

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

This *Amended and Restated Master Power Purchase and Sale Agreement (Version 2.1, modified 4/25/00)* ("Master Agreement") is made as of the following date: December 17, 2002 ("Effective Date"). The *Master Agreement*, together with the Panoche Transaction, and any exhibits, schedules and any other written supplements hereto, shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("Wellhead Power Panoche, LLC ", formerly known as "Wellhead Power, L.L.C.", or "Party A")

Name (California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the California Water Code (the "Act"), and not under its powers and responsibilities with respect to the "State Water Resources Development System" or "Party B")

All Notices: Wellhead Power Panoche, LLC

All Notices: California Department of Water Resources

Street: 650 Bercut Drive, Suite C

Street: 1416 Ninth Street

City: Sacramento, California Zip: 95814

City: Sacramento, California Zip: 95814

Attn: Controller (for Invoices, Payments & Credit and Collections)

Attn: Executive Manager Power Systems

Phone: (916) 447-5171

Phone: (916) 653-5913

Facsimile: (916) 447-7602

Facsimile: (916) 653-0267

Duns: _____

Duns: _____

Federal Tax ID Number: _____

Federal Tax ID Number: _____

Invoices:

Invoices:

Attn:

Attn: Contracts Payable

Phone:

Phone: (916) 653-6404

Facsimile:

Facsimile: (916) 654-9882

Scheduling:

Scheduling:

Attn: Kenneth Salvagno

Attn: Chief Water and Power Dispatcher

Phone: (916) 447-5171

Phone: (916) 574-2693

Facsimile: (916) 447-7602

Facsimile: (916) 574-2569

Payments:

Payments:

Attn:

Attn: Cash Receipts Section

Phone:

Phone: (916) 653-6892

Facsimile:

Facsimile: (916) 654-9882

Wire Transfer:

Wire Transfer:

BNK: Bank of America

BNK: Bank of America (Sacramento Main Branch)

ABA:

ABA: Routing #

ACCT:

ACCT: #

ATTACHMENT 1
Panoche Transaction

A. Description of Facilities

The Panoche Transaction consists of a 49.9 MW simple cycle peaking plant utilizing one FT4C-1 TWIN PAC combustion turbine-generator set ("CT") designed to convert natural gas to electricity located at 43469 West Panoche Road, Firebaugh, CA, at an elevation of 405 feet above mean sea level ("Site") and interconnected to the CAISO-controlled grid via a tap off of the PG&E Panoche-Schindler #2 115 KV transmission line. The CT fires natural gas using combustion and emissions control technology that will limit NOx emissions to no greater than 5 PPM. Pursuant to the terms and conditions below, Seller will receive natural gas pursuant to the Approved Fuel Plan at the Unit's Gas Receipt Point and deliver the Final Physical Energy Schedule to DWR at the Unit's Energy Delivery Point.

B. Contract Quantity

1. The Net Guaranteed Capacity ("NGC") of the Unit is 49.962 MW. The Net Guaranteed Dependable Capacity ("NGDC") is set forth in Table 2 attached hereto.
2. The Contract Quantity for the Unit for purposes of determining the Capacity Payment only shall be the Net Demonstrated Capacity or NDC of the Unit which, together with the Net Demonstrated Dependable Capacity or NDDC of the Unit for the purpose of determining the Expected Dispatch Quantity or EDQ, shall be established and updated from time to time by testing and adjustment pursuant to the procedures and requirements of the "Net Demonstrated Capacity Test for Peaking Facilities" attached hereto as Procedure 1. The initial test pursuant to Procedure 1 has already been completed, and Table 2 currently represents both the NDDC and the NGDC of the Unit; NDDC shall be subject to adjustment with the next test pursuant to Procedure 1.

C. Commercial Operation Date

1. The commercial operation date for the Unit (the "Commercial Operation Date" or "COD") is December 14, 2001.
2. In consideration of the mutual resolution by the Parties of any prior disputes regarding the COD for the Unit, the Parties have released any and all such claims or defenses and accept the revised capacity payment schedule attached hereto as Table 1.

D. Availability

1. Subject to the Unit's Operating Limits, Buyer may Schedule hourly Energy from the Unit in an amount equal to each hour's EDQ for the Unit for that day as specified by Seller in Seller's Dispatchability Notice, in accordance with the Scheduling requirements set forth in Section 3.2 and other limitations as provided in this Panoche Transaction.

P. Unit's Operating Limits

The Unit's Operating Limits reflect the dispatch limitations, Scheduling limitations, maintenance requirements, physical operating limits, start times, ramp rates, etc. as specified in original equipment manufacturer/architect engineer/vendor specifications which are to be provided by Seller to Buyer 60 days after COD or as soon thereafter as such data is provided by the third party. Buyer and Seller agree that the specific Operating Limits set forth below are intended to reflect those specifications and limitations, and accordingly Buyer's dispatch of the Unit must not conflict with the Unit's Operating Limits and with the CAISO Requirements.

The Operating Limits for the Unit are as follows:

- (a) Buyer may dispatch Unit for no more than two thousand (2,000) hours during each calendar year (commencing with the Commercial Operation Date for the Unit) until the IOU Administrative Transfer Date, and thereafter for no more than four thousand (4,000) hours during each calendar year;
- (b) In no event shall the Unit be dispatched by Buyer for operation of less than four (4) sequential hours;
- (c) At no time shall the Unit be operated pursuant to Buyer's dispatch for more than seventeen (17) hours in any given day;
- (d) Buyer is entitled to no more than two (2) Successful Starts per day; and,
- (e) There shall be a period of non-operation of not less than three (3) hours between scheduled operations by Buyer.

Q. [Reserved]

R. Operations Committee; Operating Procedures

1. Buyer and Seller have established and shall continue to use an Operations Committee consisting of four members. Each of Buyer and Seller shall be permitted to appoint two such members. The Operations Committee shall develop written procedures governing operations, not in contravention or amendment of any right or obligation set forth herein (the "Operating Procedures"). Such Operating Procedures shall include, but not be limited to, (1) procedures for Scheduling, (2) methods of day-to-day communications, (3) conducting four hour Capacity tests, (4) key personnel lists for each of Buyer and Seller, (5) format and delivery of Availability Notices, (6) coordinating arrangements for the delivery of natural gas, (7) scheduling and notice of maintenance, and (8) record keeping; provided that failure to agree on such procedures shall not relieve either of the Parties of its rights and obligations under this Agreement.

MASTER POWER PURCHASE AND SALE AGREEMENT

AMENDED AND RESTATED COVER SHEET

This *Amended and Restated Master Power Purchase and Sale Agreement (Version 2.1, modified April 25, 2000)* ("Master Agreement") is made as of the following date: April 22, 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:

Party A: **HIGH DESERT POWER PROJECT, LLC**

Name: **State of California Department of Water Resources** separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("California Department of Water Resources" or "Party B")

All Notices:

All Notices: DWR/CERS

Attn: Executive Manager Power Systems

Street: 111 Market Place, Suite 500

Street: 3310 El Camino Avenue, Suite 120

City/State: Baltimore, MD Zip: 21202

City/State: Sacramento, California 95821

Attn: Contract Administration

Attn: Executive Manager Power Systems

Phone: 410-468-3620

Phone: (916) 574-0339

Facsimile: 410-468-3540

Facsimile: (916) 574-2512

Duns: 01-563-5220

Duns:

Federal Tax ID Number:

Federal Tax ID Number:

Invoices:

Invoices:

Attn: Jack Disney
Phone: 410-468-3620
Facsimile: 410-468-3540

Attn: Settlements Unit; Doreen Singh
Phone: (916) 574-0309
Facsimile: (916) 574-1239

Scheduling:

Scheduling:

Attn: Ryan Fitzpatrick
Phone: 410-468-3530
Facsimile: 410-468-3540

Attn: Power Dispatcher
Phone: 916-574-0161
Facsimile: (916) 574-2569

Payments:

Payments:

Attn: Thomas Marlatt
Phone: 410-468-3620
Facsimile: 410-468-3540

Attn: Cash Receipts Section
Phone: (916) 653-6892
Facsimile: (916) 654-9882

Wire Transfer:

Wire Transfer:

BNK:
ABA:
ACCT:

BNK:
 for Department of Water Resources
ABA: Routing #
ACCT: #

Coordinator services necessary to deliver the Product to the Delivery Point. HDPP shall be responsible for all charges due to the CAISO up to the Delivery Point, and CDWR shall be responsible for all charges due to the CAISO at and after the Delivery Point. HDPP shall be entitled to receive all payments from the CAISO, related to deviations of Project output from the Project's final hour-ahead CAISO schedule; provided, however, to the extent such a deviation results from a dispatch instruction that is directed by CDWR, CDWR shall be responsible for that portion of any charges due to the CAISO, and entitled to receive that portion of any payments from the CAISO that are attributable to the generation levels specified in such dispatch instruction. Notwithstanding anything to the contrary herein, CDWR shall be responsible for: (i) any CAISO charges assessed to HDPP but which are the result of CDWR's disposition of energy at or after the Delivery Point; and (ii) any CAISO charges associated with ancillary services.

