

**MASTER POWER PURCHASE AND SALE AGREEMENT**  
**COVER SHEET**

This *Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) ("*Master Agreement*") is made as of the following date: October 30, 2002 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

**Name:** Alta Mesa Power Partners, LLC ("Party A")

**Name:** San Diego Gas & Electric Company ("Party B")

**All Notices:**

**All Notices:**

Street: c/o TenderLand Power Company, Inc.  
1411 Fourth Avenue, Suite 820

Street: 8306 Century Park Court

City: Seattle, WA                      Zip: 98101

City: San Diego, CA                      Zip: 92123

Attn: Stephen R. Jones  
Phone: (206) 624-3950 x11  
Facsimile: (206) 624-3953  
Duns 071472380  
Federal Tax ID Number \_\_\_\_\_

Attn: Contract Administration  
Phone: (858) 650-6176  
Facsimile: (858) 650-6190  
Duns: 006911457  
Federal Tax ID Number \_\_\_\_\_

**Invoices:**

TenderLand Power Company, Inc.  
1411 Fourth Ave, Suite 820  
Seattle, WA 98101  
Attn: Energy Accounting Manager  
Phone: (206) 624-3950  
Facsimile: (206) 624-3953

**Invoices:**

San Diego Gas & Electric Company  
8306 Century Park Ct.  
San Diego, California 92123-1593  
Attn: Energy Accounting Manager  
Phone: (858) 650-6177  
Facsimile: (858) 650-6190

**Scheduling:**

TenderLand Power Company, Inc.  
1411 Fourth Ave, Suite 820  
Seattle, WA 98101  
Attn: Transaction Scheduling Manager  
Phone: (206) 624-3950  
Facsimile: (206) 624-3953

**Scheduling:**

San Diego Gas & Electric Company  
8306 Century Park Ct.  
San Diego, California 92123-1593  
Attn: Transaction Scheduling Manager  
Phone: (858) 650-6160  
Facsimile: (858) 650-6191

**Payments:**

TenderLand Power Company, Inc.  
1411 Fourth Ave, Suite 820  
Seattle, WA 98101  
Attn: Mail Payments  
Phone: (206) 624-3950  
Facsimile: (206) 624-3953

**Payments:**

San Diego Gas & Electric Company  
PO Box 25110  
Santa Ana, CA 92799-5110  
Attn: Mail Payments  
Phone: (619) 696-4521  
Facsimile: (619) 696-4899

**Wire Transfer:**

BNK: Wells Fargo Bank  
for: TenderLand Power Company  
ABA: Routing # \_\_\_\_\_  
ACCT: \_\_\_\_\_  
Confirmation: Project Administration  
FAX: (206) 624-3953

**Wire Transfer:**

BNK: Union Bank of California  
for: San Diego Gas & Electric Company  
ABA: Routing # \_\_\_\_\_  
ACCT: \_\_\_\_\_  
Confirmation: San Diego Gas & Electric, Major Markets  
FAX: (213) 244-8316

**Credit and Collections:**

TenderLand Power Company, Inc.  
1411 Fourth Ave, Suite 820  
Seattle, WA 98101  
Attn: Credit and Collections  
Phone: (206) 624-3950  
Facsimile: (206) 624-3953

**Credit and Collections:**

San Diego Gas & Electric Company, Major Markets  
555 W. Fifth Street  
ML 10E3  
Los Angeles, CA 90013-1011  
Attn.: Major Markets, Credit and Collections Manager  
Fax No.: (213) 244-8316  
Phone: 1-866-313-6622 (toll-free)

**With additional Notices of an Event of Default or Potential Event of Default to:**

TenderLand Power Company, Inc.  
1411 Fourth Ave, Suite 820  
Seattle, WA 98101  
Attn: General Counsel  
Phone: (206) 624-3950  
Facsimile: (206) 624-3953

**With additional Notices of an Event of Default or Potential Event of Default to:**

Sempra Energy  
101 Ash Street  
San Diego, CA 92101  
Attn: Assistant General Counsel, Commercial Law  
Facsimile: (619) 696-4377

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff (none) \_\_\_\_\_ Dated \_\_\_\_\_ Docket Number \_\_\_\_\_  
Party B Tariff Tariff FERC Dated 9/10/99 and accepted 10/25/99 Docket Number 88 FERC P61,212

**Article Two**

Transaction Terms and Conditions  Optional provision in Section 2.4. If not checked, inapplicable.

**Article Four**

Remedies for Failure to Deliver or Receive  Accelerated Payment of Damages. If not checked, inapplicable.

**Article Five**

Cross Default for Party A:

Events of Default; Remedies

Party A: Alta Mesa Power Partners, LLC

Cross Default Amount: \$25 Million Dollars

Other Entity:

Cross Default Amount: Present market value of economic loss under the Transaction

Cross Default for Party B:

Party B: San Diego Gas & Electric Company

Cross Default Amount: \$25 Million Dollars

Other Entity: N/A

Cross Default Amount \$ N/A

5.6 Closeout Setoff

Option A (Applicable if no other selection is made.)

Option B -- Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows:

Option C (No Setoff)

Article 6

Party A and Party B agree to Transaction Netting as described in Article 6.8.

Article 8

8.1 Party A Credit Protection:

Credit and Collateral Requirements

(a) Financial Information:

- Option A
- Option B Specify: \_\_\_\_\_
- Option C Specify: \_\_\_\_\_

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable

If applicable, complete the following:

Party B Collateral Threshold: N/A

Party B Independent Amount: \$0

Party B Rounding Amount: \$100,000

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party B if San Diego Gas & Electric Company's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if San Diego Gas & Electric Company is not rated by either S&P or Moody's.
- Other:  
Specify: \_\_\_\_\_

(e) Guarantor for Party B: None

Guarantee Amount: \$0

8.2 Party B Credit Protection:

(a) Financial Information:

- Option A
- Option B Specify:
- Option C Specify:

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable

If applicable, complete the following:

Party A Collateral Threshold: N/A

Party A Independent Amount: 0

Party A Rounding Amount: \$100,000

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below BBB- from S&P or Baa3 from Moody's or if Party A is not rated by either S&P or Moody's.
- Other:  
Specify: \_\_\_\_\_

(e) Guarantor for Party A: None.

Guarantee Amount: N/A

Article 10

Confidentiality

Confidentiality Applicable

If not checked, inapplicable.

