

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

**Wind Project
Riverside County, California**

This confirmation letter shall confirm the Transaction agreed to on October 31, 2002 between PacifiCorp Power Marketing, Inc. ("**Party A**") and San Diego Gas and Electric Company ("**Party B**") regarding the sale and purchase of Product (as described below) under the following terms and conditions:

Seller: Party A

Buyer: Party B

Agreement: This confirmation letter is being entered into pursuant to and in accordance with the Master Power Purchase and Sale Agreement (Wind Project) dated October 31, 2002 between Party A and Party B. If there is any conflict between the terms set forth in this confirmation letter and the Master Power Purchase and Sale Agreement (Wind Project), the terms set forth in this confirmation letter shall govern. The Master Power Purchase and Sale Agreement (Wind Project) as modified and supplemented by this confirmation letter (collectively, the "**Agreement**"), constitutes the complete and final agreement between the parties concerning the purchase and sale of Product from the Project (as defined below). References to "sections" and "articles" are to provisions appearing in the Master Power Purchase and Sale Agreement (Wind Project), and references to "paragraphs" are to provisions appearing in this confirmation letter.

Product: Product will be "As Available," which means that it will be supplied from the Project if, as and when it is generated by the Project. Party A's failure to deliver under this "As Available" Transaction shall be excused: (i) to the extent the Project is 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 Project 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) to the extent that Party A's ability to perform is impaired by Party B's failure to perform, (iv) if there is insufficient wind for the Project's wind turbines to generate energy as determined by wind speed and direction standards comparable to those utilized by other wind producers or purchasers in the vicinity of the Project or if wind speeds exceed the technical specifications of wind turbines in the Project, or (v) by scheduled maintenance outages of the wind turbines. 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 Unit: A wind project to be constructed in Riverside County, California, near the existing Mountain View I and II wind projects, having an estimated installed capacity of 21.2 to 22.8 MW and consisting of approximately 31 to 39 wind turbines to be located in Riverside County, California (the “**Project**”).

Contingencies: Party A may terminate this Agreement by giving notice to Party B if, for any reason:

- (A) Party A has not by February 28, 2003, closed the transaction by which Party A will acquire the Project Entity (as defined below) from SeaWest WindPower, Inc. (“**SeaWest**”); or
- (B) Party A has not by October 1, 2003 obtained or entered into any of the following in a form satisfactory to Party A: (i) land rights required to construct the Project, (ii) permits required to construct and operate the Project, (iii) an agreement with Southern California Edison Company sufficient to allow the Project to interconnect and deliver all of the Project’s output at the Delivery Point, (iv) a participating generator agreement with the California Independent System Operator or its successor (collectively, “**CAISO**”), (v) a determination by the Federal Energy Regulatory Commission (“**FERC**”) that the Project Entity is an exempt wholesale generator, or (vi) FERC authorization to charge market-based rates for the Output.

“**PTCs**” means production tax credits under Section 45 of the Internal Revenue Code as in effect from time to time during the term of this Agreement or any successor or other provision providing for a federal tax credit determined by reference to renewable electric energy produced from wind resources and any correlative state tax credit determined by reference to renewable electric energy produced from wind resources for which the Project is eligible.

If Party A terminates this Agreement pursuant to this provision, neither Party shall have any liability to the other under this Agreement.

Excluded
Turbines:

Party A may by notice to Party B exclude affected wind turbines from the Project and adjust the Project’s installed capacity accordingly if.

(A) In the circumstances contemplated by subparagraph (B) of the “Contingencies” paragraph, Party A concludes that it is able to cause some but not all of the Project’s wind turbines to achieve Commercial Operation;

or

(B) Party A concludes that one or more wind turbines or the Project as a whole will not achieve Commercial Operation (as defined below) before December 31, 2003.

If Party A excludes wind turbines pursuant to this provision, neither Party shall have any obligation or liability to the other under this Agreement with respect to the excluded wind turbines.

