

02-043

**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: Energy Unlimited, Inc. ("Party A")

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

All Notices: Energy Unlimited, Inc.

All Notices:

Street: 100 Four Falls Corporate Center, Suite 215

Street: 8306 Century Park Court

City: West Conshohocken, PA **Zip:** 19428

City: San Diego, CA

Zip: 92123

Attn: Harry R. Halloran, Jr.

Attn: Contract Administration

Phone: (610) 940-1994

Phone: (858) 650-6176

Facsimile: (610) 940-4422

Facsimile: (858) 650-6190

Duns: 039025606

Duns: 006911457

Federal Tax ID Number:

Federal Tax ID Number:

Invoices:

Invoices:

Energy Unlimited, Inc.
100 Four Falls Corporate Center, Suite 215
West Conshohocken, PA 19428
Attn: Harry R. Halloran, Jr.
Phone: (610) 940-1994
Facsimile: (610) 940-4422

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:

Scheduling:

Energy Unlimited, Inc.
100 Four Falls Corporate Center, Suite 215
West Conshohocken, PA 19428
Attn: Harry R. Halloran, Jr.
Phone: (610) 940-1994
Facsimile: (610) 940-4422

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:

Payments:

Energy Unlimited, Inc.
100 Four Falls Corporate Center, Suite 215
West Conshohocken, PA 19428
Attn: Harry R. Halloran, Jr.
Phone: (610) 940-1994
Facsimile: (610) 940-4422

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:

Wire Transfer:

BNK: Project Bank to be specified.
for: _____
ABA: Routing # _____
ACCT: # _____
Confirmation: _____

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

Credit and Collections:

Energy Unlimited, Inc.
100 Four Falls Corporate Center, Suite 215
West Conshohocken, PA 19428
Attn: Harry R. Halloran, Jr.
Phone: (610) 940-1994
Facsimile: (610) 940-4422

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:

Energy Unlimited, Inc.
638 Lindero Canyon Road, #273
Oak Park, CA 91377
Attn: David S. Lamm, Esq.
Facsimile: (818) 991-2232

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 N/A 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

X Cross Default for Party A:

Events of Default; Remedies X Party A: Energy Unlimited, Inc. Cross Default Amount: \$25 Million Dollars
 Other Entity: Cross Default Amount:
X Cross Default for Party B:
X 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.)
- X Option B – Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: Affiliates shall not include those of Party B.
- 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: Project company annual financial statements will be provided to party B.

(b) Credit Assurances:

- Not Applicable

X Applicable

(c) Collateral Threshold:

X Not Applicable

Applicable

If applicable, complete the following:

Party A Collateral Threshold: N/A

Party A Independent Amount: N/A

Party A Rounding Amount: \$100,000

(d) Downgrade Event:

X 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: N/A

Guarantee Amount: \$unlimited

Guarantee must be in full force and effect to guaranty the obligations of all Transactions. If notice to terminate such Guarantee is provided prior to the final and irrevocable satisfaction of all obligations, such notice shall be sufficient to trigger Party B's right to request Performance Assurance under Section 8.2(b) and shall only be effective upon provision of such Performance Assurance.

Article 10

Confidentiality

X Confidentiality Applicable

If not checked, inapplicable.

Schedule M Not Applicable

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

Schedule P Not Applicable

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.
- (10) Sections 1.6, 1.13, 1.33, 1.34, 1.35, 1.36, 1.37, 1.38, 1.46, 1.48, and 1.57 are amended by deleting the text in each of such Sections.
- (11) Section 1.5, “Buyer” shall be amended by deleting the existing sentence and substituting the following new sentence in its place: “Buyer” means Party B in the Confirmation.”
- (12) Section 1.11 is amended by adding the following sentence at the end of the current definition: "The Non-Defaulting Party shall use commercially reasonable efforts to mitigate or eliminate these Costs."

