waived or otherwise relinquished any rights it has under the DWR Confirmation to terminate the DWR Confirmation for a reason other than an Event of Default by Seller thereunder, (ii) the date as of which PG&E has caused the novation described above to occur and has assumed the obligations of "Buyer" under this Confirmation, or (iii) December 31, 2003, Seller shall have the right in its discretion to terminate this Transaction and, to the extent such termination right may exist in the DWR Confirmation, the DWR Confirmation, upon thirty (30) days prior written notice to DWR and PG&E without any further liability or obligation hereunder following the effective date of such termination. If this Transaction is terminated prior to the Acceptance Date for any reason, then, without limiting the Parties' other obligations and liabilities accrued through the termination date and notwithstanding anything herein to the contrary, capacity payments shall be prorated retroactively on the basis of the portion of the annual capacity payment from the beginning of the calendar year through the termination date, prorated solely on the basis of the portion of the calendar year elapsed through the termination date without regard to the allocations described on Attachment B (i.e. levelized). An appropriate payment will be made between the parties to reflect such retroactive proration.

3. unit:

   a Seller shall supply all electrical products under this Confirmation from the following resource(s): Geysers Unit 20 (GEYS20 7 Unit20) ("Unit(s)"). To the

extent the Product will be delivered from more than one Unit, all output from such Units must be delivered through a single meter and that meter must be dedicated exclusively to those units described herein. This/these Unit(s) employ(s) the following renewable technology/ies: Geothermal. To be eligible, a Unit(s) must qualify as an "eligible renewable energy resource" as defined in the new Section 399.12, added to the California Public Utilities Code by SB 1078. All Environmental Attributes associated with generation fiom the Unit(s) must be provided for an offer to be accepted and shall be conveyed to Buyer as included in the delivery of the Product.

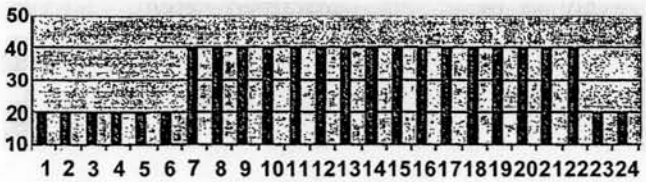
b. Environmental Attributes shall have the meaning set forth in Attachment A - "Environmental Attributes," attached hereto and incorporated herein by this reference. Seller represents that Seller holds the rights to all Environmental Attributes associated with the Unit(s), and Seller agrees to convey and hereby conveys all such Environmental Attributes to Buyer as included in the delivery of the Product fiom the Unit(s).

c. To the extent permitted pursuant to new Section 399.15 added to the California Public Utilities Code by SB 1078, Seller agrees to dedicate all energy output from the Unit certified as "incremental geothermal production" by the California Energy Commission, up to 40 MW in all On-peak Hours (as defined in section 4), and 20 MW in all Off-peak Hours (as defined in section 4), for sale to Buyer on terms set forth in this Confirmation.

d. Seller shall comply with all California Energy Commission requirements necessary to demonstrate that the Unit qualifies as an "eligible renewable energy resource," but shall not be obligated to comply with any California Energy Commission requirements necessary to obtain production incentives or supplemental energy payments.

4. Product: The Product is Unit Firm energy having Environmental Attributes, including scheduling rights as provided hereunder, scheduled in accordance with then current CAISO tariffs in a scheduling coordinator to scheduling coordinator transaction. Seller to specify an hourly profile. Seller to provide all energy from the Unit(s) to the extent necessary to meet the hourly profile. The hourly profile for this resource is 40 MW in all On-peak Hours, and 20 MW in all Off-peak Hours. "On-peak Hours" are hour ending 0700 through 2200 on Monday through Saturday, excluding those days designated as holidays by the NERC. "Off-peak Hours" are hour ending 2300,2400, and 0100 through 0600 on Monday through Saturday, all hours Sundays and those days designated as holidays by the NERC. All ramping shall be in accordance with CAISO tariff ramping requirements.