Contract Quantity: During the Delivery Period, except as specified in the “Curtailments” paragraph 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 by the Project, which may, on an instantaneous basis, be greater or less than the total estimated capacity of 22.8 MW of the Project, as metered at the Delivery Point. However, Party B’s obligation to purchase shall be limited to 25 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 commercially reasonable 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 of Output scheduled or actually metered in each calendar month.

Delivery Point: The high side of the transformers at the MountWind Substation (the “**Delivery Point**”). The Project Entity (as defined below) intends to improve the MountWind Substation to allow the Project to interconnect to the CAISO Devers-Farrell-Eisenhower 115 kV transmission line.

Contract Price: During the Delivery Period: \$49.15/MWh. Responsibility for CAISO charges with respect to uninstructed energy is addressed in the “Scheduling” paragraph.

Delivery Period: Beginning on the date on which the first turbine completed for the Project (regardless of its rated capacity) has been “placed in service” as contemplated by Internal Revenue Code Section 45 and ending fifteen (15) years thereafter (the “**Delivery Period**”); *provided, however*, Party B will accept deliveries of test energy before the beginning of the Delivery Period, with the Contract Price of such test energy to be \$40/MWh..

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 each year during the Delivery Period (except for the last year thereof), provide a forecast of each month's average-day output energy production, by hour for the following calendar year. This forecast (a) shall include an expected range of uncertainty based on historical operating experience, (b) shall be updated on a monthly basis, and (c) shall be a non-binding, good faith estimate only. Party A shall not be liable for inaccuracies in the forecast.

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 a non-binding 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 non-binding forecasts for each day to and including the immediately succeeding Business Day. Party A shall update such forecast on a non-binding basis any time information becomes available indicating a change in forecast Output from the then current forecast.

Party A shall prepare such non-binding forecasts and updates by utilizing a wind speed and direction prediction model or service that is commercially available and comparable in accuracy to models or services 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 in the exercise of its reasonable discretion. On or prior to May 1 during each year of the Delivery Period, 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 commercially reasonable, 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 its qualified 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, or cause its qualified designee to 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 costs and economic benefit or detriment from such changes shall be shared equally by the Parties.

The forecasts called for by this Agreement shall be non-binding, good faith estimates only, and Party A shall not be liable for inaccuracies in the forecast.

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 commercially reasonable 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. If, at any time and from time to time, there is any increase in the charges payable by Party A to CAISO or any other party above those that would be payable by Party A as of the date of this Agreement because of differences between actual generation and schedule or otherwise (including taxes levied on the Project, its generation or the sale of Output after the date of this Agreement that would be paid by Party A), Party A may send Party B a notice describing the charges in reasonable detail. Within twenty (20) days after Party B receives such a notice, the Parties shall meet and negotiate in good faith to reach a mutual agreement concerning the allocation of such charges and any methods by which such charges can be minimized. If the Parties do not enter into such an agreement within forty-five (45) days after Party B receives the notice from Party A, Party A may terminate this Agreement by notice to Party B. If the Parties do reach agreement within forty-five (45) days after Party B receives the notice, Party B shall file with the CPUC an amendment to this Agreement that reflects the Parties' agreement. If CPUC Approval of such amendment is not obtained within a further sixty (60) days (*i.e.*, 105 days from the date on which Party B receives the notice), Party A may terminate this Agreement by notice to Party B. Upon termination under this paragraph, neither Party will have any further liabilities or obligations under this Agreement (other than Party B's duty to pay for Output delivered before the date of termination).