- (13) Section 1.55, "Seller" shall be amended by deleting the existing sentence and substituting the following new sentence in its place: " "Seller" means Party A in the Confirmation."

(b) **Transactions.**

- (1) The following words shall be deleted from the first sentence of Section 2.1 which appear after the word, "Parties", "orally or, if expressly required by either Party with respect to a particular Transaction, in writing, including an electronic means of communication" and replaced with the words, "in writing".
- (2) The following phrase shall be deleted from Section 2.1, "(i) based on any law requiring agreements to be in writing or to be signed by the parties, or (ii)."
- (3) The following new phrase shall be added to the end of Section 2.1, "The Transaction set forth in the Confirmation shall be in writing and this Agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5."
- (4) Section 2.2 is amended by deleting its first sentence and replacing it with the following new first sentence, "The Transaction between the Parties shall be governed by the terms and conditions of this Master Agreement."
- (5) Section 2.3 is amended by deleting it entirely and substituting the following new Section 2.3 in its place: "Confirmation means the specific terms and conditions governing the Transaction attached hereto."

(c) **Obligations and Deliveries**

- (1) **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."

- (2) **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."

(d) **Events of Default.**

- (1) Section 5.1(c) is amended as follows: the words "three (3) Business Days" are deleted and the words, "thirty (30) days" are inserted in their place.
- (2) The following clause shall be added to the end of Section 5.1(e) "if such failure is not remedied after thirty (15) days written notice.
- (3) 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".
- (4) 2) Section 5.1(h)(iv) is hereby amended by replacing the words "its terms" with "the Guaranty's and this Agreement's terms".
- (5) **Declaration of an Early Termination Date and Calculation of Settlement Amount** The first sentence in Section 5.2 is amended by inserting the phrase, "given pursuant to this Section 5.2" after the words, "such notice" and before the words, "is effective".

- (6) **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".
- (7) **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."
- (8) **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."
- (9) Section 5.5 is amended by replacing the time period, "two (2) Business Days" with the new time period, "five (5) Business Days."
- (10) **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."
- (11) Section 5.7 Suspension of Performance. Delete the following language: "or (b) a Potential Event of Default"

(e) **Credit and Collateral Requirements**

- (1) **Credit Assurances.** Section 8.2(b) shall be modified by inserting the words "has significantly worsened and has become unsatisfactory" after the word "creditworthiness" in the first sentence.
- (2) Section 8.2(b) is amended by deleting the words, "three Business Days" where they appear in this Section 8.2(b) and inserting in their place, "fifteen Business Days".

(f) **Miscellaneous**

- (1) **Term of the Master Agreement.** Delete 10.1 in its entirety and replace with "This Master Agreement and any other documents executed and delivered hereunder shall remain in effect until both Parties have fulfilled all of their obligations with respect to Transactions, unless terminated earlier in accordance with a Confirmation or pursuant to Section 5.2 of this Agreement."
- (2) **Representations and Warranties.** Section 10.2 is amended by deleting any reference to the words, "Potential Event of Default."

- (3) **Representations and Warranties.** Section 10.2(vi) is amended to delete the phrase "or any of its Affiliates",
- (4) Section 10.2(ix) is deleted entirely.
- (5) **Indemnity.** The phrase "To the extent permitted by law" is added at the beginning of the first two sentences of Section 10.4.
- (6) **Assignment.** In Section 10.5, the following clause is added at the end of subparagraph (i) after the words, "financial arrangements," "which financial arrangements may include the assignment of this Agreement to a Project company which will hold and manage the Project assets".
- (7) Article 10.5 shall be amended by placing a period after the word "assets" and deleting the remainder of the paragraph.
- (8) **General.** The phrase "Except to the extent herein provided for," shall be deleted from the fourth sentence of Section 10.8, and the phrase "and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5" shall be added to the end of such fourth sentence.
- (9) **Forward Contract.** Section 10.10. is deleted entirely.
- (10) **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."
- (11) **Dispute Resolution.** Add a new section to Article 10 as follows:
- 10.12 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.
- (12) **Index Transactions.** Add a new section to Article 10 as follows:
- 10.13 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 discontinuance 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 (4th) decimal number is five (5) or greater, then the third (3rd) decimal number shall be increased by one (1), and if the fourth (4th) decimal number is less than five (5), then the third (3rd) decimal number shall remain unchanged.

