

**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 latest date set forth below, is by and between PACIFIC GAS AND ELECTRIC COMPANY (“PG&E”), a California corporation, and SIERRA PACIFIC INDUSTRIES, a California corporation (“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 (“PPA”) dated January 28, 1998 for the purchase and sale of electric energy from Seller’s facility in Anderson, California. The PPA was subsequently amended by agreement of the Parties. The PPA and any amendments thereto are collectively referred to herein as the “Agreement”.

B. On August 22, 2002, in Decision 02-08-071, the California Public Utilities Commission (“CPUC”) ordered the Investor Owned Utilities (“IOUs”) to offer Standard Offer Number One (“SO1”) PPAs that would expire no later than December 31, 2003 to certain QFs whose PPAs terminated or would terminate before January 1, 2004.

C. On December 18, 2003 in Decision 03-12-062, the CPUC ordered the IOUs to continue to purchase power pursuant to an SO1 PPA from qualifying facilities with expiring PPAs until December 31, 2004, provided: (1) the QF was in operation and under contract to

provide power with an IOU at any point between January 1, 1998 and the effective date of the Decision; and (2) the QF contract is set to expire before January 1, 2005, or has already expired. D.03-12-062 further provides: "The pricing terms for any such contract should be consistent with existing Commission SRAC policy established in D.01-03-067, as modified by D.02-02-028; provided, however, to the extent that the Commission adopts a revised SRAC policy, the pricing terms of the contract shall be modified to reflect said revised SRAC policy as of the effective date of the Commission decision adopting a revised SRAC policy."

D. In November 2002 PG&E and Seller executed an amendment to the Agreement to comply with D.02-08-071. The Agreement was subsequently extended through February 29, 2004.

E. PG&E and Seller hereby amend the Agreement to comply with D.03-12-062, 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, is in effect from March 1, 2004 through December 31, 2004.

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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 short-run avoided costs ("SRAC") for deliveries of electric energy and at PG&E's current shortage cost for as-delivered capacity, as each is approved and may be modified by the CPUC. If the CPUC adopts a revised SRAC policy at any time, the pricing terms of this Amendment set forth in this paragraph 4 shall automatically be replaced to reflect the revised SRAC policy as of the effective date of the CPUC decision adopting the revised SRAC policy.

5. PG&E is entering into this Amendment as directed by the CPUC in D.03-12-062. By entering this Amendment, neither PG&E nor Seller waives its right to request a rehearing, appeal, or otherwise challenge any portion of D.03-12-062. PG&E reserves its right to terminate this Amendment if the provisions of D.03-12-062 that require PG&E to execute this Amendment are vacated, reversed or otherwise modified by the CPUC, FERC, or a court of competent jurisdiction.

6. 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.

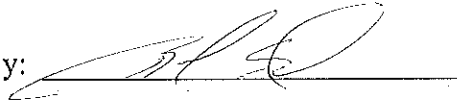
7. **SIGNATURES**

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

SIERRA PACIFIC INDUSTRIES

By: _____

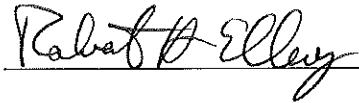


Name: Roy Kuga

Title: Lead Director, GES

Date: February 27, 2004

By: _____



Name: Robert A. Ellery

Title: Director of Energy Resources

Date: February 11, 2004