(b) HDPP shall not be permitted to use the CAISO imbalance markets to effect delivery of energy hereunder except with respect to: (i) under-deliveries resulting from variations between the amount of energy scheduled and the amount of energy delivered due to physical variations in the operating levels of the generation equipment beyond the reasonable control of the Seller from the Project's final hour-ahead CAISO schedule or (ii) to effect intra-day deliveries of scheduled output that is curtailed or reduced as a result of one of the conditions set forth in (a)(ii)-(a)(vi) in the definition of "Product—Other" (an "Intra-Day Event"). Upon the existence of a liquid bilateral market for intra-day (hourly) energy supplies that can be used to supply substitute energy under this Agreement (the "Intra-Day Market"), HDPP upon an Intra-Day Event shall as soon as practicable after such Intra-Day Event procure and schedule with the CAISO such Substitute Energy necessary to meet the remaining portion of the schedule for such day. HDPP's failure to deliver Substitute Energy pursuant to this Special Condition 6(b) shall be deemed a failure to deliver the Contract Quantity under this Agreement and any appropriate adjustment to the Capacity Payment shall be made as provided for in this Agreement. In the event a Party has determined the existence of an Intra-Day Market, such Party shall so notify the other Party in writing as to its determination. If the Parties disagree as to the existence of the Intra-Day Market, the Parties shall perform as if the Intra-Day Market is not in existence pending the resolution of the issue through the dispute resolution process as provided in this Agreement. In the case where the Project trips off line, HDPP shall submit a Project Schedule change as soon thereafter as reasonably practical.

(c) Seller shall not knowingly submit schedules for the purpose of creating congestion and submit decremental bids in connection therewith.

7. Operational Constraints. CDWR's ability to schedule and dispatch the Contract Quantity shall be subject to the following constraints:

Minimum Run Time: 12 consecutive hrs/day at Minimum Load Level or greater.

Minimum Load Level: Shall be determined annually for the Project as a component of the Test performed in accordance with Special Condition 5. The methodology for determination of such Minimum Load Level is set forth on Exhibit V. If less than three combustion

turbines are expected to be available on any day, HDPP will notify CDWR of the resulting Minimum Load Level by 5:00 A.M. Pacific prevailing time on such day.

Ramp Rates from/to Minimum Load Level: 4 MW per minute

Start Time: 5 Hours

HDPP shall provide CDWR quantities of energy to be provided each of the five hours of the start up cycle as soon as practicable after finalization of start-up procedures by HDPP's Engineering Procurement Construction ("EPC") contractor.

Shut Down Time: 1 Hour

Shut Down Quantity: 143 MWhrs for the 1 hour shut down cycle.

No scheduling during Planned Maintenance Outage.

8. Availability. The capacity payment paid or payable in each month shall be subject to adjustment so as to equal the Adjusted Capacity Payment ("ACP").

Where:

ACP = lesser of: 1.0 and $\{1 - (\text{Target AF} - \text{AF})\} \times$ capacity payment paid or payable.

$\text{AF} = \{(\text{DPD} + \text{SE}) + \text{RAF}\} / \{\text{SOS} + \text{RAF}\}$

DPD = Deliveries from the Project for each contract month made pursuant to a schedule submitted by CDWR which, together with SE for such month, does not exceed SOS for such month

SE = Substitute energy deliveries for each contract month made pursuant to a schedule submitted by CDWR which, together with DPD for such month, does not exceed SOS for such month

SOS = the sum of hourly scheduled quantities in each contract month (whether day-ahead or changed and accepted)

RAF = Reliability Adjustment Factors shall be the greater of zero (0) and 18,000 MWhrs minus SOS.

Target AF = .95.

An example of the above calculation is set forth on Exhibit VII.

Deliveries from the Project which have been properly scheduled by CDWR and which HDPP is required to deliver hereunder pursuant to Special Condition 16 but which are not delivered by HDPP pursuant to Section (a)(vi) of Product - Other shall be subtracted from SOS to the extent such deliveries have not been initiated or have been curtailed by such requirement.

Deliveries from the Project which have been properly scheduled by CDWR and

(k) CDWR's Delivery of Fuel. If CDWR is supplying Fuel to the Project in accordance with Special Condition 12(b), Special Condition 12(c) or Special Condition 12(d), (i) HDPP or its designee shall allow CDWR to nominate all Fuel volumes required as determined pursuant to Special Condition 12(e) and such volumes shall have priority over volumes nominated by HDPP, subject to transporter limitations in effect at that time; and (ii) HDPP or its designee shall be available to CDWR to coordinate CDWR's Fuel activity for all four gas nomination cycles each day. If a transporter curtailment is in existence during any period during which CDWR is supplying Fuel to the Project in accordance with Special Condition 12(b), Special Condition 12(c) or Special Condition 12(d), the available gas volumes under the transporter curtailment shall be apportioned between CDWR and HDPP in proportion to CDWR's energy dispatched for that period and HDPP's scheduled dispatch for that period.

(l) Replacement Fuel Price Index. In the event that (i) *Gas Daily* ceases to be published, or (ii) *Gas Daily* discontinues reporting prices for the points or in the formats referenced in this Special Condition 12, or (iii) the Parties agree that the prices quoted for the points or in the formats referenced in this Special Condition 12 no longer reflect a liquid market or do not accurately represent prices paid for natural gas for use in power generation in the SP-15 region in short-term, arm's length transactions involving quantities comparable to those to be purchased for consumption in the Project, then the Parties shall, within sixty (60) days of the occurrence of the event described in item (i), (ii) or (iii) above, as applicable, negotiate in good faith to select a replacement Fuel price index and pricing range (e.g., high, midpoint, low) that (x) accurately reflects transactions at the geographically closest liquid natural gas trading point at which substantial transactions involving natural gas for use in power generation in the SP-15 region are regularly conducted, adjusted as necessary for location basis, if any, and (y) is reported on a daily basis in a publication generally recognized in the natural gas industry. If the Parties fail to agree on such replacement Fuel price index within such sixty (60) day period, then the matter shall be referred for dispute resolution as prescribed in this Agreement. Pending agreement on an appropriate replacement Fuel price index, the previously specified Fuel price index, or the price last quoted prior to the cessation of publication of a discontinued index, shall be used, with adjustments to such prices to be made upon selection of the replacement price index to reflect use of such replacement index in place of the one previously employed.

13. Metering. The meter for the Project shall be on the high side of the Project transformer located in the Project's switchyard. Metering shall conform to CAISO standards or the equivalent. Any generation meter multiplier (GMM) adjustments shall be for CDWR's account (i.e. notwithstanding any required GMM adjustments, HDPP shall be deemed to have delivered the full metered amount of energy from the Project). HDPP shall provide CAISO metering settlement data to CDWR on a monthly basis, and, at CDWR's option and expense, real-time access to meter data via appropriate telecommunications equipment.

14. Starts. CDWR shall be entitled to request the sum of (a) 300 turbine Starts per year calculated on a rolling twelve month basis, and (b) any additional Starts reasonably determined by HDPP to be available to CDWR under the Project's air permit. No other party shall be entitled to cause or request a Start. A "Start" is defined as any hourly schedule with a

positive quantity following an hour when the turbine was not operating; provided, however, that, in accordance with Special Condition 7, a Start must include the entire Project unless one or more turbine[s] are not operating, in which case, a Start shall consist of only those turbines and portion of the Project that is available. A Start of the entire Project will include three (3) turbine Starts. CDWR acknowledges that, while each Start as defined hereunder is a physical start of the Project, HDPP may undertake additional physical starts of the Project to address events such as, for example, the Project experiencing a forced outage during a scheduled production period and requiring an additional start to resume deliveries. The additional starts described in the preceding sentence shall not constitute Starts hereunder and CDWR shall incur no charge for such start. CDWR shall pay a start charge of \$10,000 per turbine per Start.

15. Liquidated Damage For Knowing Failure To Deliver From the Project.

If (a) HDPP intentionally fails to deliver a material amount of energy from the Project to CDWR; (b) such failure to deliver is unexcused and HDPP did not believe in good faith such failure was excused (with a valid basis for such belief); and (c) such failure to deliver is a result of HDPP's affirmative determination not to deliver energy from the Project at the Delivery Point to CDWR in fulfillment of a properly submitted and accepted schedule pursuant to Special Condition 16, then HDPP shall pay CDWR, as liquidated damages and not as a penalty, the amount of Seven Million Five Hundred Thousand Dollars (\$7,500,000). Such liquidated damages shall be due and owing during the next billing cycle. The parties agree that damages at the time of breach would be very difficult to measure accurately and that the foregoing liquidated damage amount is a reasonable estimate of the amount necessary to compensate CDWR for the breach.