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

10.14. CPUC Approval. The Parties hereby acknowledge and agree that SDG&E shall submit this Agreement to the CPUC for approval with a reasonable time after execution of this Agreement. This Agreement and the Parties' obligations under this Agreement 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 with conditions or modifications that materially alters the commercial aspects of this Agreement, 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, whether or not relevant and applicable time periods for rehearing or judicial review.

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 the CPUC or other regulatory agencies.

(14) **Revocable by Seller.** Add a new section to Article 10 as follows:

10.15 Revocable by Seller. As indicated in its initial Offer to SDG&E, Seller has responded to the Southern California Edison Company (SCE) Renewable Request For Offers. Seller's offer to SCE by its express terms is non-revocable through November 15, 2002. For this reason, Seller must retain the right to terminate this Agreement on or prior to November 15, 2002 without liability under this Agreement if SCE accepts the offer of Seller.

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

Party A - **ENERGY UNLIMITED, INC.**

By: *David S. Carran, Esq.*
Name: David S. Carran, Esq.
Title: President

Party B - **SAN DIEGO GAS & ELECTRIC COMPANY**

By: *Leo Lorenz*
Name: Leo Lorenz
Title: VP Electric & Gas Procurement

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]

AUTHORIZED SIGNATURE(S)

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION**

This amended and restated confirmation letter shall confirm the Transaction agreed to on October 30, 2002 between Energy Unlimited, Inc. ("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

Transaction: Transaction means all of the terms and conditions set forth in this Confirmation and as supplemented by the Master Agreement for the purchase, sale, and Scheduling of Product Output during the Delivery Period generated from the Specified Units at the Contract Price. When used in the body of the Master Agreement, the word "Transaction" whether used in singular, plural, or modified by the words "each", "any", "all" or "the" shall refer to the Transaction set forth in this Confirmation.

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. Seller'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 Seller from performing its obligations, and which is not the result of an intentional or willful act which is not otherwise permitted or excused under the Agreement, of the Seller, or Sellers, agents, affiliates, or representatives, (iii) by Buyer's failure to perform or other material breach under the Agreement, (iv) if there is insufficient wind power for the specified units to generate energy as determined by the best wind speed and direction information available at the location 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, Seller shall not be liable to Buyer for any damages, including any amounts determined pursuant to Article Four.

Specified Units: Wind turbines having an estimated capacity rating of up to 16.9 MW (the

“Project”), located in Riverside County, 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 capacity of MW of the Project, as metered at the interconnected substation. However, Party B’s obligation to purchase shall be limited to 16.9 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 scheduled 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 final hour ahead scheduled or actually metered.

Delivery Point: The high side or low side with compensated metering of the transformers located at or near the Venwind 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 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, which begins about one and one half miles west of the Devers substation .

Contract Price:

Beginning in year 1 and continuing through year 5: \$44.99 MWh;

Beginning in year 6 and continuing through year 10: \$49.99 MWh;

Beginning in year 11 and continuing through year 15: \$54.99 MWh.

Party A shall be responsible for all CAISO charges assessed to generation with respect to this Transaction including charges with respect to uninstructed energy (including Imbalance Adjustments) as applied to this Transaction by the CAISO, all as further provided under the caption “Scheduling”. Party B shall be responsible for the load share of CAISO grid management charge.

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 the fifteenth

(15th) anniversary date of the completion date of the first turbine.

Party A shall provide periodic construction status updates to Party B at such times as reasonably requested by Party B.

Forecast: For Buyer's planning purposes, Seller shall, by December 1 of the current year, provide an annual forecast of energy production, by hour for the following year.

