



**Pacific Gas and
Electric Company**

Energy Supply

245 Market Street
Mail Code N13C
San Francisco, CA 94105

415.873.7000

August 25, 2009

Mr. David Branchcomb
Power Contracts
Sierra Pacific Industries
PO Box 496028
Redding, CA 96049-6028

RE: Extension of time for CPUC Approval under the January 1, 2009 Substitution Agreement between Sierra Pacific Industries (SPI) and Pacific Gas Electric & Company (PG&E)

Dear Mr. Branchcomb:

Sierra Pacific Industries, Inc. ("Seller") and Pacific Gas and Electric Company ("PG&E") (collectively "Parties") are parties to January 1, 2009 agreement that modified an Interim Standard Offer Four Power Purchase Agreement by substituting the non-operable 12.5 MW Susanville facility with an operable 7.5 MW biomass plant located in Sonora, California ("Agreement").

PG&E filed the Agreement for Approval in Advice Letter 3433-E on March 12, 2009 in accordance with the Restructuring Advice Letter Filing ("RALF") process designated in CPUC Decision 98-12-066. Shortly thereafter, on March 23, 2009, SPI announced plans to close the Sonora facility. As a result, the RALF process was no longer the applicable CPUC approval process and Advice Letter 3433-E ultimately had to be withdrawn. The Parties are currently seeking approval of the Agreement through an advice letter filing.

The Agreement states in Section 8.1 that, "[T]his Agreement will terminate on the earlier of (a) September 1, 2009; or (b) the last day of the month of the month in which PG&E gives notice to SPI that the CPUC has not granted CPUC approval as specified in Section 7."

Due to delays in CPUC approval resulting from the unanticipated closure of the Sonora mill, the Parties have agreed to amend Section 8.1 of the Agreement to state that: "[T]his Agreement will terminate on the earlier of (a) June 30, 2010; or (b) the last day of the month of the month in which PG&E gives notice to SPI that the CPUC has not granted CPUC approval as specified in Section 7."

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If you concur with the above, please sign both originals of this letter and return one to
Hugh Merriam at the above letterhead address.



PACIFIC GAS AND ELECTRIC COMPANY

By: *Garrett Jung*
Name: Garrett Jung
Title: Senior Director
Date: August 26, 2009

SIERRA PACIFIC INDUSTRIES

By: *David R. Branchcomb*
Name: David R. Branchcomb
Title: Power Contracts
Date: 8/26/2009