16. Scheduling. HDPP shall notify CDWR by facsimile (or such other method as agreed to by the Parties) prior to each day of the hourly capacity of the Project that is expected to be available for schedule or dispatch hereunder. Such estimate shall be non-binding and shall represent HDPP's engineering judgment. Subject to the Operational Constraints set forth in Special Condition 7, CDWR shall be entitled to schedule the Contract Quality and any Unit Contingent Energy available in hourly amounts. CDWR shall submit a schedule of all requested energy by facsimile in the form of Dispatch Notice attached as Exhibit IX hereto (or such other method as agreed to by the Parties) the earlier of (i) at least sixty minutes prior to the CAISO "Day-Ahead" scheduling deadline or (ii) 5:30 a.m. PPT. If permitted by CAISO scheduling deadlines, CDWR may submit to HDPP a schedule by facsimile in the form of a Dispatch Notice attached as Exhibit IX hereto (or such other method as agreed to by the Parties) to adjust a previously submitted dispatch schedule within the operating constraints set forth in Special Condition 7 (upwards or downwards for any hour) two hours and 15 minutes prior to the hour in which CDWR desires to effect such adjustment; provided however that HDPP shall not be required to accommodate such adjusted schedule to the extent HDPP reasonably believes acceptance of such schedule would adversely affect the Project; provided further that CDWR may submit only one schedule change for any given hour. All costs incurred due to intra-day changes in scheduling by CDWR shall be the responsibility of CDWR and CDWR shall reimburse HDPP to the extent of any such costs paid by HDPP. HDPP shall provide reasonable detail regarding such costs to CDWR in invoices provided hereunder. In the event CDWR does not provide to HDPP a schedule that complies with the requirements hereof for a particular day within the time required, CDWR

shall be deemed for all purposes herein to have requested zero (0) MW for each hour of such day; provided, however that HDPP shall use commercially reasonable efforts to accommodate any schedule that does not conform to the requirements hereunder but in no event shall HDPP be required to accept such schedule unless such schedule conforms in all material respects with the requirements hereunder. HDPP shall submit to CAISO separate schedules for energy from the Project (a "Project Schedule") and Substitute Energy (a "Substitute Energy Schedule"). In the event the CAISO or its successor modifies its practices such that the foregoing scheduling protocols cannot be reasonably implemented, the Parties shall coordinate to implement scheduling protocols consistent with the then current CAISO protocols consistent with the rights of the Parties hereunder.

Option Buyer: N/A

Option Seller: N/A

Type of Option: N/A

Strike Price: N/A

Premium: N/A

Exercise Period: N/A

This Confirmation Letter is being provided pursuant to and in accordance with the Amended and Restated Master Power Purchase and Sale Agreement dated March __, 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. This amended and restated confirmation letter supersedes the Confirmation dated March 9, 2001. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

EXECUTION COPY**POWER PURCHASE AGREEMENT**

This POWER PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the date set forth below, by and between the DEPARTMENT OF WATER RESOURCES with respect to its responsibilities pursuant to the Department Act (as hereinafter defined) regarding the Fund (as hereinafter defined) separate and apart from its powers and responsibilities with respect to the State Water Resources Development System (in such capacity, the "Department") and the KINGS RIVER CONSERVATION DISTRICT (the "Seller") (each individually a "Party" and collectively the "Parties").

RECITALS

WHEREAS, the Department is authorized under the Department Act to contract with any person, local publicly owned electric utility, or other entity, upon those terms, limitations, and conditions as it prescribes, for the purchase of power on such terms and for such periods as the Department determines and at such prices the Department deems appropriate, taking into account, among other things, the intent to achieve an overall portfolio of contracts for energy resulting in reliable service at the lowest possible price per kilowatt-hour, and

WHEREAS, the Seller is authorized by a Resolution of the Board of Directors of the Kings River Conservation District to enter this agreement and by the statutes of the State of California to establish, finance, purchase, own, operate, acquire, or construct generating facilities and to sell the output therefrom to the Department, subject to the terms of this Agreement and the such statutes,

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I**DEFINITIONS**

Section 1.01. Definitions. Unless otherwise defined herein or in any appendix hereto, the following terms shall have the respective meanings in this Agreement:

"Agreement" shall mean this Power Purchase Agreement and the appendices hereto, which are hereby incorporated herein by reference.

"Ambient Facility Output Table" means the table to be created as set out in section 5 of Appendix C that will relate expected Facility output (in MW) to ambient temperature, with Rated Capacity as the expected output at Contract Conditions.

"ASME" means the American Society for Mechanical Engineers.

five (5) Business Days of each test or as soon as practicable. The Department is entitled to witness any test of the Facility. The Department may request third party calibration of instrumentation used in any test, and in the event that a deviation equal to or more than 2% is found, the Seller shall bear the cost of such calibration, and if the instrumentation is within 2% deviation then the Department shall bear such cost. The results of the tests shall be used to adjust the Rated Capacity for the purpose of making capacity payments hereunder. Any test pursuant to this Section 2.03 shall be conducted in accordance with the procedures set forth in Appendix C.

Section 2.04. Transmission. Notwithstanding anything to the contrary herein, the Seller shall arrange and shall obtain Schedule Coordinator services necessary to deliver the Energy to the Delivery Point. The Seller shall be responsible for all charges due to the CAISO, and entitled to receive all payments from the CAISO, related to deviations of Facility output from the Facility's final hour-ahead CAISO schedule; provided, however, to the extent such a deviation results from a dispatch instruction that is directed by the Department, the Department shall be responsible for that portion of any charges due to the CAISO, and entitled to receive that portion of any payments from the CAISO that are attributable to the generation levels specified in such dispatch instruction. The Seller shall not use the CAISO imbalance markets to effect delivery of Energy hereunder except with respect to any underdeliveries by the Seller in the case where the Facility trips off line, in which case the Seller shall submit a schedule change as soon thereafter as reasonably practical.

Section 2.05. Dispatch and Scheduling. (a) Dispatch Generally. Commencing on the Commercial Operation Date, the Department shall have the discretion to Schedule or Dispatch the Facility and the Seller shall comply with any such direction to Schedule or Dispatch of the Facility, consistent with Facility operating parameters. Such Scheduling rights shall include the use of the CAISO day-ahead and hour-ahead scheduling processes, and any other scheduling process that may be implemented by CAISO. Such Dispatch rights shall include real time dispatchability and shall not be limited by any factors other than Facility operating parameters. In addition, the Seller shall make bids into the CAISO Ancillary Services markets as instructed by the Department, and shall comply with any resulting dispatch instructions from CAISO pursuant to all CAISO protocols. Any resulting Ancillary Service-related revenues paid by CAISO to the Seller shall be passed on to the Department. The Seller shall enter into and comply with a CAISO Participating Generator Agreement. The Department Determination Certificate shall set forth any limitations on Dispatch and Scheduling. .

(b) Scheduling and Dispatch for Delivery. Commencing on the Commercial Operation Date, if the Facility is Dispatched in a manner consistent with the provisions of this Agreement, and Prudent Industry Practices, then the Seller shall comply with the Schedule or Dispatch; provided, however, that in the event of any conflict among the foregoing standards, each such standard shall be given precedence in the order in which it is listed.

(c) Process for Scheduling. The Seller shall notify the Department prior to each operating day of the capacity that is expected to be actually available for Schedule or Dispatch on such operating day, taking into account factors such as expected ambient conditions (by using the Ambient Facility Output Table) and the operating status of the Facility, and shall update such notifications as ambient conditions and operating status change (each such notification an "Availability Notice").

**AMENDED AND RESTATED CONFIRMATION AGREEMENT
(TOLLING)**

This AMENDED AND RESTATED CONFIRMATION AGREEMENT (the "Agreement") is made and entered into as of the hour ending 24:00 on December 31, 2002, by and between the **Department of Water Resources**, an agency of the State of California, with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System (the "Department"), and **Sunrise Power Company, LLC**, a Delaware limited liability company (the "Seller").

WITNESSETH:

WHEREAS, Seller owns the Sunrise Power Project, a natural gas-fired power plant which is currently planned to be constructed in Kern County, California (the "Facility") in two phases: (1) the first phase ("Phase 1") comprising the time period set forth in Section 2.01 during which the Facility consists of two General Electric 7FA gas turbines, providing approximately 325 megawatts of peaking capacity and (2) the second phase ("Phase 2") comprising the time period set forth in Section 2.01 following the addition of a steam turbine generator, two heat recovery steam generators and other ancillary equipment to the Facility for the conversion of the power plant to an approximately 560 megawatt combined cycle facility, with supplemental duct firing.

WHEREAS, Seller and the Department entered into a Confirmation Agreement dated as of June 25, 2001, and are now desirous of amending said Confirmation Agreement as set forth herein;

WHEREAS, the Department and Seller are concurrently herewith entering into an Amended and Restated Master Power Purchase and Sale Agreement setting forth general terms and conditions for the purchase and sale of Contract Capacity and associated Energy from the Facility (the "Master Agreement").

WHEREAS, the Department and Seller desire to enter into this Agreement to confirm the specific terms of the purchase and sale of Contract Capacity and associated Net Electrical Output from the Facility as governed generally by the Master Agreement, and to amend and restate in its entirety that certain Confirmation Agreement (Tolling), dated June 25, 2001, by and between Seller and the Department (the "Original Confirmation Agreement").

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

“Phase 1 Term” shall have the meaning set forth in Section 2.01 hereof.

“Phase 2” shall have the meaning set forth in the recitals hereof.

“Phase 2 COD” shall have the meaning set forth in Section 2.04 hereof.

“Phase 2 Capacity Payment” shall have the meaning set forth in Section 7.01(b) hereof.

“Phase 2 Term” shall have the meaning set forth in Section 2.01 hereof.

“Scheduled Outages” means a period during which either or both Units are not available for operation due to planned maintenance that has been scheduled in advance in accordance with Section 4.03 hereof.

“Scheduling Coordinator” means the entity which is responsible for performing the responsibilities defined for such a party in the CAISO tariff, including but not limited to scheduling the Net Electrical Output from the Facility with the CAISO.

