

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN SIERRA PACIFIC INDUSTRIES AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E Log No. 13P163)**

This Amendment, dated as of the last date signed below, is by and between PACIFIC GAS AND ELECTRIC COMPANY (“PG&E”), a California corporation, and SIERRA PACIFIC INDUSTRIES (“Seller”). PG&E and Seller are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

**RECITALS**

A. Seller and PG&E entered into a Uniform Standard Offer No. 1 (“USO1”) Power Purchase Agreement dated January 28, 1998 for the purchase and sale of electric energy from Seller’s facility in Anderson, California. The Standard Offer Agreement and any amendments thereto are collectively referred to herein as the “Agreement.”

B. The Agreement expired on March 31, 1998;

C. On April 6, 2001, PG&E filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the San Francisco Division of the United States Bankruptcy Court for the Northern District of California (the “Bankruptcy Court”) (*In re Pacific Gas and Electric Company*, Bankr. Case No. 01-03923);

D. On August 22, 2002, in Decision 02-08-071 (“CPUC Decision”), the California Public Utilities Commission (“CPUC”) ordered the Investor Owned Utilities (“IOU”s) to offer SO1 contracts, whose term ends at the time that the IOU fully implements its long term

procurement plan approved by the Commission, or on December 31, 2003, whichever occurs first, to any QF meeting the following conditions: i) the QF must have been in operation and under contract to provide power with an IOU at any point between January 1, 1998 and the effective date of the CPUC Decision, and ii) the QF contract must be set to expire before January 1, 2004 or have already expired, or have been terminated.

E. PG&E and Seller agree to amend the Agreement to comply with D. 02-08-071, as set forth below.

## **AGREEMENT**

In consideration of the premises described above and the terms and conditions set forth below, PG&E and Seller agree to modify the Agreement as follows:

### **1. DEFINITIONS**

Any capitalized term not defined herein shall have the meaning ascribed to it in the Agreement.

### **2. TERM OF AGREEMENT**

The Term of Agreement is hereby deleted and is replaced as follows: The Agreement, as modified herein, shall become effective on the first day of the month immediately following the date the two conditions described in Section 6, below, have been met. This Agreement, as modified herein, shall remain in effect until PG&E fully implements its long-term procurement plan approved by the Commission, or until midnight, December 31, 2003, whichever occurs first.

**3. CAPACITY COMMITMENT**

Seller makes no commitment of firm capacity during the term of this Amendment, and shall provide PG&E as-delivered capacity and energy only.

**4. PURCHASE PRICE**

Notwithstanding any information to the contrary in the Agreement, PG&E shall pay Seller for its energy output during the term of this Amendment at prices equal to PG&E's full short-run avoided costs ("SRAC") for deliveries of electric energy and at PG&E's current shortage cost for as-delivered capacity, as approved by the CPUC.

**5. NO OTHER MODIFICATIONS**

Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and obligations of the Parties.

**6. EFFECTIVENESS**

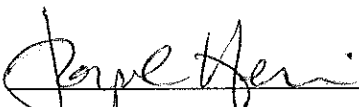
This Amendment shall not become effective until the first day of the month following PG&E's receipt of authorization from the Bankruptcy Court to enter into this Amendment and approval of the CPUC. If the Bankruptcy Court does not authorize PG&E to enter into this Amendment, it shall become null and void. If Bankruptcy Court approval is obtained, PG&E shall then file an Advice Letter with the CPUC seeking approval of the Amendment. The

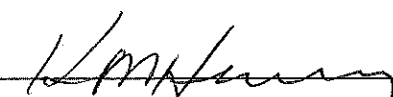
Amendment shall not become effective unless PG&E receives written approval of the Amendment from the CPUC in a form acceptable to PG&E.

7. SIGNATURES

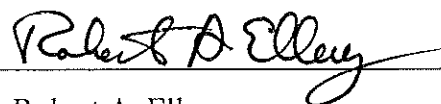
IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives. By signing this Amendment, the representatives of the Parties warrant that they have the requisite authority to bind their respective principals.

PACIFIC GAS AND ELECTRIC COMPANY,  
a California corporation

By:   
Name: Joseph C. Henri  
Title: Director, UEPM  
Date: 7 November, 2002

By:   
Name: KENT M. HARVEY  
Title: Senior Vice President  
Chief Financial Officer and Treasurer  
Date: NOVEMBER 14, 2002

SIERRA PACIFIC INDUSTRIES  
a California corporation

By:   
Name: Robert A. Ellery  
Title: Director of Energy Resources  
Date: October 29, 2002