Schedule M

- Party A is a Governmental Entity or Public Power System
- Party B is a Governmental Entity or Public Power System
- Add Section 3.6. If not checked, inapplicable
- Add Section 8.6. If not checked, inapplicable

Other Changes

Specify, if any: Yes, the following changes shall be applicable:

**Part 1. GENERAL TERMS AND CONDITIONS.**

(a) **Definitions.** The following definitions are amended as set forth below:

- (1) Section 1.25 shall be modified by adding the following as the last sentence: "Guarantor shall issue a Guarantee in the format attached hereto as Exhibit A."
- (2) Section 1.27 shall be modified by adding the words "and substantially in the same form as the Letter of Credit template attached hereto as Exhibit B" at the end of the first sentence.
- (3) Section 1.45 shall be modified by including the words "acceptable to the requesting party" after the words "Letter(s) of Credit".
- (4) Section 1.51 is amended by replacing the current definition with the following:

"Replacement Price" means the price at which Buyer, acting in a commercially reasonable manner, purchases for delivery at the Delivery Point (or, if replacement power is not available at the Delivery Point, any other delivery point where Buyer is able to purchase replacement product) a replacement for any Product specified in a Transaction but not delivered by Seller, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Product and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point, or absent a purchase, the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner. The Replacement Price also shall include all charges

and penalties calculated in dollars per megawatt hour with respect to the deviation from the scheduled supply resulting from Seller's failure to deliver; provided, however, in no event shall such price include any ratcheted demand or similar charges, nor shall Buyer be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller's liability. For the purposes of this definition, Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point. If for any reason a Replacement Price is unavailable at the Delivery Point during a Transaction when Seller fails to deliver Product ("Missing Hours"), then the Replacement Price for Missing Hours shall be the last available Replacement Price prior to the Missing Hours together with any charges and penalties allocated to Buyer for the Missing Hours."

(5) Section 1.53 is amended by replacing the current definition with the following:

"Sales Price' means the price at which Seller, acting in a commercially reasonable manner, resells any Product not received by Buyer, deducting from such proceeds any (i) costs reasonably incurred by Seller in reselling such Product and (ii) additional transmission charges, if any, reasonably incurred by Seller in delivering such Product to the third party purchasers, or absent a sale, the market price at the Delivery Point for such Product not received as determined by Seller in a commercially reasonable manner. The Sales Price also shall include all charges and penalties calculated in dollars per megawatt hour with respect to the deviation from the scheduled supply resulting from Buyer's failure to take Product; provided, however, in no event shall such price include any ratcheted demand or similar charges, nor shall Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize Buyer's liability. For purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another party at the Delivery Point."

(6) Section 1.62 is added as follows:

"CAISO" is the California Independent System Operator, or its successor in interest.

(7) Section 1.63 is added as follows:

"CAISO Schedule Adjustment" means a schedule change implemented by the CAISO that is neither caused by nor within the control of either Party and that results in the CAISO applying Replacement Pricing to all or part of the Contract Quantity.

(8) Section 1.64 is added as follows:

"ISO Protocol" means the rules protocols, procedures and standards attached to the ISO Tariff as Appendix L, promulgated by the ISO(as amended from time to time).

(9) Section 1.65 is added as follows:

"ISO Tariff" means the CAISO Operating Agreement and Tariff, as it may be modified from time to time.

(b) **Transactions.** Section 2.1, "Transactions" shall be amended by replacing the first sentence with "A Transaction shall be entered into upon agreement of the Parties in writing."

(c) **Transmission and Scheduling.** Section 3.2, "Transmission and Scheduling" shall be amended by renaming it "Transmission, Scheduling and Imbalance Charges" and inserting the following sentences at the end thereof:

"In addition to the remedies provided under Article 4, Buyer shall assume all liability for and reimburse Seller within thirty (30) days of presentation of an invoice for any Penalties incurred as a result of Buyer's failure to (i) notify Seller of a failure to Schedule or a change in a Schedule or (ii) abide by a transmitting utility's tariff and scheduling policies. Seller shall assume all liability for and reimburse Buyer within thirty (30) days of presentation of an invoice for any Penalties incurred as a result of Seller's failure to (i) notify Buyer of a failure to Schedule or a change in a Schedule or (ii) abide by the ISO Tariff and Protocols. The Parties shall promptly notify each other as soon as possible of any imbalance that is occurring or has occurred and shall cooperate to eliminate imbalances and minimize Penalties to the extent possible. "Penalties" shall be defined as any fees, liabilities, assessments or similar charges assessed by the ISO as a result of a Party's failure to comply with its obligations hereunder."

(d) **Force Majeure.** Section 3.3 shall be amended by adding the following paragraph at the end of the section:

"In the event that the Federal Energy Regulatory Commission or its successor imposes obligations or restrictions due to standard market design restructuring that directly or indirectly alter the relative economic positions of the Parties hereunder in a material detrimental way, then a Party so affected may, by written notice to the other Party, require that the Parties meet promptly to discuss in good faith whether the Transaction can be modified so as to re-impose the relative economic positions of the Parties held hereunder prior to such governmental action. Such notice shall describe the action taken, and shall provide reasonable particulars as to the manner and extent to which the economic position of the Party giving notice has been affected adversely. The Parties shall meet thereafter as soon as mutually convenient, using all commercially reasonable efforts during the thirty (30) day period following the initial meeting to consider appropriate changes to the Transaction. In the event that the Parties are unable to agree upon the modifications necessary to restore the relative economic balance between them by the end of such period, the affected party may terminate the Transaction under this Section 3.3 –Force Majeure."

**New Section 3.4 to be added for non-unit specific sales and renewables if the delivery location is SP-15:** "In the event the current definition of the Delivery Point set forth in the Transaction is modified by CAISO or a successor control area operator/regional transmission operator, deliveries of Product by Seller shall continue but will be divided among the replacement nodes based on the proportion of former zonal retail load, regardless of supplier, that is located in each replacement zone or node, or as mutually agreed to by the Parties."

(e) **Events of Default.**

1) Section 5.1(h)(ii) is hereby amended to delete the following phrase from the third and fourth line thereof: "and such failure shall not be remedied within three (3) Business Days after written notice".

2) Section 5.1(h)(iv) is hereby amended by replacing the words "its terms" with "the Guaranty's and this Agreement's terms".

(f) **Declaration of an Early Termination Date and Calculation of Settlement Amount.** Section 5.2 is amended to delete the following phrase from the last two lines: "under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable".