“Standard Site Conditions” means the following conditions:

Ambient Temperature	59F
Relative Humidity	60%
Barometric Pressure	13.98 psia
Generator Power Factor	0.90

“Start-Up” means the action of bringing a Unit from non-operation to the output level required pursuant to the applicable Dispatch Notice from the Department.

“Start-Up Notification Lead Time” means the time period required by Seller to complete Start-Up of a Unit or Units, not to exceed 1 hour during Phase 1 and 4 hours during Phase 2, measured from the time of commencement of such Start-Up until the Facility is operating at the level of output required by the applicable Dispatch Notice.

“Start-up Payment” shall have the meaning set forth in Section 7.04 hereof.

“Summer Availability” shall have the meaning set forth in Section 8.05 hereof.

“Summer Period” means, in any year during the Term, the period which includes all hours of June, July, August and September of any year during the Term (or if only a portion of such months falls within the Term, then the period which includes all the hours of such months which falls within the Term).

“Test Energy” means any Net Electrical Output that is produced by the Facility in connection with heat rate testing and other testing of the Facility or any Unit prior to the Phase 1A COD or during the Conversion Period, and any Net Electrical Output produced by the second Unit after Phase 1A COD but prior to Phase 1B COD.

“Term” shall have the meaning set forth in Section 2.01.

at a time chosen by Seller during the weekday on-peak periods of the months of April or May preceding each Summer Period. The Contract Capacity during the Conversion Period shall be the Contract Capacity last demonstrated prior to the beginning of the Conversion Period. The Contract Capacity of the Facility during Phase 2 shall be determined by capacity testing at Maximum Load pursuant to Section 3.02 at the following times: (x) within thirty (30) Days following Phase 2 COD, and (y) annually thereafter at a time chosen by Seller during the weekday on-peak periods of the months of April or May preceding each Summer Period. The Contract Capacity demonstrated during subsequent capacity tests shall be applied for payment purposes beginning on the first Day of the first month following delivery of the test results to the Department.

Section 3.04 Transmission and Scheduling. Seller shall arrange and be responsible for transmission service to deliver the Contract Capacity and the Net Electrical Output to the Delivery Point. The Department shall arrange and be responsible for transmission service at and from the Delivery Point and shall schedule with the CAISO or other transmission providers as necessary to receive the Contract Capacity and the Net Electrical Output at the Delivery Point. The Department shall be the Scheduling Coordinator for the Facility and shall be responsible for any costs or charges assessed by the CAISO in the Department's role as Scheduling Coordinator for the Facility and for any operations related charges applied by the CAISO under a participating generator agreement between Seller and the CAISO. In its role as the Scheduling Coordinator, the Department shall also be responsible for reconciling and settling the charges and/or credits associated with the Net Electrical Output with the CAISO. Seller shall provide the Department with such data as is necessary for the Department to carry out its responsibilities as Scheduling Coordinator. The Department may, at a cost to the Department to be mutually agreed between the Department and Seller, delegate to Seller its responsibilities as the Facility's Scheduling Coordinator. If the Department elects to delegate its responsibilities as the Facility's Scheduling Coordinator to Seller, Seller shall have the right to amend its scheduled deliveries of Net Electrical Output and the Department's corresponding receipts of same beginning with the clock hour that begins two hours following notice that an event has occurred that reduces the Facility's ability to generate Net Electrical Output, and Seller shall also have the right to approve the generator meter multiplier that is used in the Dispatch Notice to determine the scheduled deliveries to CAISO relative to the Net Electrical Output available at the Delivery Point.

ARTICLE IV AVAILABILITY; SCHEDULED OUTAGES

Section 4.01 Availability Schedule. Not later than ten (10) Business Days prior to the beginning of each month during the Term following Phase 1A COD, Seller shall provide a non-binding hourly schedule of the estimated amounts of Net Electrical Energy that the Facility will be available to produce for the upcoming month (each an "Estimated Monthly Availability Schedule"), along with a non-binding estimate of the Fuel Payment plus VO&M Payment per MWh (at Minimum Load, Part Load, Full Load, and incrementally to Maximum Load) and Start-Up Payment per start for such month. The estimated amounts of Net Electrical Energy that the Facility will be available to produce contained in any Estimated Monthly Availability Schedules and Availability Notices shall be based upon typical ambient temperatures.

Section 4.02 Availability Notice. Not later than two (2) Days before each Day during the Term following Phase 1A COD, Seller shall provide the Department a schedule of the amounts of Net Electrical Energy that the Facility is expected to be available to produce each hour of such Day (each an "Availability Notice") based upon the applicable Weather Forecast and mechanical conditions at the Facility. Availability Notices for Sundays and Mondays shall be provided on the preceding Fridays. Seller shall accommodate the Department's reasonable requests for changes in the time of delivery of Availability Notices.

Section 4.03 Scheduled Outages. Not later than forty-five (45) Days prior to the commencement of any calendar year during the Term, Seller shall submit to the Department its schedule of Scheduled Outages for the upcoming year ("Outage Schedule"). Within ten (10) Days after its receipt of the Outage Schedule, the Department shall notify Seller in writing of any reasonable request for changes to the Outage Schedule. If the Department fails to provide such notice within the prescribed period, the Department shall be deemed to have approved the Outage Schedule. If the Department requests changes to the Outage Schedule, it shall suggest alternative dates in writing to Seller. If Seller can accommodate such alternate dates within Accepted Electrical Practices and any obligations it may have to coordinate Outage Schedules with CAISO, such alternate dates shall be accepted, provided that any costs and expenses in connection with such requested alternative date shall be borne solely by the Department. Seller may make reasonable requests to change the approved Outage Schedule. If the Department can accommodate such alternate dates, or if the alternate dates are imposed on Seller by CAISO under any rights CAISO may have, such dates shall be accepted. No Scheduled Outages shall be scheduled during the Summer Period. Seller shall notify the Department of Unscheduled Outages as soon as practicable after the condition becomes known to Seller.

Section 4.04 Notice Suspension. The obligation to provide Estimated Monthly Availability Schedules and Availability Notices shall be suspended during the Conversion Period.

ARTICLE V DISPATCH; START-UPS

Section 5.01 Dispatch. The Department shall have the right to Dispatch the Facility at any level of output between Minimum Load and Full Load during the Phase 1 Term, and between Minimum Load and Maximum Load during the Phase 2 Term, by providing to Seller a dispatch notice ("Dispatch Notice") in the form of Exhibit A attached hereto setting forth the Department's desired hourly operating levels for the relevant Day, provided that:

- (a) each such Dispatch Notice shall be given to Seller not less than one hour prior to the Nomination Deadline for the relevant Day;
- (b) during the Phase 1 Term, any Dispatch shall be for a run time of no less than two (2) consecutive hours per Unit and during the Phase 2 Term, any Dispatch shall be for a run time of no less than six (6) consecutive hours per Unit;
- (c) any Dispatch that requires a Start-Up of a Unit or Units shall be provided with advance notice of not less than the Start-Up Notification Lead Time for such Unit or Units

and shall reflect the typical ramp-up of Net Electrical Output during a Start-Up of such Unit or Units;

(d) any Dispatch shall be subject to the Permit Limits;

(e) any Dispatch shall be within the limits of Net Electrical Output set forth in the applicable Availability Notice from Seller and subject to any lower limits that may result from mechanical or climatic conditions at the Facility arising subsequent to such Availability Notice; and

(f) the rate of change in scheduled hourly levels of Net Electrical Output shall not exceed the ramp rate of the Facility operating in accordance with Accepted Electrical Practices.

In the event that the Department provides a Dispatch Notice that does not comply with the foregoing limitations, Seller shall notify the Department as soon as Seller becomes aware of such non-compliance. If the Department provides a compliant replacement Dispatch Notice prior to the Nomination Deadline for the relevant Day, Seller shall operate the Facility in accordance with such replacement Dispatch Notice. If a compliant Dispatch Notice is not received by the Nomination Deadline, Seller shall operate the Facility in the state called for in the last hour of the last compliant Dispatch Notice until it receives a revision pursuant to Section 5.04. Seller shall, by facsimile or e-mail, confirm to the Department its receipt of each Dispatch Notice.

Section 5.02 Estimated Dispatch Schedules.

(a) Not later than seven (7) Business Days prior to the beginning of each month during the Term following Phase 1A COD, the Department shall provide Seller a non-binding hourly schedule of its expected Dispatch (as Maximum Load, Full Load, Part Load, Minimum Load, or zero) of the Facility for the upcoming month (each a "Monthly Dispatch Schedule").

(b) Not later than noon each Friday during the Term following Phase 1A COD, the Department shall provide Seller a non-binding hourly schedule of its expected Dispatch (as Maximum Load, Full Load, Part Load, Minimum Load, or zero) of the Facility for the week beginning on the upcoming Monday (each a "Weekly Dispatch Schedule").

Section 5.03 Notice Suspension. The obligation to provide Monthly Dispatch Schedules, Weekly Dispatch Schedules, and Dispatch Notices shall be suspended during the Conversion Period.

