



Energy Procurement  
Contract Management

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P. O. Box 770000  
San Francisco, CA 94177-0001

December 24, 2009

**Sierra Pacific Industries**  
**PO Box 496014**  
**Redding, CA 96049-6014**

**Subject:** Letter Agreement Extending QF Contract Log No. 13P163EO1

The purpose of this letter agreement ("Extension Agreement") is to set forth the terms and conditions under which the QF Contract Log No. 13P163EO1 (the "QF Contract") (dated October 29, 2002, with an expiration date of December 31, 2009 between Pacific Gas and Electric Company ("PG&E") and Sierra Pacific Industries, Anderson ("Seller") (Collectively, the "Parties") will be extended pursuant to California Public Utilities Commission ("CPUC") Decision No. 07-09-040 (the "Decision"). Pursuant to the Decision, an agreement to extend the QF Contract must extend all the terms of the QF Contract except those terms setting forth (i) the prices to be paid under the contract and (ii) the start and end dates of the contract. Therefore, the Parties agree as follows.

**1. Rates.** For the term of this Extension Agreement, PG&E will pay Seller the current as-delivered capacity price as specified in the Decision, subject to the capacity payment provisions of the QF Contract. PG&E's short-run avoided cost of energy ("SRAC energy") price (the "Applicable Energy Price") will be calculated by PG&E in accordance with the CPUC-approved Market Index Formula pursuant to the Decision and implemented as detailed in PG&E's Advice Letter 3180-E and Resolution E-4246. There shall be no performance bonus payments under this Extension Agreement.

**2. Term.** The term (Term) of this Extension Agreement is for 1 year commencing on the Effective Date. This Extension Agreement shall become effective on the first day after the expiration date of the QF Contract ("Effective Date") and shall remain in effect for the Term, subject to the earlier occurrence of one of the following: (i) the date that is 60 days following the date a new standard form of contract for QFs is available to be executed by Seller; (ii) upon the first day of the month following CPUC Approval of Amended And Restated Substitution Agreement between the PG&E and Seller regarding Susanville (PG&E Log No. 10C009); or (iii) the effective date of a CPUC decision revoking the extension requirement set forth in the Decision. As of midnight on the day following the earliest of the afore-mentioned dates, this Extension Agreement shall terminate automatically and neither Party shall have any further obligations under either the QF Contract or this Extension Agreement except for payments already owing at the time of such termination.

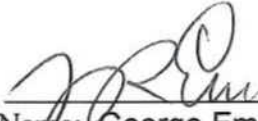
**3. No Other Changes.** All other provisions of the QF Contract shall remain in effect for the term of this Extension Agreement.


The Parties acknowledge their agreement to this Extension Agreement by their signatures below.

Agreed to and Accepted:

**Sierra Pacific Industries**

**PACIFIC GAS AND ELECTRIC  
COMPANY**

By:   
Print Name: George Emmerson  
Title: Vice President  
Date: 12/23/2009

By:   
Print Name: Marino Monardi  
Title: Director  
Date: Dec 24 2009