

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

This Amendment to the Power Purchase Agreement (“Amendment”), dated as of the latest date set forth below, is entered into 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

1. 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 Generating 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.”

2. On January 26, 2004, the California Public Utilities Commission (“CPUC”) issued D.04-01-050 (“the Decision”), in which it ordered the Investor-Owned Utilities (“IOUs”), including PG&E, to offer five-year SO1 contracts at short-run avoided costs prices, as may be modified by the CPUC, to QFs with existing contracts expiring before December 31, 2005. The Decision provides that any new pricing methodology adopted by the CPUC would apply prospectively to the five-year SO1 contracts.

3. Several parties filed requests for rehearing and petitions for modification of the Decision, and parties may file additional petitions for modification of the Decision. On August 11, 2004, Southern California Edison filed with the California Court of Appeal a Petition for Review (No. B177138) regarding the portions of the Decision that require the IOUs to sign new five-year SO1 contracts (the "Petition"). The Petition requests, amount other things, that certain portions of the Decision regarding the new five-year SO1 contracts be set aside and vacated.

4. The Agreement was executed by the Parties prior to the formation of the California Independent System Operator ("CAISO") and the California Renewables Portfolio Standard ("RPS") Program.

5. PG&E and Seller hereby amend the Agreement to comply with D.04-01-050 and make certain other modifications to the PPA, 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 and agree as follows:

1. DEFINITIONS

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

2. TERM OF AGREEMENT

During the term of this Amendment, Section 1.4 of the Agreement shall be deleted and replaced with the following provision:

"The term of this Agreement is January 1, 2005 through December 31, 2009, unless terminated earlier by Seller in accordance with Section 3 of this Agreement."

3. PAYMENTS

A. PG&E shall pay Seller once a month for energy and as-delivered capacity deliveries during the prior month pursuant to Section 17.1 of the PPA.

B. PG&E shall pay Seller for its deliveries of energy at prices equal to PG&E's Short-Run Operating Costs pursuant to Section 13 of the PPA.

C. PG&E shall pay Seller for its deliveries of As-Available Capacity pursuant to Section 14 of the PPA for As-Available Capacity deliveries.

4. ENVIRONMENTAL ATTRIBUTES

A. Seller hereby provides and conveys all Environmental Attributes from the Generating Facility to PG&E. Seller represents and warrants that Seller holds the rights to all Environmental Attributes from the Generating Facility, and Seller agrees to convey and hereby conveys all such Environmental Attributes to Buyer as included in the delivery of the energy and capacity from the Generating Facility. As used in this Section, the term "Environmental Attributes" means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, directly attributable to the generation from the Generating Facility. Environmental Attributes include but are not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as Green Tag Reporting Rights. Green Tag Reporting Rights are

the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on kWh basis and one Green Tag represents the Environmental Attributes associated with one (1) MWh of energy. Environmental Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Unit(s),(ii) production tax credits associated with the construction or operation of the energy projects and other financial incentives in the form of credits, reductions, or allowances associated with the project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Unit(s) for compliance with local, state, or federal operating and/or air quality permits. If Seller's Unit(s) is a biomass or landfill gas facility and Seller receives any tradable Environmental Attributes based on the greenhouse gas reduction benefits attributed to its fuel usage, it shall provide Buyer with sufficient Environmental Attributes to ensure that there are zero net GHGs associated with the production of electricity from such facility.

B. Seller agrees that it shall obtain and maintain certification of the Generating Facility as a renewable energy resource for California's RPS program, in accordance with California Energy Commission's (CEC) Renewables Portfolio Standard Eligibility Guidebook (publication no. 500-04-002F1) and as may be subsequently amended.

5. RESERVATION OF RIGHTS

PG&E is entering into this Amendment as directed by the CPUC in D.04-01-050. By entering this Amendment, neither PG&E nor Seller waives its right to request a rehearing, appeal, seek to modify or otherwise challenge any portion of D.04-01-050. If the provisions of D.04-01-050 regarding the required terms of Amendments that already have been executed are vacated, reversed or otherwise modified by an order or decision of the CPUC, FERC, or a court of competent jurisdiction (each an "Order"), PG&E and Seller each reserves its right to terminate or revise this Amendment to conform to such Order. PG&E further reserves any right that it may have to seek reimbursement of payments made under this Amendment to the extent that such payments are determined to exceed PG&E's avoided costs (as defined in the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. § 824a-3, *et seq.*). Seller reserves any right that it may have to challenge and oppose PG&E's efforts to terminate or revise this Amendment and its efforts to seek reimbursement of any payments made hereunder.

6. INTERRUPTION OF DELIVERIES

Seller agrees to interrupt or reduce deliveries of energy or capacity from the Generating Facility when so instructed by PG&E pursuant to orders issued by the CAISO.

7. NO OTHER MODIFICATIONS

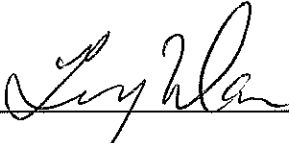
Except as expressly modified by this Amendment, no provision of the Agreement is or shall be deemed to be modified, amended, waived, or otherwise affected by this Amendment. To the extent that this Amendment is inconsistent with any provision of the Agreement, this Amendment shall govern the rights and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

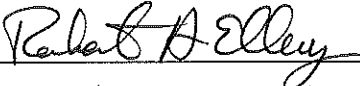
8. SIGNATURES

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. This Amendment is effective as of January 1, 2005.

PACIFIC GAS AND ELECTRIC COMPANY

SIERRA PACIFIC INDUSTRIES

By: 
Name: Fong Wan
Title: Vice President, PC&ERD
Date: December 22, 2004

By: 
Name: Robert A. Elley
Title: Director of Energy Resources
Date: December 21, 2004