Section 5.04 Intra-Day Dispatch. In addition to the Department's rights to Dispatch the Facility pursuant to Section 5.01, the Department may make revisions in the schedule contained in any Dispatch Notice after the Nomination Deadline for the relevant Day, subject to the other limitations set forth in Section 5.01, and further subject to Seller's ability to obtain any additional Fuel required to comply with such revision, by providing notice to Seller at least three (3) hours prior to the hour affected by the revision. All costs incurred by or on behalf of Seller in

connection with the Department's revisions to any schedule set forth in a Dispatch Notice shall be borne solely by the Department and shall be included in the Fuel Costs.

Section 5.05 Imbalance Costs. The Department recognizes that its purchases of Net Electrical Output are on a unit-contingent basis, and the actual amounts of Net Electrical Energy delivered in any hour depend on mechanical and climatic conditions prevailing at the Facility at the time of production, among other factors (including, but not limited to, an inability to deliver Fuel to the Facility). Seller recognizes that CAISO may assess imbalance costs when the Net Electrical Output deviates from the amounts of available Energy Dispatched by the Department and pre-scheduled with CAISO. Seller agrees, within Accepted Electrical Practices, to cooperate with the Department to minimize such imbalance costs. The Department shall bear any imbalance costs assessed by the CAISO; provided, however, for the quarter beginning October 1, 2003, and for any Annual Period thereafter, Seller shall pay the Department an amount equal to ten dollars (\$10) per MWh multiplied by the positive difference, if any, between (i) the Annual Imbalance, minus (ii) the Imbalance Tolerance, each calculated with respect to such Annual Period (such amount, the "Excess Imbalance Charge"). Seller shall pay the Excess Imbalance Charge, and shall provide the Department with calculations showing how the amount of such Excess Imbalance Charge was calculated, within 60 days following the end of the applicable Annual Period, or, if the data necessary to calculate such Excess Imbalance Charge is not available through no fault of Seller, within 30 days of receipt of such statement(s) required by Seller to make such calculation. In case of any dispute between Seller and Department regarding any Excess Imbalance Charge, Seller shall pay Department the undisputed portion thereof and the parties shall act in good faith to resolve such dispute within a reasonable period of time.

Section 5.06 Dispatch by CAISO. The Department recognizes that, pursuant to an order of the FERC (in Docket EL00-95-012 or otherwise), Seller may be required to offer for sale to CAISO in CAISO's real time market, or to any other entity having jurisdiction pursuant to an order of the FERC, any Energy from the Facility that is available and not already Dispatched on a day-ahead basis by the Department ("Undispatched Energy"). Beginning January 1, 2003, in the event that CAISO or such other entity exercises any right it may have to purchase Undispatched Energy, Seller will for all Dispatches by CAISO or such other entity following execution of this Agreement, provide to Department all revenues within 20 days of receipt from CAISO or such other entity in respect of such sale, and the Department shall pay Seller the VO&M Payment, Fuel Payment, and Start-up Payment set forth in Article VII as if the sale of Energy was a sale to the Department.

Section 5.07 No Third Party Sales. Seller shall not make any sales of Energy from the Facility to any third party, or otherwise provide Energy from the Facility to any third party, except pursuant to Section 5.06 hereof.

ARTICLE VI FUEL

Section 6.01 Coordination of Fuel Procurement. Seller shall manage and cause the delivery of all quantities of Fuel required by the Facility to generate the Net Electrical Output to the extent that the Department does not elect to supply such Fuel pursuant to its options to do so contained in Sections 6.02, 6.05 and 6.06. Seller and the Department agree and acknowledge

Schedule A

Permit Limits

Phase 1

During 2001, each Unit may operate no more than (x) 950 hours during the period from July 1 through September 30, and (y) 200 hours during the period from October 1 through December 31. For each Start-Up of a Unit in excess of 60 times during period (x) or 13 times during period (y), the maximum allowable number of operating hours during such period shall be reduced by 1.1 hours.

During 2002, each Unit may operate no more than (a) 200 hours during the period from January 1 through March 31, (b) 384 hours during the period from April 1 through June 30, (c) 950 hours during the period from July 1 through September 30, and (d) 200 hours during the period from October 1 through December 31. For each Start-Up of a Unit in excess of 13 times during period (a), 24 times during period (b), 60 times during period (c), or 13 times during period (d) the maximum allowable number of operating hours during such period shall be reduced by 1.1 hours.

In the event that Phase 1 is extended into 2003, the same limits shall apply as those for 2002.

No Unit may be operated at a load below Minimum Load during any year, except during Start-Up or shut-down.

Phase 2

During Phase 2, each Unit may operate no more than 8,600 hours during any 12 consecutive months. For each Start-Up of a Unit in excess of 12 times during any such 12 consecutive months, the maximum allowable number of operating hours of such Unit during such period shall be reduced by 70 hours for a "cold start", 31 hours for a "warm start", and 19 hours for a "hot start"; provided however, that for Start-ups of a Unit in excess of 90 during any such 12 consecutive months, the maximum allowable number of operating hours of such Unit during such period shall be reduced by 140 hours for a "cold start", 78 hours for a "warm start", and 44 hours for a "hot start". No more than one Start-up of a Unit may occur on any day. For the purposes of the Permit Limits, a "cold start" of a Unit is one in which the Unit has been off-line for more than 48 hours, a "warm start" is one in which the Unit has been off-line for 8 to 48 hours, a "hot start" is one in which the Unit has been off-line for less than 8 hours.

For each hour in which a Unit operates at Maximum Load in excess of 5,900 hours during any 12 consecutive months, the maximum allowable number of operating hours during such period shall be reduced by 0.5 hours. For each hour by which Maximum Load operation is less than 5,900 hours during any 12 consecutive months, the maximum allowable number of operating hours during such period shall be increased by 0.5 hours.

The Department shall be entitled to schedule operation of the Facility in excess of the number of hours determined pursuant to the foregoing if, and to the extent that, Seller reasonably determines that such additional operation is available from time to time under the Facility's environmental permits.

No Unit may be operated at a load below Minimum Load at any time except during Start-Up or shut-down.

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

This *Amended and Restated Master Power Purchase and Sale Agreement (Version 2.1, modified 4/25/00)* ("Master Agreement") is made as of the following date: December 17, 2002 ("Effective Date"). The *Master Agreement*, together with the Gates Transaction, and any exhibits, schedules and any other written supplements hereto, shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("Wellhead Power Gates, LLC ", formerly known as "Wellhead Power, L.L.C.", or "Party A")

Name (California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the California Water Code (the "Act"), and not under its powers and responsibilities with respect to the "State Water Resources Development System" or "Party B")

All Notices: Wellhead Power Gates, LLC

All Notices: California Department of Water Resources

Street: 650 Bercut Drive, Suite C

Street: 1416 Ninth Street

City: Sacramento, California Zip: 95814

City: Sacramento, California Zip: 95814

Attn: Controller (for Invoices, Payments & Credit and Collections)

Attn: Executive Manager Power Systems

Phone: (916) 447-5171

Phone: (916) 653-5913

Facsimile: (916) 447-7602

Facsimile: (916) 653-0267

Duns: _____

Duns: _____

Federal Tax ID Number: _____

Federal Tax ID Number: _____

Invoices:

Invoices:

Attn:
Phone:
Facsimile:

Attn: Contracts Payable
Phone: (916) 653-6404
Facsimile: (916) 654-9882

Scheduling:

Scheduling:

Attn: Kenneth Salvagno
Phone: (916) 447-5171
Facsimile: (916) 447-7602

Attn: Chief Water and Power Dispatcher
Phone: (916) 574-2693
Facsimile: (916) 574-2569

Payments:

Payments:

Attn:
Phone:
Facsimile:

Attn: Cash Receipts Section
Phone: (916) 653-6892
Facsimile: (916) 654-9882

Wire Transfer:

Wire Transfer:

BNK: Bank of America
ABA:
ACCT:

BNK: Bank of America (Sacramento Main Branch)
ABA: Routing #
ACCT: #

2. For purposes of summary only and subject to the terms of this Agreement, the compensation due Seller from Buyer each month can be summarized as follows (“Total Monthly Payment” or “TMP”):

$$\text{TMP (\$/mo.)} = (\text{MCP} - \text{MCA}) + \text{Energy Price} + \text{VOMP} + \text{MSP} + \text{MSFP} + \text{FFC} + \text{Other Adjustments}$$

Where:

- MCP is the Monthly Capacity Payment as set forth in Section E;
- MCA is the Monthly Capacity Adjustment as set forth in Section N.1;
- Energy Price is as set forth in Section H;
- VOMP is the Variable Operation and Maintenance Payment as set forth in Section J;
- MSP is the Monthly Start Payment as set forth in Section K;
- MSFP is the Monthly Start Fuel Payment as set forth in Section L; and,
- FFC is the Fixed Fuel Charge as set forth in Section M; and,
- Other Adjustments are those adjustments set forth in the Agreement, including, but not limited to, the energy withholding adjustment (Section 3.2(h)(3)), availability miscommunication adjustment (Section D.4), fuel reimbursement (Section L.3) or fuel imbalance charges (Section M.5).