Operating
Procedures:

Prior to the Commercial Operation Date and from time to time as reasonably determined necessary by the Parties, Party A shall propose written operating procedures (“**Operating Procedures**”) addressing how the Parties will perform their respective obligations under this Transaction with respect 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; (6) scheduling procedures, and (7) procedures for verifying the accuracy of the Project’s meter, resolving disputes concerning the meter, and measuring the Project’s Output if the meter is not functioning. Party B shall have the right to approve such Operating Procedures, but its approval shall not be unreasonably withheld, conditioned or delayed. If Party B does not notify Party A of the reason why it disapproves of the proposed Operating Procedures within thirty (30) days after receiving them, the Operating Procedures shall be deemed approved. In addition, any portion of the Operating Procedures that Party B does not disapprove shall be deemed to be approved. If Party B disapproves of all or part of the proposed Operating Procedures within the thirty (30) day period, the parties shall negotiate in good faith to modify the Operating Procedures or disapproved portions thereof in a commercially reasonable manner consistent with the Parties’ intent as set forth in this Agreement; *provided, however*, that the failure to approve or agree on Operating Procedures shall not relieve the Parties of their respective obligations under this Agreement.

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 each year during the Delivery Period, 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, conditioned or delayed. If Party B does not send Party A a notice stating its reasons for disapproving a proposed annual schedule within thirty (30) days after receiving it, the schedule shall be deemed approved. If Party B sends a timely notice disapproving of the proposed annual schedule, the Parties shall negotiate in good faith to mutually agree upon the schedule no later than two (2) months prior to the proposed Scheduled Maintenance Outage. Absent mutual agreement, Party A shall use commercially reasonable efforts to schedule Scheduled Maintenance Outages during the months of November and December at Party A’s option.

“**Commercial Operation**” means, with respect to any Portion (as defined in this Agreement) of the Project, 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 wind

turbines with the transmission system grid, and each installed wind turbine is available to generate and deliver power to the electrical transmission grid in accordance with any applicable operating permits. Notwithstanding the foregoing, a Turbine shall be deemed to have achieved Commercial Operation as soon as it is "placed in service" as contemplated by Internal Revenue Code Section 45. 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, conditioned 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, on the date specified in the Commercial Operation Certificate as the date on which the Portion achieved Commercial Operation, 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, on the date on which Party A and Party B agree in writing or the date on which it is otherwise determined 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, on the date specified in the Commercial Operation Certificate as the date on which the Portion achieved Commercial Operation.

"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 on or before March 31, 2003, 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. The acceptance procedures shall be subject to Party's B's approval, which shall not be unreasonably withheld, conditioned or delayed. If Party B does not send Party A a notice stating the reasons why Party B does not approve of the acceptance procedures within thirty

(30) days after receiving them, Party B shall be deemed to have accepted such procedures. After Project construction commences, Party B may, at its sole risk and expense, inspect the Project's construction site during business hours upon reasonable notice to Party A. During business hours and upon reasonable notice, Party B may also inspect Party A's data and information pertaining to the Project (except to the extent that Party A is bound by a duty of confidentiality not to disclose such information).

"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 reasonably determines that only 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" reasonably excluded 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.

"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.

Exhibit C--Operation and Maintenance Obligations of Seller (for Unit Contingent Capacity) does not apply to the Project and is not included in this Agreement.

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.

During such curtailments, Party B shall pay Party A the Contract Price for the Output that would have been generated without such curtailment based upon the product of (i) the number of hours of curtailment, and (ii) the

hourly forecast relating to each hour of curtailment; *provided, however*, that the Output relating to any curtailment less than one (1) hour shall be calculated based on the actual Output for the sixty (60) minutes immediately preceding such curtailment. To the extent that Party A is unable to resell curtailed Output, Party B shall also pay Party A for lost PTCs as provided in the "Damages" paragraph of this Agreement. Party B shall not be required to pay the amounts contemplated by this provision to the extent that the Output reductions or curtailments imposed by CAISO (a) are not caused or requested by Party B, and (b) are otherwise beyond Party B's control.

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 MountWind Substation. Party A shall meter the Output at the low side of the transformer immediately prior to the Delivery Point; *provided, however*, that Party A's meter shall be adjusted to account accurately for substation transformer losses. A copy of such meter information and adjustment 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" paragraph of this Agreement (as well as any additional charges permitted by the "Scheduling" paragraph) for each month (including the initial partial month, if applicable). The invoice for the last month of the Delivery Period will be delivered in the month following the end of the Delivery Period.