(g) **Declaration of an Early Termination Date and Calculation of Settlement Amount.** The following shall be added to the end of Section 5.2: "under applicable law on the Early Termination Date, then each such Transaction (individually, an "Excluded Transaction" and collectively, the "Excluded Transactions") shall be terminated as soon thereafter as reasonably practicable, and upon termination shall be deemed to be a Terminated Transaction and the Termination Payment payable in connection with all such Transactions shall be calculated in accordance with Section 5.3 below. The Gains and Losses for each Terminated Transaction shall be determined by calculating the amount that would be incurred or realized to replace or to provide the economic equivalent of the remaining payments or deliveries in respect of that Terminated Transaction. The Non-Defaulting Party (or its agent) may determine its Gains and Losses by reference to information either available to it internally or supplied by one or more third parties including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets. Third parties supplying such information may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors and other sources of market information. Notwithstanding the other provisions of this Agreement, if the Non-Defaulting Party has the right to liquidate or terminate all obligations arising under the Transactions under the provisions of this Article 5 because the Defaulting Party either (a) is the subject of a bankruptcy, insolvency, or similar proceeding, or (b) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator, or similar official for all or a substantial portion of its assets, then this agreement and all associated transactions shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 5.1."

(h) **Notice of Payment of Termination Payment.** The following shall be added to the end of Section 5.4:

"Notwithstanding any provision to the contrary contained in this Agreement, the Non-Defaulting Party shall not be required to pay to the Defaulting Party any amount under Article 5 until the Non-Defaulting Party receives confirmation satisfactory to it in its reasonable discretion (which may include an opinion of its counsel) that all other obligations of any kind whatsoever of the Defaulting Party to make any payments to the Non-Defaulting Party or any of its Affiliates under this Agreement or otherwise which are due and payable as of the Early Termination Date (including for these purposes amounts payable pursuant to Excluded Transactions) have been fully and finally performed."

(i) **Suspension of Performance.** Section 5.7 is amended by deleting the phrase "ten (10) NERC Business Days" and replacing it with "five (5) NERC Business Days."

(j) **Downgrade Event.** Section 8.1(d) is amended to add the following phrase "or fails to maintain such Performance Assurance or guaranty or other credit assurance for so long as the Downgrade Event is continuing" immediately after the phrase "or other credit assurance acceptable to Party B within two (2) Business Days of receipt of notice".

(k) **Financial Information.** Section 8.2(a), Option A is amended to add the following phrase "under Section 8.2(b)" immediately after the phrase "If requested by Party B" and to add the following sentence to the end of the Option A paragraph: "Any such financial statements provided by Party A shall be subject to the confidentiality provisions of Section 10.11."

(l) **Credit Assurances.** Section 8.2(b) is amended to add the following phrase "has significantly worsened and has become unsatisfactory" immediately after "Party A's creditworthiness" in the first sentence.

(m) **Downgrade Event.** Section 8.2(d) is amended to add the following phrase "or fails to maintain such Performance Assurance or guaranty or other credit assurance for so long as the Downgrade Event is continuing" Immediately after the phrase "or other credit assurance acceptable to Party A within two (2) Business Days of receipt of notice".

(n) **Representations and Warranties.** Section 10.2(vi) is amended to delete the phrase "or any of its Affiliates",

(o) **Assignment.** Article 10.5 shall be amended by placing a period after the word "arrangements" and deleting the remainder of the paragraph.

(p) **Governing Law/Venue.** The first sentence of Article 10.6 shall be replaced with the following: "This Agreement shall be governed by and construed according to the laws of the State of California (notwithstanding otherwise applicable conflicts of law principles). The Parties hereby consent to conduct all dispute resolution, judicial actions or proceedings arising directly, indirectly or otherwise in conjunction with, out of, related to or arising from this Agreement in the City of San Diego, California."

(q) **Change in Rates.** Add a new section to Article 10 as follows:

**"10.12 Changes in Rates.** Each Party expressly retains all of its rights under Section 206 of the Federal Power Act. The standard of review for any Section 206 filing shall be the "just and reasonable" standard of review for any such filing. Each Party expressly retains its rights to protest or otherwise challenge any such filing."

(r) **Dispute Resolution.** Add a new section to Article 10 as follows:

**10.13 Dispute Resolution.**

(a) If a dispute shall arise between the Parties relating to the interpretation of this Agreement or to performance of any Transaction under it, the Party desiring resolution of the dispute shall notify the other Party in writing. The notice shall set forth the matter in dispute in reasonable detail and a proposed solution.

(b) The Parties shall attempt to resolve any dispute within 30 calendar days after delivery of the written notice referred to above. Any disputes not so resolved shall be referred by each Party to an officer (or the officer's designee) for resolution. If the Parties fail to reach an agreement within 30 days after such referral, each Party shall have the right to pursue any and all remedies provided in this Agreement and as afforded by law.

(c) The existence of any dispute or controversy under this Agreement or the pendency of the dispute settlement or resolution procedures set forth herein shall not in and of themselves relieve or excuse either Party from its ongoing duties and obligations under this Agreement.

(s) **Index Transactions.** Add a new section to Article 10 as follows:

**10.14 Index Transactions.**

(a) **Market Disruption.** If a Market Disruption Event has occurred and is continuing during the Determination Period, the Floating Price for the affected Trading Day shall be determined pursuant to the index specified in the Transaction for the first Trading Day thereafter on which no Market Disruption Event exists; provided, however, if the Floating Price is not so determined within three (3) Business Days after the first Trading Day on which the Market Disruption Event occurred or existed, then the Parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), by selecting a mutually acceptable published index or, if none exists, by taking the average of two or more dealer quotes.

"Determination Period" means each calendar month during the term of the relevant Transaction; provided that if the term of the Transaction is less than one calendar month the Determination Period shall be the term of the Transaction.

"Floating Price" means the price specified in the Transaction as being based upon a specified index.

"Market Disruption Event" means, with respect to an index, any of the following events (the existence of which shall be determined mutually in good faith by the parties): (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading in the relevant options contract or commodity on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) a material change in the formula for or the method of determining the Floating Price.

"Trading Day" means a day in respect of which the relevant price source published the relevant price.

(b) **Corrections to Published Prices.** For purposes of determining the relevant prices for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement, either Party may notify the other Party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If a Party gives notice that an amount is so payable, the Party that originally either received or retained such amount will, not later than three (3) Business Days after the effectiveness of that notice, pay, subject to any applicable conditions precedent, to the other Party that amount, together with interest at the Interest Rate for the period from and including the day on which payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

(c) **Calculation of Floating Price.** For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three (3) decimal places. If the fourth (4<sup>th</sup>) decimal number is five (5) or greater, then the third (3<sup>rd</sup>) decimal number shall be increased by one (1), and if the fourth (4<sup>th</sup>) decimal number is less than five (5), then the third (3<sup>rd</sup>) decimal number shall remain unchanged.