O. Emissions and Operations

1. Seller is responsible to obtain plant permits and any emission offsets in order to supply Energy at the Unit’s Capacity consistent with the Operating Limits as specified for the Unit identified in Section A of the Gates Transaction.
2. [Reserved]
3. Seller will operate and maintain the Unit in accordance with Prudent Utility Practice. Subject to its obligation to comply with CAISO Requirements, Seller will use its best efforts to coordinate maintenance scheduling with Buyer and ensure that maintenance is initially scheduled to occur during off-peak hours during the Non-Summer Months, and will provide Buyer with reasonable notice of such scheduled maintenance and any changes to the timing thereof; provided that only two weeks per year of scheduled maintenance may be deemed Excused Outage under the Agreement, and further provided that in no event shall scheduled maintenance occur during July, August or September of any year. Further, all provisions relating to the scheduling of maintenance are subject to adjustment with respect to timing and duration, in accordance with CAISO Requirements.

P. Unit’s Operating Limits

The Unit’s Operating Limits reflect the dispatch limitations, Scheduling limitations, maintenance requirements, physical operating limits, start times, ramp rates, etc. as specified in original equipment manufacturer/architect engineer/vendor specifications which are to be provided by Seller to Buyer 60 days after COD or as soon thereafter as such data is provided by the third party. Buyer and Seller agree that the specific Operating Limits set forth below are

intended to reflect those specifications and limitations, and accordingly Buyer's dispatch of the Unit must not conflict with the Unit's Operating Limits and with the CAISO Requirements.

The Operating Limits for the Unit are as follows:

- (a) Buyer may dispatch Unit for no more than two thousand (2,500) hours during each calendar year (commencing with the Commercial Operation Date for the Unit) until the IOU Administrative Transfer Date, and thereafter for no more than four thousand (4,000) hours during each calendar year;
- (b) In no event shall the Unit be dispatched by Buyer for operation of less than four (4) sequential hours;
- (c) At no time shall the Unit be operated pursuant to Buyer's dispatch for more than seventeen (17) hours in any given day;
- (d) Buyer is entitled to no more than two (2) Successful Starts per day; and,
- (e) There shall be a period of non-operation of not less than three (3) hours between scheduled operations by Buyer.

Q. [Reserved]

R. Operations Committee; Operating Procedures

1. Buyer and Seller have established and shall continue to use an Operations Committee consisting of four members. Each of Buyer and Seller shall be permitted to appoint two such members. The Operations Committee shall develop written procedures governing operations, not in contravention or amendment of any right or obligation set forth herein (the "Operating Procedures"). Such Operating Procedures shall include, but not be limited to, (1) procedures for Scheduling, (2) methods of day-to-day communications, (3) conducting four hour Capacity tests, (4) key personnel lists for each of Buyer and Seller, (5) format and delivery of Availability Notices, (6) coordinating arrangements for the delivery of natural gas, (7) scheduling and notice of maintenance, and (8) record keeping; provided that failure to agree on such procedures shall not relieve either of the Parties of its rights and obligations under this Agreement.

2. During the term of the Agreement, the Operations Committee shall administer the Operation Procedures, address and resolve operational issues as they arise from time-to-time (not in contravention of the terms of this Agreement) and shall operate by unanimous consent of the members.

S. Metering

1. Electricity.

AMENDED AND RESTATED MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Amended and Restated Master Power Purchase and Sale Agreement* ("Master Agreement") is made as of the following date: August 22, 2002 ("Effective Date"). The *Master Agreement* and the 2002A Transaction, together with the exhibits, schedules and any written supplements hereto, shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("GWF Energy LLC" or "Party A")

Name (California Department of Water Resources, acting solely under the authority and powers created by ABI-X, codified as Sections 80000 through 80270 of the California Water Code (the "Act"), and not under its powers and responsibilities with respect to the "State Water Resources Development System" or "Party B" or "Department")

All Notices:

All Notices: California Department of Water Resources/CERS

Street: 4300 Railroad Avenue

Street: 3310 El Camino Avenue, Suite 120

City: Pittsburg, California Zip: 94565

City: Sacramento, California Zip: 95821

Attn: Controller (for Invoices, Scheduling, Payments & Credit and Collections)

Attn: Executive Manager Power Systems

Phone: (925) 431-1424

Phone: (916) 574-0339

Facsimile: (925) 431-0516

Facsimile: (916) 574-2152

Duns: _____

Duns: _____

Federal Tax ID Number: _____

Federal Tax ID Number: 52-1692634

Invoices:

Invoices: DWR/CERS Settlements Unit Attn:

Attn: _____

Doreen Singh Phone: (916) 574-0309

Phone: (925) 431-1424

Facsimile: (916) 574-1239

Facsimile: (925) 431-0516

Scheduling:

Scheduling:

Attn: _____

Attn: Chief Water and Power Dispatcher

Phone:

Phone: (916) 574-0161

Facsimile:

Facsimile: (916) 574-2569

Payments:

Payments:

Attn: _____

Attn: Cash Receipts Section

Phone: (925) 431-1424

Phone: (916) 653-6892

Facsimile: (925) 431-0516

Facsimile: (916) 654-9882

Wire Transfer:

Wire Transfer:

BNK: _____

BNK: Bank of America (Sacramento Main Branch)

ABA: _____

ABA: Routing #121000358

ACCT: _____

ACCT: #14365-80598

J. Variable O&M Payments

The Variable O&M Payment for each monthly billing period equals the applicable Variable O&M Rate for each Unit (set forth below) multiplied by the sum of the total Final Physical Energy Schedule and Dispatch Energy or Ancillary Services Energy for each such Unit during the billing period. The Variable O&M Rates are set forth below, by Unit.

Phase I Units:	\$5.00/MW-Hr
Phase II Units:	\$5.00/MW-Hr
Phase III Units:	\$5.00/MW-Hr

K. Start-ups

Start-up fuel costs and shut-down fuel costs will be included within the Fuel Cost as described in Section L.2, except for re-starts as set forth below.

Buyer may not request more than two starts per Unit per day for any Phase I or Phase II Unit, and not more than one start per Unit per day for any Phase III Unit. A CAISO requested start (not on Buyer's account) of Reserved Capacity shall not preclude Buyer from requesting a same day start of the same Unit. Should a re-start(s) be required due to a Unit becoming unavailable for any reason not resulting from Buyer's actions or inactions, such re-start(s) shall not count toward Buyer's allotment of starts, nor shall any Start-up and Shutdown Fuel Cost Adjustments for such re-starts be charged to Buyer.

L. Fuel Cost and Fuel Supply

1. Seller shall arrange for natural gas transportation to the Facilities which transportation may be interruptible, the interruption of which shall not reduce the Actual Availability of a Unit (assuming the Unit is capable of operation but for lack of natural gas). In the event Buyer notifies Seller in its annual review of the Annual Fuel Plan described below that it wishes for Seller to arrange for firm natural gas transportation, Seller shall use commercially reasonable efforts to obtain firm transportation service but shall have no liability in the event that firm transportation is not available. Seller's cost of natural gas transportation shall be included in the calculation of the Fuel Cost.

2. Seller will allocate for Buyer's account all actual fuel costs incurred by Seller for each Unit for all hours in which Energy was Scheduled or dispatched by Buyer or by CAISO on Buyer's account from such Unit by Buyer utilizing (for purposes of allocating fuel usage to the specific hours in which the Unit operated with respect to Buyer's Schedule and as between Units) the meter data from Seller's Gas Metering Equipment. Such amount allocated to Buyer's account will be deemed the "Preliminary Fuel Cost" and will include all actual variable fuel costs, including transportation, fuel used for start-up and shutdown, fees, taxes and other charges, delivered to the Units, as such costs are determined in accordance with the then-current Annual Fuel Plan; provided, however, that any fixed fuel costs incurred by Seller in providing fuel to the Facility pursuant to the Annual Fuel Plan shall be recovered by Seller from Buyer in the form of the monthly Fixed Fuel Charge, as provided in Section H above and shall be excluded from the Preliminary Fuel Cost. In addition, the Preliminary Fuel Cost will be adjusted as follows: For each Unit for each hour in which such Unit is dispatched by Buyer, the portion of the

2002A Transaction. In the event of such exercise, the commodity portion of the Fuel Cost shall be zero. If Buyer elects in any year of this Agreement to supply its own fuel commodity for the Facilities, any such supply shall be coordinated with any previously approved Annual Fuel Plan in a manner which does not displace other natural gas commodity and/or firm transportation positions taken by the Seller in accordance with such prior approved Annual Fuel Plan unless Buyer elects to assume responsibility for such natural gas positions as part of its supply plan. Any fuel supplied by Buyer to Seller shall be delivered to such point(s) on the Natural Gas LDC system(s) as are designated by Seller.

M. **Emissions and Operations**

Except as provided in Section 5.7, Seller is responsible to obtain plant permits and any emission offsets in order to supply Energy at Contract Capacity for up to the hours specified for each Unit in Section E.1 of the 2002A Transaction.

Seller will operate and maintain the Units in accordance with Prudent Utility Practice. "Prudent Utility Practice" means those practices, methods and procedures, as modified from time to time, that are currently and commonly used in electric utilities to design, engineer, select, construct, operate, and maintain electric power facilities and equipment dependably, reliably, safely, efficiently, and economically, with due regard to the state-of-the-art in the electric power industry, as applied in the Western Systems Coordinating Council (WSCC) area. Subject to its obligation to comply with CAISO Requirements, Seller will use its best efforts to ensure that scheduled maintenance will be done during off-peak hours, and will provide Buyer with reasonable notice of such scheduled maintenance, provided, however, that under no circumstances will scheduled outages occur in the months of July, August or September without prior approval from Buyer which shall not be unreasonably withheld or delayed. Further, all provisions relating to scheduled maintenance, including the provisions in subsections (c) and (d) of Section 1.51 defining Excused Outage, are subject to adjustment with respect to timing, in accordance with CAISO Requirements.