Geysers Unit 20 Hourly Profile



5 Quantity:

a. Maximum Capacity: 40 MW.

b. Seller can specify below additional dispatchability and/or ancillary services it wishes to offer in addition to the hourly profile indicated above. [Seller must list these services here, along with the amounts for each service]: Decremental Energy: up to 10 MW with no less than three hours notice by telephone to Seller's realtime dispatch desk for any whole delivery hour, at an additional payment to seller of $10/MWh of calculated decremented energy, however, there shall be no decrement payment for up to 500 total hours per calendar year of decremented energy, except that no more than 250 of such free decrement hours per calendar year may be Off-peak Hours. All Off-peak decrements shall be limited to four (4) hour minimum duration blocks. Example: If Buyer notifies Seller to decrease generation 10 MW below the amount provided according to section 12 below, Buyer shall pay for delivered generation in that hour plus an additional payment of $100 (10 MW * $10/MWh).

c. [INTENTIONALLY OMITTED]

d. Testing: (A) The audit rights under Section 10.9 of the Master Agreement shall include such inspections and testing of meters as is reasonably necessary to confirm their accuracy consistent with CAISO practices and procedures in effect at the time. The Party requesting any such inspections and testing shall bear the cost of the foregoing in the event the meters are accurate within applicable CAISO or successor metering requirements. The other Party shall bear these costs if the meters are not accurate within applicable CAISO or successor metering requirements. (B) In addition, such audit rights shall include inspections and testing as is reasonably necessary to confirm the accuracy of any notice delivered by Seller to Buyer respecting the availability or operation of the Unit(s) within the parameters set forth in section 4. If Buyer requests that a Unit be tested, Seller shall have the right to a prompt retest of such Unit. Seller shall also have the right to request a test of a Unit at any time, and Buyer shall have the right to a prompt retest of such Unit. The Party requesting that a Unit be tested shall bear the costs of such test. (C) Seller hereby consents to Buyer obtaining from the *CAISO* the CAISO meter data applicable to the Unit(s).

e. Allowance for Planned Maintenance: 0 days per calendar year.

f. Forced Outage Allowance: 0 hours per calendar year.

g. Prolonged Outage: 0 hours per calendar year.

h. Duty of Care: Seller agrees (1) to use the best industry practices in the maintenance and operation of the Unit(s), so that there is not a material change in the operating characteristics of the Unit(s) over the term of this Agreement and (2) to use all commercially reasonable efforts to obtain and maintain all regulatory approvals needed to operate and maintain the Unit(s), so that there is no delay in the commencement of service hereunder and no break in service attributable to regulatory action.

6. Delivery Point: (a) Unit's bus bar, if unit(s) is located in CAISO zone North of Path 15 as currently defined ("NP15"), or (b) an agreed-upon bus bar in NP15 if unit(s) located outside the CAISO NP15 zone and Seller has firm transmission rights to the specified bus bar for the full term of this agreement, or (c) any other point subject to Buyer's agreement.

7. Term: from the operation date of the Unit or of all Units (if the Product will be delivered from more than one Unit), which is January 1,2003 through December 31,2007. Subject to a five or ten year extension as may be mutually acceptable to the parties. Under any such extension, Seller shall have the option to supply the capacity and energy requirements from any Geysers generation unit(s) on prices and terms to be mutually agreed.

8. Capacity Price: Buyer shall pay Seller a capacity payment of $250/kw-year, allocated in accordance with the monthly Capacity Payment Schedule attached hereto as Attachment B. The capacity payment shall be calculated based on the Maximum Capacity specified in section 5.a.