(t) **CPUC Approval.** Add a new section to Article 10 as follows:

**10.15 CPUC Approval.** The Parties hereby acknowledge and agree that SDG&E shall submit this Agreement or any amendment thereto resulting from the negotiation process described in Section 3.3 hereof (a "Section 3.3 Amendment"), to the CPUC for approval with a reasonable time after execution of this Agreement or a Section 3.3 Amendment. This Agreement and any Section 3.3 Amendment thereto and the Parties' obligations under this Agreement or a Section 3.3 Amendment are subject to SDG&E first receiving CPUC Approval. "CPUC Approval" shall mean: (1) the issuance by the CPUC of a decision that does not materially alter the commercial aspects of this Agreement; (2) a finding by the CPUC that the payments under this Agreement are reasonable; and (3) SDG&E is authorized to recover the full amount of any payment made to Seller under this Agreement from SDG&E's customers in rates through any existing or future cost recovery mechanism that may be developed or instituted by the CPUC.

Should the CPUC issue a decision approving this Agreement or a Section 3.3 Amendment with conditions or modifications that materially alters the commercial aspects of this Agreement or a Section 3.3 Amendment, the Parties shall have ten (10) Business Days from the mailing date of such decision to provide the other Party written notice of the issuing Party's acceptance or rejection of the CPUC conditions or modifications; provided however, if a Party fails to provide written notification of its acceptance or rejection to the other Party within such ten (10) day period, that Party's silence shall be deemed to constitute acceptance of the condition or modification and agreement by such Party, upon the CPUC Approval Date (as defined below).

"CPUC Approval Date" means the first Business Day after the date on which the CPUC issues an approval of this Agreement or any Section 3.3 approval, whether or not relevant and applicable time periods for rehearing or judicial review expires., thus creating a CPUC Approval that is final and no longer subject to appeal.

Each of the Parties shall use its commercially reasonable efforts to obtain CPUC Approval. Neither Party shall oppose or protest the Agreement or any previously agreed to Section 3.3 Amendment in any way, at the CPUC. If called upon to do so, the Parties shall take reasonable actions to facilitate initial approval by (1) the CPUC or (2) other regulatory agencies

## Part 2. SCHEDULE P

The following definition is hereby added to Schedule P:

"CAISO Energy" means with respect to a transaction, a Product under which the Seller shall sell and the Purchaser shall purchase a quantity of energy equal to the hourly quantity without Ancillary Services (as defined in the Tariff) that is or will be scheduled as a



schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the CAISO (as amended from time to time, the "Tariff") for which the only excuse for failure to deliver or receive is an "Uncontrollable Force" (as defined in the Tariff). A CAISO "Schedule Adjustment" (defined as a schedule change implemented by the CAISO that is neither caused by, or within the control of, either Party) shall not constitute an Uncontrollable Force (as defined in the Tariff). In the absence of such an Uncontrollable Force, the Party to which performance is owed shall be entitled to receive from the Party which failed to deliver/receive an amount determined pursuant to Article Four."

The following definition shall replace the previous "Firm (LD)" definition:

"Firm (LD)" means, with respect to a Transaction, that either Party shall be relieved of its obligations to sell and deliver or purchase and receive without liability only to the extent that, and for the period during which, such performance is prevented by Force Majeure. A CAISO Schedule Adjustment shall not constitute a Force Majeure. In the absence of Force Majeure, the Party to which performance is owed shall be entitled to receive from the Party which failed to deliver/receive an amount determined pursuant to Article Four".

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A - ALTA MESA POWER PARTNERS, LLC

Party B - SAN DIEGO GAS & ELECTRIC COMPANY

By: [Signature]

By: [Signature]

Name: Stephen R. Jones

Name: CARLO LORENZ

Title: Vice President,

Title: VP ELECTRIC & GAS PROCUREMENT

TenderLand Power Company, Inc.  
its managing member

APPROVED as to legal form A.S.

## Exhibit "A" Form of Guaranty

### GUARANTY

In consideration of San Diego Gas and Electric Company ("Company") entering into a contract with or furnishing electric and/or gas service or other goods or services or credit to [NAME OF COUNTERPARTY] (hereinafter referred to as "Applicant"), [NAME OF GUARANTOR], a [TYPE OF LEGAL ENTITY i.e. California corporation], (hereinafter referred to as "Guarantor") agrees with Company as follows:

1. The term "Obligations" is used herein in its broadest and most comprehensive sense and shall mean, without limiting the generality of the foregoing, all obligations, liabilities and indebtedness of any kind whatsoever now or hereafter owing by Applicant to the Company in respect of or pursuant to the EEI Master Power Purchase & Sale Agreement between the parties dated \_\_\_\_\_ and any amendments, modifications or extensions thereof ("the Agreement"). In addition, without limiting the generality of the foregoing, the term "Obligations" shall include all obligations, liabilities and indebtedness of any kind whatsoever arising in connection with or under any security agreement or other agreement between the Company and Applicant. The amount of Obligations existing from time to time shall be calculated after giving effect to all contractual netting arrangements between Applicant and the Company.

2. Guarantor unconditionally and irrevocably guarantees to Company the full, prompt and faithful payment and performance when due of each and all of the Obligations.

3. This is a continuing guaranty relating to the Obligations. Guarantor acknowledges that there is a continuing consideration to Guarantor for this Guaranty and therefore Guarantor waives and relinquishes the right to revoke or terminate this Guaranty as provided in California Civil Code Section 2815 except for the right to terminate this Guaranty in accordance with this paragraph 3. No termination of this Guaranty by Guarantor shall affect any Obligations outstanding or contracted or committed for as of the effective date of the termination, the payment of which Obligations shall continue to be guaranteed by Guarantor pursuant to this Guaranty notwithstanding such termination, and this Guaranty shall remain in full force and effect with respect to such Obligations until finally and irrevocably paid in full. Guarantor may terminate this Guaranty with respect to future Obligations only by delivering personally, by certified mail, postage prepaid and return receipt requested, or by confirmed facsimile transmission (fax), written notice thereof to Company, provided that such notice shall specify the effective date thereof, which effective date shall be no sooner than forty-five (45) days after Company's actual receipt of such notice, at the address set forth below (or to such new address or fax number as Company may designate hereafter in a notice to Guarantor) and Company's receipt of Performance Assurance (as defined in the Agreement):

San Diego Gas and Electric Company  
555 W. Fifth Street  
Attn: Major Markets 10E3, Credit Manager  
Los Angeles, CA 90013  
Fax No.: (213) 244-8316

4. Any of the Obligations may be amended, modified, waived, or increased (whether or not beyond any dollar limitation hereunder), further agreements may be entered into between Company and Applicant, Company may provide additional goods or services or credit to Applicant or increase or decrease the dollar value of such goods, services or credit, and further obligations (including, without limitation, the provision or pledging of security to Company for any obligation), indebtedness and liabilities may be entered into or incurred from time to time by Applicant and without further authorization from or notice to Guarantor and no such action shall terminate, release, impair, reduce, discharge, diminish or in any way affect any of the obligations of Guarantor hereunder or any security furnished by Guarantor or give Guarantor any recourse or defense against Company. Company need not inquire into the power of Applicant or the authority of its officers, directors, partners or agents acting or purporting to act in its behalf.