Party B shall pay Party A the Contract Price for all Output delivered on a monthly basis as set forth in Article Six of this Agreement.

Environmental

Credits:

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 the Project will qualify as of the commencement of the Delivery Period as an "Eligible renewable energy resource", as defined in Section 399.12(a) of the California Public Utilities Code; *provided, however*, that Party A shall be relieved of this representation and warranty to the extent that a change in law between the

date of this Agreement and the commencement of the Delivery Period prevents Party A from accurately making this representation and warranty as of the commencement of the Delivery Period.

Party A shall retain all PTCs (as defined below) and associated benefits.

Exclusion:

(A) Party B may exclude from this Transaction any Portion of the Project that has not achieved a Commercial Operation Date on or before December 31, 2003. If Party B exercises this right by notice given to Party A in compliance with this provision, the term "Project" shall exclude the Portion of the Project that (i) has not achieved Commercial Operation on or before December 31, 2003, and (ii) that Party B excludes in its notice to Party A. Party B must exercise its right to exclude a portion of the Project, if at all, no later than January 31, 2004. Upon an exclusion or termination under this provision, neither Party shall have any obligation or liability to the other with respect to the wind turbines excluded or terminated (except that Party B shall pay when due for Output received from any such excluded or terminated wind turbines before the date of such exclusion or termination).

(B) Party B shall in its sole discretion have the right to terminate this Transaction without any further obligations under this Agreement if (i) at any time during the Delivery Period no energy is generated and delivered to the Delivery Point for a period of six (6) consecutive months for reasons other than weather related conditions, and (ii) the failure to deliver was not caused by the act or omission of Party B. Party A shall have no liability for such termination except to the extent allowed by this Agreement where the failure to generate and deliver is caused by Party A's breach of this Agreement.

(C) Party B shall have the right to terminate this Transaction without any further obligations under this Agreement if the Project fails to achieve a Mechanical Availability Percentage of at least 75% based on the rolling average of its mechanical availability during the preceding two calendar years. The first such Mechanical Availability Percentage test shall occur as of January 1 of the year following the first two calendar years after the Commercial Operation Date. Party A shall have no liability for such termination except to the extent allowed by this Agreement where the failure to generate and deliver is caused by Party A's breach of this Agreement. For purposes of this provision, the following definitions apply:

"Mechanical Availability Percentage" shall be calculated, for all wind turbines that have achieved Commercial Operation and are part of the Project, as a percentage in accordance with the following formula:

$$100 \times \frac{\text{(total Operational Hours during the prior two calendar years for all wind turbines that have achieved Commercial Operation and are part of the Project)}}{\text{(total Base Hours during the prior two calendar years for all wind turbines that have achieved Commercial Operation and are part of the Project)}}$$

“Operational Hours” for each wind turbine that has achieved Commercial Operation and is part of the Project and for each period shall mean the number of hours during the period in which such wind turbine is capable of producing power as measured by such turbine’s internal turbine controller, including, without limitation, during any period in which deliveries of Output from such wind turbines are being curtailed or otherwise adjusted pursuant to the “Curtailed” or “Contract Quantity” paragraphs of this Agreement. Operational Hours specifically exclude any hours during which a wind turbine is (i) in an emergency, stop, service mode or pause state; (ii) in “run” status and faulted; or (iii) not operational as a result of scheduled maintenance, a system emergency (other than a system emergency caused by Party A’s act or failure to act), or a Force Majeure event.

“Base Hours” for each wind turbine that has achieved Commercial Operation and for each period shall mean the number of hours in the period, less without duplication any hours during such period that any of the following have occurred: (i) Party B is unable for any reason other than due to action or inaction by Party A (*e.g.*, a failure of the Transmission Provider), to accept delivery of any Output that such Turbine is otherwise capable of generating, or (ii) such wind turbine is not operational as a result of scheduled maintenance (not to exceed 109.5 hours per wind turbine per calendar year), a system emergency (other than a system emergency caused by Party A’s act or failure to act), or a Force Majeure event.