9. Energy Price: Energy shall be measured in MWh at the CAISO revenue meter for the Unit(s) to determine the amount of energy delivered at the Delivery Point, which amount shall then be multiplied by the applicable generation meter multiplier (or any successor method to account for losses established by the *CAISO)* for each Unit, to determine the amount of energy delivered at the Delivery Point. Buyer shall pay for only the net amount delivered after station use needs are subtracted. Buyer will pay Seller for each MWh delivered by Seller fi-om the Unit and received by Buyer at a rate equal to $17.12/MWh.

10. [INTENTIONALLY OMITTED].

11. Electric Dispatch: Seller shall be the scheduling coordinator for the Unit(s).

12. Schedule of Deliveries: Seller shall provide Buyer with a copy of its annual outage plan, and any quarterly updates thereto that Seller provides to the *CAISO* for the Unit(s) to comply with the *CAISO* tariff and/or outage coordination plan. Seller will also provide Buyer each Thursday a preschedule of planned energy deliveries hereunder for the following week (similar to those provided for its existing standard offer facilities). Such preschedule will include any anticipated outage(s) for the Unit(s). Seller will also timely

notify Buyer of any CAISO approved outage request for the Unit(s). Buyer and Seller shall timely modify schedules with the CAISO in the event of an outage or curtailment.

13. Transmission: The risk of transmission outages is allocated to each of the parties as follows: Seller is responsible for electric transmission to the Delivery Point and bears all risks and costs associated therewith. Buyer is responsible for electric transmission from the Delivery Point and bears all risks and costs associated therewith. The failure of electric transmission service shall not be an excuse from performance hereunder.

14. Billing and Payment, Remedies: On or after the 20th day of each month, Seller shall provide to Buyer (i) records of metered data sufficient to document and verify the generation of electrical products by the Unit(s) for all hours during the month, including CAISO metering and transaction data, and (ii) an invoice, in the format specified by Buyer covering the services provided in the preceding month. Buyer shall pay the undisputed amount of all such invoices on or before ten (10) calendar days of receipt; provided that, the invoice is complete, properly formatted, and is sent to the correct address; and provided further that Buyer shall be required to pay only for the service it has scheduled and received from the Unit(s), as verified by the applicable meter data; and provided further that, Buyer shall provide at the time of payment an explanation of any disputed amount.

a. If in any month Seller fails to provide the electrical services from the Unit(s) as dispatched by Buyer and such failure to deliver is not excused hereunder, then (i) no energy payment shall be due for the energy not actually delivered from the Unit(s), and (ii) the capacity payment for that month shall be reduced pro rata according to the total megawatt hours not provided from the Unit(s) as a ratio of the total megawatt hours dispatched by Buyer for that month, taking into consideration the outage allowances provided for in sections 5.e, 5.f, and 5.g, and (iii) if Seller and Buyer agree that Buyer shall become the scheduling coordinator with respect to the Transaction described in this Confirmation, Seller shall reimburse Buyer, by set-off if Buyer so elects, for any energy imbalance costs and penalties incurred by Buyer for any hour during which Seller fails to deliver the full amount of energy scheduled by Buyer, excluding only hours during which the Unit(s) is unavailable because of an allowable outage, a Reliability Must Run ("RMR") dispatch by the CAISO, an emergency dispatch by the CAISO, or a Force Majeure condition; provided that, **(A)** the burden is the Seller's to demonstrate that one of these excuses applies to any particular instance of nonperformance by the Unit(s) and (B) the energy provided to the *CAISO* by the Unit(s) shall be deemed delivered hereunder, and (C) any revenue received by Seller from the *CAISO* for such dispatch shall be remitted to Buyer. If Seller is scheduling coordinator and the Unit(s) is unavailable due to any circumstance described in the definition of Product hereunder, Buyer will pay the Energy Price hereunder for energy scheduled up to a maximum duration of three (3) hours for the period beginning when such Unit(s) becomes unavailable until a new schedule has been submitted to and implemented by the *CAISO*.

b. If Buyer fails to pay the undisputed amount of any invoice that is complete,