5. With respect to all Obligations, this is a guaranty of payment and performance and not of collection, and Guarantor waives and agrees not to assert or take advantage of:

(a) any right to require Company to proceed against Applicant or any other person or to resort to, proceed against or exhaust any security held by it at any time or to pursue any other remedy in its power before proceeding against any Guarantor;

(b) demand, presentment, protest and notice of any kind including, without limiting the generality of the foregoing, notice of nonperformance, protest, dishonor and acceptance of this Guaranty, notice under Section 9504(3) of the California Commercial Code, and notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of Applicant, Company, a guarantor under this or any other instrument, or creditor of Applicant or any other person whomsoever, in connection with any of the Obligations or any collateral for any of the Obligations or in connection with any of the Obligations; and

(c) any suretyship defenses and suretyship rights of every nature otherwise available under California law and the laws of any other state or jurisdiction, including, without limitation, all defenses and rights arising under Sections 2787 through 2855 of the California Civil Code (the "Suretyship Provisions") and any successor provisions to those Sections. Without limiting the generality of the foregoing, Guarantor acknowledges his, her or its understanding that the Suretyship Provisions provide various partial or complete defenses to the recovery by Company from Guarantor and/or grant Guarantor rights the enforcement of which could reduce or eliminate entirely Guarantor's liability hereunder to Company. Among the defenses and rights contained in the Suretyship Provisions are the following: (1) Section 2809 of the Civil Code, which provides, in part, that the obligation of a surety must not be either larger in amount or in other respects more burdensome than that of the principal; (2) Section 2810 of the Civil Code, which provides, in part, that a surety is not liable if for any reason other than the mere personal disability of the principal there is no liability upon the part of the principal at the time of execution of the contract, or the liability of the principal thereafter ceases; (3) Section 2819 of the Civil Code, which provides, in part, that a surety is exonerated if the creditor alters the original obligation of the principal without the consent of the surety; (4) Section 2845 of the Civil Code, which provides, in part, that a surety is exonerated to the extent that the creditor fails to proceed against the principal, or to pursue any other remedy in the creditor's power which the surety cannot pursue and which would lighten the surety's burden; (5) Section 2846 of the Civil Code, which provides that a surety may compel his principal to perform the obligation when due; (6) Section 2847 of the Civil Code, which provides, in part, that if a surety satisfies the principal obligation, or any part thereof, the principal is obligated to reimburse the surety for the amounts paid by the surety; (7) Section 2848 of the Civil Code, which provides, in part, that a surety, upon satisfaction of the obligation of the principal is entitled to enforce remedies which the creditor then has against the principal; (8) Section 2849 of the Civil Code, which provides, in part, that a surety is entitled to the benefit of security held by the creditor for the performance of the principal obligation held by the creditor; (9) Section 2850 of the Civil Code, which provides, in part, that whenever the property of a surety is hypothecated with property of the principal, the surety is entitled to have the property of the principal first applied to the discharge of the obligation; and (10) Section 2822 of the Civil Code, which provides, in part, for a right to have the principal designate the portion of any obligation to be satisfied by the surety in the event that the principal provides partial satisfaction of such obligation.

6. All existing and future indebtedness of Applicant to Guarantor ("Intercompany Obligations") is subordinated to all Obligations hereby guaranteed. All of Guarantor's right, title and interest in and to the Intercompany Obligations and rights to receive any payments of the Intercompany Obligations are hereby granted and assigned to Company as continuing security for the Obligations hereby guaranteed, and, in the event of any default in the payment of any of the Obligations when due and until the Obligations guaranteed hereby have been paid in full (a) at the Company's request, Applicant shall forthwith pay to the Company all or any part of such Intercompany Obligations and any capital which Guarantor is entitled to withdraw until all of the Obligations guaranteed hereby have been paid in full, and (b) Guarantor shall pay to Company immediately any payments of such Intercompany Obligations received by Guarantor.

7. Guarantor agrees to pay all attorneys' fees (including without limitation, reasonably allocated fees of in-house counsel) and all other costs and expenses which may be incurred by Company in the enforcement of this Guaranty against Guarantor.

8. This Guaranty shall inure to the benefit of Company and its successors and assigns, including the assignees of any Obligations, and bind the heirs, executors, administrators, successors and assigns of Guarantor. This Guaranty is assignable by Company with respect to all or any portion of the Obligations, and when so assigned Guarantor shall be liable to the assignees under this Guaranty without in any manner affecting the liability of Guarantor hereunder with respect to any Obligations retained by Company.

9. This Guaranty shall be governed by and construed in accordance with the laws of the State of California. Guarantor hereby irrevocably and unconditionally agrees that any legal action or proceeding against Guarantor or any of Guarantor's property with respect to this Guaranty may be brought in the courts of the State of California in the County of San Diego or the courts of the United States in the County of San Diego, as Company may elect, and by executing and delivering this Guaranty Guarantor hereby submits to and accepts with regard to any such action or proceeding for himself, herself or itself and in respect of his, her or its property, generally, irrevocably and unconditionally, the jurisdiction of the above mentioned courts. Guarantor hereby irrevocably appoints the Secretary of State of the State of California as his, her or its agent for service of process in any suit or proceeding if the Guarantor is located outside the State of California at the time of service or cannot reasonably be located by Company. The foregoing, however, shall not limit the right of Company as it may elect to bring any legal action or proceeding or to obtain execution of judgment in any other appropriate jurisdiction including but not limited to any other jurisdiction in which Guarantor or his, her or its property is located.

10. Except as provided in any other written agreement now or at any time hereafter in force between Company and Guarantor, this Guaranty shall constitute the entire agreement of Guarantor with Company with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon Company unless expressed herein.

11. All notices, demands, requests and other communications required or permitted hereunder shall be in writing and, except for notice of termination of this Guaranty pursuant to paragraph 3 which shall be effective as provided therein, shall be given personally, by certified or registered mail, postage prepaid, return receipt requested, or by reliable overnight courier to the address of the Company set forth in paragraph 3 herein (or to such new address as Company may designate hereafter in a notice to Guarantor) in the case of a communication to the Company and to the address appearing next to Guarantor's signature on this Guaranty (or to such new address as Guarantor may designate hereafter in a notice to Company) in the case of a communication to Guarantor. Any notice served personally shall be deemed delivered upon receipt, and any notice served by certified or registered mail or by reliable overnight courier shall be deemed delivered on the date of receipt as shown on the addressee's registry or certification of receipt or on the date receipt is refused as shown on the records or manifest of the U.S. Postal Service or such courier.