Credit
Support

(A) Party A shall not be required to post any guaranty or other credit support under this Agreement until Party A has received the approvals contemplated by the “Approvals” paragraph, including the approval of the board of directors of PacifiCorp Holdings, Inc. (**“Party A Guarantor”**), authorizing the execution and delivery of the guaranty.

(B) Collateral thresholds shall not apply to the Transaction contemplated by this Agreement. If Party B or the Party A Guarantor experience a Downgrade Event, the affected party shall deliver Performance Assurance as required by this Agreement; *provided, however*, that (a) the aggregate amount of the Performance Assurance shall not exceed \$10 million, and (b) the Performance Assurance shall no longer be required upon the termination

of the Downgrade Event.

Assignment:

(A) Party A shall have the right, without the approval of Party B, to assign this Agreement to the entity that will own the Project (the “**Project Entity**”), if (a) the Project Entity agrees in writing to be bound by the terms and conditions of this Agreement, (b) Party A or an Affiliate of Party A owns the Project Entity, and (c) any credit support posted on behalf of Party A shall remain in effect. When Party A notifies Party B of the assignment to the Project Entity, Party A shall be automatically released from this Agreement and the Project Entity shall thereupon become Party A for all purposes under this Agreement. .

(B) If the Project Entity is owned by a party other than Party A or an Affiliate of Party A, Party A shall not assign this Agreement to the Project Entity without Party B’s consent (which shall not be unreasonably withheld, conditioned or delayed and which may be conditioned on receipt of satisfactory credit support from or on behalf of the Project Entity and on Party B’s satisfaction with the experience of assignee or its owner in the wind energy industry). When Party B’s consent to such assignment is given, Party A shall be automatically released from this Agreement and all credit support provided by or on behalf of Party A or an Affiliate of Party A shall automatically terminate. If Party B does not consent to such an assignment within sixty (60) days of Party A’s request for consent, Party A may terminate this Agreement by notice to Party B. In the event of such termination , neither Party shall have any liability to the other under this Agreement.

Project Finance:

(A) “**Lender**” means the individuals or entities or successors in interest thereof (and any agent or trustee for any of the foregoing) lending money or extending credit (including any financing lease): (i) to Party A for construction, term or permanent financing of the Project; (ii) to Party A for working capital or other ordinary business requirements of the Project (including maintenance, repair, replacement or improvement of the Project); or (iii) to Party A for any development financing, bridge financing, credit support, credit enhancement or interest rate protection in connection with the Project.

(B) Party A, without the approval of Party B, may assign to any Lender its interest under this Agreement as security for financing provided for the construction and/or operation of the Project. Promptly after making such encumbrance, Party A shall notify Party B in writing of the name, address, and telephone and facsimile numbers of each Lender to which Party A’s interest under this Agreement has been encumbered. Such notice shall include the names of the account managers or other representatives of each Lender to whom all written and telephonic communications may be

addressed. After giving Party B such initial notice, Party A shall promptly give Party B notice of any change in the information provided in the initial notice or any revised notice.

Force Majeure: Sections 1.23 (“Force Majeure”) and 3.3 of this Agreement apply to the Transactions contemplated by this Agreement.

Damages: (A) Notwithstanding any other provision of this Agreement, under no circumstances will a Non-Defaulting Party be required to pay a Defaulting Party (as part of a Settlement Amount or otherwise) upon any liquidation or termination of this Agreement or the Transaction contemplated by this Agreement.