N. **Unit's Operating Limits**

For each Unit, the Unit's Operating Limits include any dispatch limitations, Scheduling limitations, maintenance requirements, operating limits, start times, ramp rates, etc. as listed in original equipment manufacturer/architect engineer/vendor specifications which are to be provided by Seller to Buyer, provided, however, that a minimum run time of three (3) hours shall apply to each Unit for each start. Buyer's dispatch of a Unit must be in accordance with the Unit's Operating Limits and with the CAISO Requirements.

O. **Reports**

Commencing with execution of this Agreement, each Party shall supply the other with written monthly progress reports, in the case of Buyer describing progress toward issuance of Bonds related to the Fund, and in the case of Seller, describing progress toward achievement of the Commercial Operation Date for each Unit. If the Commercial Operation Date of a Unit has not occurred by the Start Date for such Unit, then thereafter Seller will provide bi-weekly progress reports relative to such Unit.

Calpeak-
Border

DISPATCH AGREEMENT

This DISPATCH AGREEMENT (the "Agreement") is made and entered into as of May 2, 2002, by and between the Department of Water Resources, an agency of the State of California, with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Department"), and CALPEAK POWER – BORDER LLC ("Seller").

RECITALS

A. To help further the objective of assuring a reliable supply of electricity for California's retail end-use customers, on August 14, 2001, the Department entered into that certain Power Purchase Agreement dated as of August 14, 2001 by and between CalPeak and the Department (the "Original Contract").

B. In January, 2002, the Parties commenced discussions regarding renegotiation of the Original Contract. On May 2, 2002, the Department and CalPeak executed that certain Amended and Restated Power Purchase Agreement (the "Amended PPA"), which Amended PPA supercedes the Original Contract.

C. This Agreement reflects the Parties' agreement regarding the meaning of "Dispatch Limits" for the period during which Department, or another Governmental Authority that assumes Department's rights or obligations pursuant to Section 12.10(c) of the Amended PPA, is the counter party to the Amended PPA. For the avoidance of doubt, if at any time and for any reason Department assigns the Amended PPA, or assigns its rights or obligations under the Amended PPA, to a Qualified Electric Corporation, this Agreement will automatically terminate and be of no further force or effect, and the term "Dispatch Limits" will be defined as set forth in Appendix D to the Amended PPA.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

Section 1. Term. The Agreement shall remain in effect for so long as the Amended PPA is in effect; provided, however, that the Agreement shall automatically terminate and be of no force or effect upon any novation of the Amended PPA or any assignment by Department of its rights and obligations under the Amended PPA to a Qualified Electric Corporation.

Section 2. Definitions. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Amended PPA.

Section 3. Dispatch Limits. During the term of this Agreement, for purposes of Department's right to dispatch the Facility pursuant to the Amended PPA, the Dispatch Limits shall be the following:

- (a) Dispatch For Energy
 - (i) Department shall have the right to schedule dispatch for Energy on a day-ahead basis, provided however, that Department may adjust dispatch schedules upwards or downwards on a real-time basis to the extent Facility capacity or Energy is not scheduled to another purchaser on a day-ahead or real-time basis or otherwise committed by Seller, subject to an unlimited number of upward dispatch schedule adjustments and a maximum of fifteen (15) downward dispatch schedule adjustments per annum, and subject to Department's responsibility for any Fuel cost impacts or fuel imbalance charges, which shall be provided by Seller to Department at the time Department requests any real-time changes. To the extent any such costs are not identified by Seller and accepted by Department, all such costs shall be paid by Seller. Hours adjusted upward on a real-time basis shall not factor into the Mechanical Availability Percentage, and shall count toward Dedicated Hours. Hours adjusted downward on a real-time basis shall not factor into the Mechanical Availability Percentage, and shall count toward Dedicated Hours as if no downward adjustment had occurred. In the event Energy is scheduled for dispatch to a purchaser other than Department on a day-ahead or real-time basis, Seller shall notify Department by facsimile, telephone or email of such scheduling as soon as is practicable.
 - (ii) For purposes of this Section 3(a), Department shall schedule dispatch for Energy consistent with the following scheduling notification requirements: Department shall notify Seller (A) by 5:45 a.m. Pacific Standard Time as such time may change from time to time consistent with normal WSCC prescheduling guidelines and practices; or (B) otherwise thirty (30) minutes before the time required to schedule gas purchases or market power sales, whichever is sooner.
- (b) Dispatch for Reservation
 - (i) Department shall have the right to reserve the Facility for a minimum of eight (8) consecutive hours on a day-ahead basis. For the hours Department has reserved pursuant to this Section 3(b)(i), Department may request that Seller schedule Energy in the intra-day market or request, pursuant to Section 3(c), that Seller bid Energy or capacity into the market for Ancillary Services (defined

day-ahead Ancillary Services market and (B) by not later than two (2) hours in advance of the Cal ISO or other auction bid deadline for Energy bid into the real-time Ancillary Services market.

- (iii) In addition to all costs and liabilities for which Department is liable under the Amended PPA, Department shall be responsible for all incremental costs and liabilities that arise in connection with or as a result of Department's right to dispatch Ancillary Services pursuant to this Section 3(c), including without limitation: (A) all fees, costs and penalties arising under the Cal ISO Tariff's ancillary services provisions or under the Ancillary Services provisions of such other market for Ancillary Services that may then exist, including without limitation costs to obtain and maintain certification from the Cal ISO or other market to provide Ancillary Services as such certification process is described in the Cal ISO Tariff or in the provisions of such other market for Ancillary Services that may then exist; (B) all fees, costs and penalties arising from the scheduling and/or procurement of transmission, Energy, or fuel to or from the Delivery Point, including without limitation transaction fees, imbalance charges and penalties; and (C) all variable operating and maintenance fees and expenses to the extent such fees and expenses exceed the fees and expenses Seller would have incurred if Seller were providing Energy scheduled on a day-ahead basis pursuant to Section 3(a).

(d) General

The following limitations shall apply to Department's dispatch regardless of whether Department is dispatching for Energy, Reservation, or Ancillary Services:

- (i) The maximum dispatch level shall be equal to the Rated Capacity adjusted for ambient temperature with inlet cooling in service. Department may pre-schedule energy in hourly amounts of integral units not to exceed the Rated Capacity.
- (ii) Department shall dispatch to the Delivery Point.
- (iii) If the Facility is scheduled to run during a Day, it shall be called for a minimum of four (4) consecutive hours. Dispatch scheduling will allow for thirty (30) minutes for the Facility to ramp up to scheduled capacity; provided however, that Seller shall use commercially reasonable efforts to ramp up the Facility in fewer than thirty (30) minutes when Department is dispatching the Facility for Ancillary Services-pursuant to Section 3(c).

All the same.

- (iv) The Facility may not be called for Start-Up more than two (2) times per Day.
- (v) Seller shall be entitled to receive all payments from the Cal ISO related to schedule deviations; provided, however, if a schedule change is directed by Department, Department shall be responsible for all charges due to the Cal ISO, and entitled to receive all payments from the Cal ISO related to such schedule deviations.
- (vi) Department may not dispatch the Facility during a Scheduled Maintenance Outage.
- (vii) Department may not dispatch the Facility during an Uncontrollable Force to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Uncontrollable Force.
- (viii) Department may not dispatch the Facility during a Delivery Event to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a Result of the Delivery Event.
- (ix) Department shall dispatch the Facility according to Prudent Industry Practice, including without limitation consistently with all applicable technical and legal (including permit) limitations.

Section 4. Event of Default. For the avoidance of doubt, provided that Seller has used commercially reasonable efforts as required under Section 3(c), Seller's failure to provide Ancillary Services on behalf of the Department shall not constitute an event of Default under this Agreement or under the Amended PPA, and Department shall pay any costs required under the Cal ISO Tariff or under the provisions of such other market that may then exist associated with such failure. However, in the event of intentional conduct of Seller, or a decision of Seller for economic reasons, resulting in the non-delivery of Energy or Ancillary Services as reasonably determined by Department based on all reasonably ascertainable facts and circumstances, such an event shall be an Event of Default under this Agreement and the Amended PPA and the Department shall be entitled to damages set forth in Article VII of the Amended PPA.

Section 5. Non-Binding Arbitration. Seller and the Department shall attempt to resolve any claim, counterclaim, demand, cause of action, dispute, or controversy arising out of or relating to this Agreement, any provision hereof or, the alleged breach thereof, involving the Parties and/or their respective representatives (for purposes of this Section 5 only, collectively the "Claims") through the use of non-binding arbitration. In the event any Claim involves an amount in dispute in excess of \$1,000,000, this Section 5.0 shall be of no force or effect.

Calpeak
El Cajon

AMENDED AND RESTATED POWER PURCHASE AGREEMENT

This AMENDED AND RESTATED POWER PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the date set forth below, by and between Department of Water Resources, an agency of the State of California, with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Department"), and CALPEAK POWER – EL CAJON LLC ("Seller") (each individually a "Party" and collectively the "Parties").