12. Until all of the Obligations guaranteed hereby have been satisfied in full, Guarantor shall have no right of subrogation or reimbursement from the Applicant which Guarantor may have as a result of any payment by Guarantor under this Guaranty, and waives any right to enforce any remedy which Company now has or may hereafter have against the Applicant as a result of such payment by Guarantor under this Guaranty and waives any right under section 2849 of the California Civil Code and any other benefit of or right to participate in any security now or hereafter held by Company.

13. All amounts payable by Guarantor hereunder shall be paid without set-off or counterclaim and without any deduction or withholding whatsoever unless and to the extent that Guarantor shall be prohibited by law from doing so, in which case Guarantor shall pay to Company such additional amount as shall be necessary to ensure that Company receives the full amount it would have received if no such deduction or withholding had been made.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty on [MONTH AND DAY], 2001.

GUARANTOR: [NAME OF GUARANTOR]

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Printed Name of Person Signing for Guarantor

\_\_\_\_\_  
Guarantor's Address

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Guarantor's Phone No.

Exhibit "B" Form of Letter of Credit

[DATE]

TO: [NAME AND ADDRESS OF SECURED PARTY]

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. \_\_\_\_\_  
IN THE [APPROXIMATE] AMOUNT OF US \_\_\_\_\_

GENTLEMEN:

WE HEREBY OPEN OUR IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER \_\_\_\_\_ IN FAVOR OF [NAME OF SECURED PARTY], BY ORDER AND FOR ACCOUNT OF [NAME OF PLEDGOR] ("PLEDGOR"), [ADDRESS OF PLEDGOR], AVAILABLE AT SIGHT, FOR AN [APPROXIMATE] AMOUNT OF US \_\_\_\_\_ [AMOUNT SPELLED OUT AND XX/100 U.S. DOLLARS] AGAINST PRESENTATION OF THE FOLLOWING DOCUMENT:

1- STATEMENT SIGNED BY A PERSON PURPORTED TO BE AN AUTHORIZED REPRESENTATIVE OF [SECURED PARTY] STATING THAT: "[NAME OF PLEDGOR] ("PLEDGOR") IS IN DEFAULT UNDER THE AGREEMENT BETWEEN [SECURED PARTY] AND PLEDGOR DATED \_\_\_\_\_ OR UNDER ANY TRANSACTION CONTEMPLATED THEREBY (WHETHER BY OCCURRENCE OF A "DEFAULT", "EVENT OF DEFAULT" OR SIMILAR TERM AS DEFINED IN SUCH AGREEMENT, ANY OTHER AGREEMENT BETWEEN [SECURED PARTY] AND PLEDGOR OR OTHERWISE). THE AMOUNT DUE TO [SECURED PARTY] IS US \$ \_\_\_\_\_."

SPECIAL CONDITIONS:

- ALL COSTS AND BANKING CHARGES PERTAINING TO THIS CREDIT ARE FOR THE ACCOUNT OF PLEDGOR.
- PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED.
- TELEX OR TELEFAX OF DOCUMENT 1 ABOVE ACCEPTABLE.

THIS LETTER OF CREDIT EXPIRES ON \_\_\_\_\_ AT OUR COUNTERS.

WE HEREBY ENGAGE WITH [SECURED PARTY] THAT UPON PRESENTATION OF A DOCUMENT AS SPECIFIED UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT, THIS CREDIT WILL BE DULY HONORED IN THE AMOUNT STATED IN DOCUMENT 1 ABOVE. IF A DOCUMENT IS SO PRESENTED BY 1:00 PM ON ANY NEW YORK BANKING DAY, WE WILL HONOR THE SAME IN FULL IN IMMEDIATELY AVAILABLE NEW YORK FUNDS ON THAT DAY AND, IF SO PRESENTED AFTER 1:00 PM ON A NEW YORK BANKING DAY, WE WILL HONOR THE SAME IN FULL IN IMMEDIATELY AVAILABLE NEW YORK FUNDS BY NOON ON THE FOLLOWING NEW YORK BANKING DAY.

WE AGREE THAT IF THIS CREDIT WOULD OTHERWISE EXPIRE DURING, OR WITHIN 30 DAYS AFTER, AN INTERRUPTION OF OUR BUSINESS CAUSED BY AN ACT OF GOD, RIOT, CIVIL COMMOTION, INSURRECTION,

WAR OR ANY OTHER CAUSE BEYOND OUR CONTROL OR BY ANY STRIKE OR LOCKOUT, THEN THIS CREDIT SHALL EXPIRE ON THE 30TH DAY FOLLOWING THE DAY ON WHICH WE RESUME OUR BUSINESS AFTER THE CAUSE OF SUCH INTERRUPTION HAS BEEN REMOVED OR ELIMINATED AND ANY DRAWING ON THIS CREDIT WHICH COULD PROPERLY HAVE BEEN MADE BUT FOR SUCH INTERRUPTION SHALL BE PERMITTED DURING SUCH EXTENDED PERIOD (SUBJECT TO APPROVAL OF THE ISSUING BANK).

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500.

[NAME OF BANK]

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AUTHORIZED SIGNATURE(S)

02-044

**MASTER POWER PURCHASE AND SALE AGREEMENT  
CONFIRMATION LETTER**

This confirmation letter shall confirm the Transaction agreed to on October 30, 2002 between Alta Mesa Power Partners, LLC ("Party A") and San Diego Gas and Electric Company ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party A

Buyer: Party B

Product: As Available, which means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a generation asset or assets specified in the Transaction. Party A's failure to deliver under an "As Available" Transaction shall be excused: (i) if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines); (ii) by an event or circumstance that affects the specified generation asset(s) so as to prevent Party A from performing its obligations, and which is not within the reasonable control of, or the result of the negligence of, Party A, (iii) by Party B's failure to perform, (iv) if there is insufficient wind power for the specified units to generate energy as determined by the best wind speed and direction standards utilized by other wind producers or purchasers in the vicinity of the Project or if wind speeds exceed the specified units' technical specifications, or (v) by scheduled maintenance outages of the specified units. In any of such events, Party A shall not be liable to Party B for any damages, including any amounts determined pursuant to Article Four.