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 does not warrant the accuracy of these forecasts and shall not be liable for the accuracy of these forecasts. Party A shall update such forecast anytime information is available from its wind speed and direction prediction model or service 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 A and 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.

Party A 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, as such CAISO grid location is identified in the Delivery Point section of this Confirmation. 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.

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. Scheduled Maintenance Outages shall occur during the months of November, December and January, unless otherwise agreed to by Party B.

"Commercial Operation" means, with respect to any Portion of the Project (as defined herein), that Party A shall have completely installed and interconnected the applicable electrical generating equipment and control systems including, but not limited to the process of starting up and testing 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, in its sole discretion, shall certify to Party B in writing that Commercial Operation is achieved with respect to such Portion of the Project (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. In the event Party B gives a Rejection Notice to Party A, and Party A agrees that Commercial Operation has not been achieved, then Party A shall be given a reasonable time to affect Commercial Operation of all or a Portion of the Project. 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. Buyer may inspect the Project's construction site or on-site Seller 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.

In the event that Party A shall not have achieved Commercial Operation for all or a Portion of the Project, unless Party B in its sole discretion extends such Commercial Operation date beyond December 31, 2003 and notifies Party A in writing of such extension, the Transaction shall terminate as to the units not in Commercial Operation as of December 31, 2003. Upon such event, the Project shall be re-defined to include only such units which are in Commercial Operation as of December 31, 2003. Such reduction of capacity (even to zero in the event no units are installed by December 31, 2003) shall be Party B's sole and exclusive remedy against Party A for the failure to install such capacity.

"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, upon reasonable notice given by Party B to Party A, Party A shall reduce the Project's Output during any hour provided that a) Output during such hour is greater than the energy scheduled to the CAISO during such hour, or b) the CAISO has directed the scheduling coordinator for the Project to reduce the Output of the Project to manage an over generation 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 curtailments requested by Party B, 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 immediately preceding sixty (60) minutes preceding such curtailment. This shall not apply to curtailments requested directly to Party A 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 Output 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 A, with the exception that Party B shall retain 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.

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

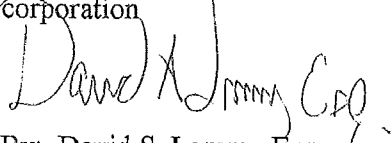
obligations under the Master Agreement.

- (c) In addition, commencing on the second (2nd) anniversary of the Commercial Operation Date of the last Portion of the Project, 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 average annual Availability Factor greater than seventy-five percent (75%) for any two (2) consecutive years during the Delivery Period. 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. Party B's right to approve must be exercised reasonably. 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. Disapproval by Party B must be by written notice to Party A describing the basis for such disapproval. Upon notice of disapproval for two (2) consecutive years, it shall be presumed that Party A has failed to achieve an average Availability Factor greater than seventy-five percent (75%). If Party A disputes Party B's assertion that Party A has failed a CDT, Party A and Party B will meet and attempt to resolve the dispute. If the Parties cannot resolve the dispute, the Parties agree that the dispute shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction. Such CDT may be requested annually by Party B commencing on the second (2nd) 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.
- (d) Party A may, at its sole discretion, terminate this Confirmation and Agreement, without any liability hereunder if it has not entered into a Participating Generator Agreement with the CAISO or its successor (collectively) by June 1, 2003 or if Party A has not obtained Project financing by June 1, 2003.

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. The terms and conditions contained in this Confirmation shall supercede and be controlling over conflicting and/or inconsistent terms and conditions contained in the Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Party A]

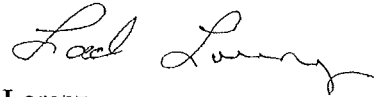
Energy Unlimited, Inc., a Pennsylvania
corporation



By: David S. Lamm, Esq.
Title: President
Phone No: (610) 940-1994
Fax No: (610) 940-4422

[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.