(B) In addition to the remedies provided in Section 4.2 of this Agreement and notwithstanding any other provision of this Agreement (including Section 7.1), if Party A is not able (despite acting in a commercially reasonable manner) to resell at the Delivery Point any Output that Party B fails to take in breach of this Agreement, Party B shall pay to Party A, as provided in Section 4.2 of the Agreement, the sum of (i) the Contract Price for such Output, plus (ii) an amount equal to the dollar value of the PTCs that would have been associated with such Output, in each case calculated on an After-Tax Basis (as defined below) with respect to Party A (or any of its Affiliates or other entities who utilize such PTCs through Party A).

“**After-Tax Basis**” shall mean, with respect to any payment received or deemed to have been received by any Party, the amount of such payment (the “**Base Payment**”) supplemented by a further payment (the “**Additional Payment**”) to such Party so that the sum of the Base Payment plus the Additional Payment shall, after deduction of the amount of all taxes required to be paid by such Party in respect of the receipt or accrual of the Base Payment and the Additional Payment (taking into account any current or previous credits or deductions arising from the underlying event giving rise to the Base Payment and the Additional Payment), be equal to the amount required to be received. Such calculations shall be made on the assumption that the recipient is subject to Federal income taxation at the highest applicable statutory rate applicable to corporations for the relevant period or periods, is subject to state and local income taxation at the highest applicable statutory rates applicable to corporations doing business in Riverside County, California, and shall take into account the deductibility (for Federal income tax purposes) of state and local income taxes.

Confidentiality: Party B acknowledges that Party A submitted a joint bid with SeaWest and that Party A is negotiating with SeaWest to acquire the Project Entity (including the Project’s assets) from SeaWest. Accordingly,

notwithstanding Section 10.11 of this Agreement, Party A may disclose the terms and conditions of this Transaction to SeaWest.

Approvals:

(A) Party A's duty to perform the Transaction contemplated by this Agreement is contingent upon the approval of Party A's board of directors and receipt of all other corporate approvals that Party A determines in its sole discretion are required in order to enter into this Agreement and perform the Transaction (including but not limited to the approval of the board of directors of Party A Guarantor with respect to the guaranty contemplated by Exhibit A of this Agreement and the "Credit Support" paragraph). Party B acknowledges that the decisions whether or not to grant such approval are in the sole, unreviewable discretion of the board of directors of Party A and the members of such other governing bodies from whom Party A determines in its sole discretion that approval is required. Party B further acknowledges that Party A's management has not had any conversation with Party A's board of directors, the board of directors of Party A Guarantor or any other such governing body about this Agreement, the guaranty or the Transaction contemplated by this Agreement. If Party A has not obtained all such approvals by January 31, 2003, Party A may in its sole discretion terminate this Agreement upon ten (10) days prior written notice to Party B. In addition, if Party A has not obtained all such approvals by December 31, 2002, Party B may in its sole discretion terminate this Agreement upon ten (10) days prior written notice to Party A. Upon such termination, neither Party shall have any liability to the other under this Agreement. Without limiting the generality of the foregoing, upon such termination there shall be no contract between the parties and no contractual obligations shall be deemed to have been created by estoppel, detrimental reliance or otherwise.

(B) Each Party's duty to perform the Transaction contemplated by this Agreement is contingent upon receipt of CPUC Approval (as defined in Section 10.14 of this Agreement). In addition to the provisions of Section 10.14 of this Agreement, if the CPUC Approval Date has not occurred on or before January 31, 2003, Party A may in its sole discretion terminate this Agreement upon ten (10) days prior written notice to Party B. Upon such termination, neither Party shall have any liability to the other under this Agreement.

[signature page follows]

[Party A]

PacifiCorp Power Marketing, Inc.



By: Peter Van Alderwerelt
Title: Vice President, Business Development
& Origination
Phone No: 503.813.6262
Fax: 503.813.5722

[Party B]

San Diego Gas & Electric Company



By: Lad Lorenz
Title: Vice President, Electric and Gas
Fax: 858 650 6191
Phone No: 858 650 6150

APPROVED as to legal form AS

PPM
Contract Administration
DAF