Specified Units: Alta Mesa Project – Phase IV having an estimated gross capacity rating of 40.26 MW (the "Project"), consisting of up to 61 Vestas V47 660 kW (or equal) wind turbines located near Palm Springs, California.

Contract Quantity: During the Delivery Period, except as specified in the Curtailments section below, Party A shall deliver, and Party B shall receive and pay for, all of the Output (as defined below) of the Project.

For the purposes of this Transaction, "Output" means all electrical energy produced, which may, on an instantaneous basis, be greater or less than the total estimated gross capacity of 40.26 MW of the Project, as metered at the



interconnected substation. However, Party B's obligation to purchase shall be limited to 47 MWs as measured and metered hourly at the Delivery Point. In addition, in no event shall Party A have the right to procure electric energy from sources other than the Project for sale and delivery pursuant to this agreement.

Pursuant to Amendment 42 of the CAISO tariff, Party A shall use best efforts to match schedules to actual generation on a monthly basis. Party B shall pay on a monthly basis the Contract Price for the lower of the monthly aggregate quantity scheduled or actually metered.

- Delivery Point: The high side of the transformers in the 115 kV substation to be built by Party A for the Project (the "Delivery Point"). This substation will allow the Project to interconnect to the Southern California Edison Devers-Banning-Garnet-Windpark-Zanja 115 kV transmission line. The Output shall be metered at the substation but Party A shall be responsible for the delivery of Output to the CAISO controlled grid.
- Contract Price: During the Delivery Period: \$53.70/MWh.
- Party A shall be responsible for all charges with respect to uninstructed energy as applied to this Transaction by the CAISO, all as further provided under the caption "Scheduling."
- Delivery Period: Beginning on the completion date of the first turbine described and included in the Project (regardless of its rated capacity) and ending on December 31, 2013.
- Party A shall provide periodic construction status updates to Party B at such times as reasonably requested by Party B.
- Forecast: For Party B's planning purposes, Party A shall, by December 1 of the current year, provide a forecast of each month's average-day output by hour for the following calendar year. Such forecast shall include an expected range of uncertainty based on historical operating experience, and shall be updated on a monthly basis.
- Scheduling: By 6:00 AM Pacific Prevailing Time on the Business Day immediately preceding the date of delivery, Party A shall provide Party B with an hourly forecast of deliveries for each hour of the immediately succeeding day; provided, however, that such information provided on a day prior to any non-business day shall include forecasts for each day to and including the immediately succeeding business day. Party A shall update such forecast anytime information is available indicating a change in forecasted Output from the then current forecast. Party A shall prepare such forecasts and updates by utilizing the best wind speed and direction prediction model or service that is commercially available and utilized by other wind producers

or purchasers in the vicinity of the Project, so long as such model or service is available at a commercially reasonable cost and is satisfactory to Party B. On or prior to each May 1 during the Term of this Transaction, Party A shall determine in good faith which such model or service to utilize after consultation with Party B. Party A shall not be required to update such forecasts more frequently than once per hour. To the extent possible, the Parties shall cooperate to implement and use automatic forecast updates, and shall seek to integrate the forecast updates with any automated forecasting system that is implemented pursuant to Amendment 42 of the CAISO tariff.

Party A or Party A's designee shall be the designated Scheduling Coordinator (as defined in the CAISO tariff) for the Project and shall be responsible for scheduling the forecast of Output to the Delivery Point during the Delivery Period. Party A shall submit schedules and any updates to such schedules to the CAISO based on the most current forecast of Output consistent with all scheduling protocols of the CAISO. All generation scheduling and transmission services shall be performed in accordance with all applicable operating policies, criteria, guidelines and tariff of CAISO or its successor, and any other generally accepted operational requirements. Party A shall also fulfill contractual, metering and interconnection requirements set forth in the CAISO tariff and implementing CAISO standards and requirements, including but not limited to executing a CAISO Participating Generator Agreement, so as to be able to deliver energy to the CAISO controlled grid. In the event that CAISO modifies or amends its scheduling protocols in the future, Party A hereby agrees to adhere to such changes to scheduling procedures with Party B so as to effect the changes necessary and any economic benefit from such changes shall inure solely for the benefit of Party B.

Notwithstanding anything to the contrary herein, in the event Party A makes a change to its schedule on the actual date of delivery for any reason (other than an adjustment imposed by CAISO) which results in a change to its Output (whether in part or in whole), Party A shall use its best efforts to notify Party B at least one (1) hour prior to the deadline for Party B to submit hour-ahead schedules to CAISO in its capacity as a Scheduling Coordinator.

Party A shall be responsible for any uninstructed energy charges payable to, and will receive any credits and revenues from, the CAISO as the result of differences between actual generation and schedule.

Operating Procedures: Prior to the Commercial Operation Date and from time to time as reasonably determined necessary by the Parties, the Parties shall agree upon written operating procedures ("Operating Procedures") addressing how the Parties will perform their respective obligations under this Transaction, including, but not limited to: (1) the method of day-to-day communications;

(2) key personnel lists for each Party; (3) procedures for Forced Outage and Scheduled Maintenance Outage reporting; (4) procedures for daily capacity level and energy output reporting; (5) procedures for record keeping; and (6) scheduling procedures; provided that the failure to agree on Operating Procedures will not relieve the Parties of their respective obligations under this Transaction.

Party A shall operate and maintain, and arrange Scheduled Maintenance Outages for, the Project in accordance with Prudent Industry Practices. By December 1 of the current year, Party A shall provide an annual schedule for Scheduled Maintenance for the following year to Party B for approval, which approval shall not be unreasonably withheld or delayed. Parties shall mutually agree upon the schedule no later than 2 months prior to the proposed Scheduled Maintenance Outage. Absent mutual agreement, Scheduled Maintenance Outages shall occur during the months of October, November and/or December at Party A's option.

