



CALPINE

33R004 2003
Calpine Unit 20 (RFO)
Scan File

33R004
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November 5, 2002

This letter, signed by Calpine Corporation ("Calpine") on behalf of itself and all of its subsidiaries and affiliates who are parties to the agreements described below, confirms the understanding between Calpine and PG&E with respect to the matters below. When countersigned by PG&E, this letter confirms the agreement between Calpine and PG&E as to the following:

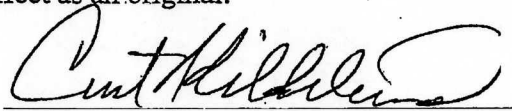
1. The October 11, 2000 Master Power Purchase and Sale Agreement and Confirmation (collectively, the "400 MW Power Sale") is amended so that (a) upon Bankruptcy Court approval of the assumption of that contract by PG&E in its bankruptcy proceeding, Calpine shall automatically waive, for the remaining term of the 400 MW Power Sale, any requirement for PG&E to post collateral, and (b) so long as PG&E continues to perform its material obligations under the 400 MW Power Sale, Calpine agrees that, until the 400 MW Power Sale is assumed by PG&E as contemplated in part (a), above, Calpine shall not make any collateral calls. However, if PG&E rejects the 400 MW Power Sale in its bankruptcy proceeding, the provisions of this paragraph shall thereupon become null and void. All other terms and conditions of the 400 MW Power Sale shall remain unchanged.
2. PG&E accepted that certain General Guarantee Agreement, dated as of December 20, 2000, by Calpine for the benefit of PG&E ("Calpine Guarantee"), as an acceptable form of Performance Assurance (as defined in the Master Agreement) by Calpine pursuant to the December 20th Letter for the 400 MW Power Sale. For the avoidance of doubt, PG&E confirms that it waives any right to request or require Calpine to provide any further Performance Assurance for the 400 MW Power Sale. The terms of this letter shall fulfill the terms of that certain letter dated December 20, 2000 to Mr. Kent Harvey of PG&E from Mr. Michael Thomas of Calpine ("December 20th Letter") with respect to the 400 MW Power Sale.
3. The Confirmation Letters for the renewables contracts under which Calpine agrees to provide power from its Geysers Unit 20 and Unit 13 generating facilities (the "Renewable Transaction") shall incorporate the following provision:

"In addition to the other remedies available to PG&E hereunder, Calpine hereby waives any defense it may have to specific performance, including any defenses it may otherwise have under the Bankruptcy Code, so that PG&E may require Geysers Unit 20 and Unit 13 to produce electricity as set forth in this

Confirmation Letter for the full term hereof. Calpine hereby indemnifies against and holds PG&E harmless from any loss or cost of any kind that PG&E suffers as a result of the failure of this specific performance remedy to provide to PG&E the full benefits of its bargain hereunder."

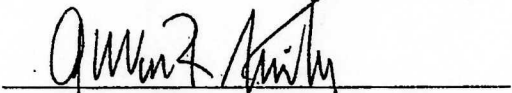
4. Neither party shall be required to post collateral to assure its performance under the Renewable Transaction.
5. The Calpine Guarantee as security for its affiliates' transactions with PG&E shall remain in effect for the full terms of both the 400 MW Power Sale and the Renewable Transaction.
6. This letter agreement may be signed in counterparts, and a facsimile shall have the same legal effect as an original.

For Calpine:



Curt Hildebrand
Vice President, Business Development

For PG&E:



Name: GORDON R. SMITH

Title: President + CEO

11/14/02