"Commercial Operation" means, with respect to any Portion of the Project (as defined herein), that Party A shall have completely installed and commissioned the applicable electrical generating equipment and control systems including, but not limited to the process of starting up, testing and normalization of all operating systems of the installed units with the transmission system grid, and each installed unit is available to generate and deliver power to the electrical transmission grid in accordance with any applicable operating permits. Upon achieving Commercial Operation with respect to a Portion of the Project, Party A shall certify to Party B in writing that Commercial Operation is achieved with respect to such Portion of the Project and shall deliver to Party B a copy of the commissioning certificate for the turbines in such Portion of the Project executed by the turbine manufacturer (collectively, a "Commercial Operation Certificate") and Party B shall either accept such Commercial Operation Certificate (such acceptance not to be unreasonably withheld or delayed) or deliver to Party A written notice stating in detail the reasons for rejecting such Commercial Operation Certificate (a "Rejection Notice") within five (5) days after receipt thereof. In the event that Party B fails to deliver such notice within five (5) days after receipt of a Commercial Operation Certificate, the Commercial Operation Certificate shall be deemed accepted and approved by Party B. Commercial Operation will be deemed to have been achieved with respect to a Portion of the Project (a) in the event Party B accepts or is deemed to have accepted the applicable Commercial Operation Certificate, the date such Commercial Operation Certificate is delivered to Party B, or (b) in the event Party B timely delivers a rejection notice and the applicable Portion of the Project is ultimately determined not to have achieved Commercial Operation as represented in the applicable Commercial Operation Certificate, the date on which Party A and Party B agree in writing that Commercial Operation has been achieved with respect to such

Portion of the Project, or (c) in the event Party B timely delivers a rejection notice and the applicable Portion of the Project is ultimately determined to have achieved Commercial Operation as represented in the applicable Commercial Operation Certificate, the date such Commercial Operation Certificate is delivered to Party B. "Commercial Operation Date" with respect to any Portion of the Project means the date on which Commercial Operation is achieved with respect to such Portion of the Project in accordance with the immediately preceding sentence. As expeditiously as possible, but in any event within thirty (30) days of execution of this Agreement, Party A shall propose to Party B a draft set of written acceptance procedures addressing how the Parties will determine whether Commercial Operation has been achieved and the Parties shall agree upon a final set of such written acceptance procedures not later than thirty (30) days after the draft acceptance procedures are proposed to Party B. Party B may inspect the Project's construction site or on-site Party A data and information pertaining to the Project during business hours upon reasonable notice.

"Portion of the Project" shall mean the number of units installed and having achieved Commercial Operation divided by the total number of units in the Project. For example, if the total number of units in the Project equals 100 units and Party B deems that 50 units have achieved Commercial Operation, then the Portion of the Project that is completed is 50 units or 50 percent (50%) of the total Project. With respect to the "Portion of the Project" terminated by Party B, this term shall mean the number of units which Party B deems have failed to achieve Commercial Operation divided by the total number of units in the Project.

In no event shall Party B have any obligation, including but not limited to payment obligations for any Portion of the Project which has not achieved Commercial Operation by December 31, 2003 unless Party B elects not to exercise its rights under the Early Termination provisions with respect to such Portion of the Project.

"Prudent Industry Practice" means any practices, methods and/or acts (i) required by the National Electric Safety Code or NERC, whether or not Party A is a member thereof, or (ii) otherwise engaged in or approved by a significant portion of the non-utility electric generation industry during the relevant time period or any of the practices, methods and acts that in the exercise of commercially reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Industry Practice is not intended to be the optimum practice, method or act to the exclusion of all others, but rather is intended to be any of the practices, methods and/or actions generally accepted in the region.

**Curtailments:** At the request of Party B, Party A shall reduce the Project's Output during any hour provided that the CAISO has directed the scheduling coordinator for the Project to reduce the Output of the Project to manage an overgeneration condition in the CAISO control area (due to a lack of decremental bids from other generation resources). In addition, Party A shall reduce the Project's Output if notified by the CAISO to curtail deliveries, or if deliveries are otherwise curtailed by the CAISO.

**Delivery & Metering:** All Output shall be delivered to Party B at the Delivery Point and such delivered Output shall be metered in real-time basis at the interconnected substation. A copy of such meter information shall be included in each monthly invoice. All meters and equipment used for the measurement of Output shall be provided, owned, maintained, inspected, tested, and read at no cost to Party B by Party A.

**Billing:** Party A shall submit a monthly invoice during the Delivery Period to Party B for the amount payable based on the Contract Price section of this Confirmation for each month (including the initial partial month, if applicable).

Party B shall pay Party A the Contract Price for all deliveries made pursuant to this Confirmation on a monthly basis as set forth in Article Six of the Master Agreement.

**Special Conditions:** All rights and interests in the renewable attributes, emission reductions or credits (offsets) relating to the Project shall be the property of Party B, including all environmental attributes and rights to qualify the Project Output under the requirements of the California Renewable Portfolio Standard.

Party A represents and warrants that during the Delivery Period (i) the Project will qualify as an "Eligible renewable energy resource", as defined in Section 399.12(a) of the California Public Utilities Code, and (ii) the Project Output will qualify under the requirements of the California Renewable Portfolio Standard.

**Early Termination:** (a) Party B may terminate this Transaction relating to any Portion of the Project which has not achieved a Commercial Operation Date by December 31, 2003. Upon exercising such right by Party B, the term Project as referred to in this Confirmation Letter shall not include such Portion of the Project which has been terminated by Party B.

(b) In addition, in the event that during the Delivery Period no energy is generated and delivered to the Delivery Point for a period of six (6) months for reasons other than weather related conditions, Party B shall in its sole

discretion have the right to terminate this Transaction without any further obligations under the Master Agreement.

(c) In addition, commencing on the first (1st) anniversary of the Commercial Operation Date, Party B shall in its sole discretion have the right to terminate this Transaction without any further obligations under the Master Agreement in the event Party A fails to achieve an aggregate annual average Availability Factor greater than seventy-five percent (75%). Such achievement of an average Availability Factor greater than 75% must be demonstrated by the successful completion of a Capacity Demonstration Test (as defined herein). At the request of Party B, Party A shall demonstrate Availability Factor by successful completion of a Capacity Demonstration Test ("CDT"). In order for a CDT to be deemed to have been successfully completed, Party B must approve of both the testing procedure and the results of such test, neither of which shall be unreasonably withheld or delayed. It is the Parties' expectation that the procedure and results of the CDT would be based on routine data gathered and maintained by the Project's central computer monitoring and control system, including the system's calculation of Availability Factor. In the absence of such approval by Party B, it shall be deemed that Party A has failed to achieve an average Availability Factor greater than seventy-five percent (75%). Such CDT may be requested annually by Party B commencing on the first (1st) anniversary of the Commercial Operation Date of the last Portion of the Project and shall be contingent upon wind resource availability, scheduled maintenance outages and mandated curtailments of the Project's Output.

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated October 30, 2002 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Party A]

Alta Mesa Power Partners, LLC, a Delaware limited liability company



By: Stephen R. Jones  
Title: Vice President, TenderLand Power Company, its managing member  
Phone No (206) 624-3950  
Fax (206) 624-3953

[Party B]

San Diego Gas & Electric Company



By: Lad Lorenz  
Title: Vice President, Electric & Gas Procurement  
Phone No: (858) 650-6150  
Fax: (858) 650-6191

APPROVED as to legal form A.S.