RECITALS

A. Department requires electric capacity and energy in connection with its responsibilities, as set forth in California Water Code Section 80000 *et seq.*

B. Seller proposes to develop, finance, construct and own the Facility, a new electric generation facility, located at El Cajon, California, with an expected Facility Completion Date of not later than June 1, 2002.

C. Seller wishes to provide and make available to Department and Department wishes to purchase and pay for electric capacity and energy from the Facility.

D. Because of the administrative burden and delays associated with such requirements, Seller would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements would apply to or be required to be incorporated in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. Unless otherwise defined herein or in any appendix hereto, the following terms shall have the respective meanings in this Agreement:

"Act" shall mean ABX1-1 as amended by ABX1-31.

"Agreement" shall mean this Amended and Restated Power Purchase Agreement and the appendices hereto, which are hereby incorporated herein by reference.

"Air Permits" means permits issued by the San Diego Air Pollution Control District for the Facility.

"ASME" means the American Society for Mechanical Engineers.

"Authorized Representative" shall mean the person or persons designated in Appendix A as having full authority to act on behalf of a Party for all purposes hereof.

Appendix D

Dispatch Limits

The dispatch limits ("Dispatch Limits") for the Facility shall be the following:

- (a) Department shall schedule Dispatch on a day-ahead basis, provided, however that Department may adjust Dispatch schedules on a real-time basis to the extent Facility capacity or Energy not scheduled to another purchaser on a day-ahead or real-time basis or otherwise committed by Seller, and subject to Department's responsibility for any Fuel cost impacts or fuel imbalance charges, which shall be provided by Seller to Department at the time Department requests any real-time changes. To the extent any such costs are not identified by Seller and accepted by Department, all such cost shall be paid by Seller. Hours Dispatched on a real-time basis shall not count toward the Mechanical Availability Percentage, and shall count toward Dedicated Hours.
- (b) Department shall schedule Dispatch consistent with the following scheduling notification requirements:
 - (i) Department shall notify Seller by 5:45 a.m. Pacific Standard Time as such time may change from time to time consistent with normal WSCC prescheduling guidelines and practices; or
 - (ii) otherwise thirty (30) minutes before the time required to schedule gas purchases or market power sales, whichever is sooner.
- (c) The maximum Dispatch level shall be equal to the Rated Capacity adjusted for ambient temperature. Department may pre-schedule energy in hourly amounts of integral units not to exceed the Rated Capacity.
- (d) Department shall Dispatch Energy to the Delivery Point.
- (e) If the Facility is scheduled to run during a Day, it shall be called for a minimum of four (4) consecutive hours. Dispatch scheduling will allow for thirty (30) minutes for the Facility to ramp up to scheduled capacity.
- (f) The Facility may not be called for Start-Up more than two (2) times per Day.
- (g) Department may not Dispatch the Facility during a Scheduled Maintenance Outage.
- (h) Department may not Dispatch the Facility during an Uncontrollable Force to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Uncontrollable Force.
- (i) Department may not Dispatch the Facility during a Delivery Event to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Delivery Event.

AMENDED AND RESTATED POWER PURCHASE AGREEMENT

This AMENDED AND RESTATED POWER PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the date set forth below, by and between Department of Water Resources, an agency of the State of California, with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Department"), and CALPEAK POWER – ENTERPRISE LLC ("Seller") (each individually a "Party" and collectively the "Parties").

RECITALS

A. Department requires electric capacity and energy in connection with its responsibilities, as set forth in California Water Code Section 80000 *et seq.*

B. Seller proposes to develop, finance, construct and own the Facility, a new electric generation facility, located at Escondido, California. The Commercial Operation Date of the Facility is October 26, 2001.

C. Seller wishes to provide and make available to Department and Department wishes to purchase and pay for electric capacity and energy from the Facility.

D. Because of the administrative burden and delays associated with such requirements, Seller would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements would apply to or be required to be incorporated in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. Unless otherwise defined herein or in any appendix hereto, the following terms shall have the respective meanings in this Agreement:

"Act" shall mean ABX1-1 as amended by ABX1-31.

"Agreement" shall mean this Amended and Restated Power Purchase Agreement and the appendices hereto, which are hereby incorporated herein by reference.

"Air Permits" means permits issued by the San Diego Air Pollution Control District for the Facility.

"ASME" means the American Society for Mechanical Engineers.

Appendix D

Dispatch Limits

The dispatch limits ("Dispatch Limits") for the Facility shall be the following:

- (a) Department shall schedule Dispatch on a day-ahead basis, provided, however that Department may adjust Dispatch schedules on a real-time basis to the extent Facility capacity or Energy not scheduled to another purchaser on a day-ahead or real-time basis or otherwise committed by Seller, and subject to Department's responsibility for any Fuel cost impacts or fuel imbalance charges, which shall be provided by Seller to Department at the time Department requests any real-time changes. To the extent any such costs are not identified by Seller and accepted by Department, all such cost shall be paid by Seller. Hours Dispatched on a real-time basis shall not count toward the Mechanical Availability Percentage, and shall count toward Dedicated Hours.
- (b) Department shall schedule Dispatch consistent with the following scheduling notification requirements:
 - (i) Department shall notify Seller by 5:45 a.m. Pacific Standard Time as such time may change from time to time consistent with normal WSCC prescheduling guidelines and practices; or
 - (ii) otherwise thirty (30) minutes before the time required to schedule gas purchases or market power sales, whichever is sooner.
- (c) The maximum Dispatch level shall be equal to the Rated Capacity adjusted for ambient temperature. Department may pre-schedule energy in hourly amounts of integral units not to exceed the Rated Capacity.
- (d) Department shall Dispatch Energy to the Delivery Point.
- (e) If the Facility is scheduled to run during a Day, it shall be called for a minimum of four (4) consecutive hours. Dispatch scheduling will allow for thirty (30) minutes for the Facility to ramp up to scheduled capacity.
- (f) The Facility may not be called for Start-Up more than two (2) times per Day.
- (g) Department may not Dispatch the Facility during a Scheduled Maintenance Outage.
- (h) Department may not Dispatch the Facility during an Uncontrollable Force to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Uncontrollable Force.
- (i) Department may not Dispatch the Facility during a Delivery Event to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Delivery Event.

Calpeak
panoche**AMENDED AND RESTATED POWER PURCHASE AGREEMENT**

This AMENDED AND RESTATED POWER PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the date set forth below, by and between Department of Water Resources, an agency of the State of California, with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Department"), and CALPEAK POWER – PANOCHÉ LLC ("Seller") (each individually a "Party" and collectively the "Parties").

RECITALS

A. Department requires electric capacity and energy in connection with its responsibilities, as set forth in California Water Code Section 80000 *et seq.*

B. Seller proposes to develop, finance, construct and own the Facility, a new electric generation facility, located at Mendota, California. The Commercial Operation Date of the Facility is December 27, 2001.

C. Seller wishes to provide and make available to Department and Department wishes to purchase and pay for electric capacity and energy from the Facility.

D. Because of the administrative burden and delays associated with such requirements, Seller would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements would apply to or be required to be incorporated in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

**ARTICLE I
DEFINITIONS**

Section 1.01. Definitions. Unless otherwise defined herein or in any appendix hereto, the following terms shall have the respective meanings in this Agreement:

"Act" shall mean ABX1-1 as amended by ABX1-31.

"Agreement" shall mean this Amended and Restated Power Purchase Agreement and the appendices hereto, which are hereby incorporated herein by reference.

"Air Permits" means permits issued by the San Joaquin Valley Air Pollution Control District for the Facility.

"ASME" means the American Society for Mechanical Engineers.

Dispatch Limits

The dispatch limits ("Dispatch Limits") for the Facility shall be the following:

- (a) Department shall schedule Dispatch on a day-ahead basis, provided, however that Department may adjust Dispatch schedules on a real-time basis to the extent Facility capacity or Energy not scheduled to another purchaser on a day-ahead or real-time basis or otherwise committed by Seller, and subject to Department's responsibility for any Fuel cost impacts or fuel imbalance charges, which shall be provided by Seller to Department at the time Department requests any real-time changes. To the extent any such costs are not identified by Seller and accepted by Department, all such cost shall be paid by Seller. Hours Dispatched on a real-time basis shall not count toward the Mechanical Availability Percentage, and shall count toward Dedicated Hours.
- (b) Department shall schedule Dispatch consistent with the following scheduling notification requirements:
 - (i) Department shall notify Seller by 5:45 a.m. Pacific Standard Time as such time may change from time to time consistent with normal WSCC prescheduling guidelines and practices; or
 - (ii) otherwise thirty (30) minutes before the time required to schedule gas purchases or market power sales, whichever is sooner.
- (c) The maximum Dispatch level shall be equal to the Rated Capacity adjusted for ambient temperature. Department may pre-schedule energy in hourly amounts of integral units not to exceed the Rated Capacity.
- (d) Department shall Dispatch Energy to the Delivery Point.
- (e) If the Facility is scheduled to run during a Day, it shall be called for a minimum of four (4) consecutive hours. Dispatch scheduling will allow for thirty (30) minutes for the Facility to ramp up to scheduled capacity.
- (f) The Facility may not be called for Start-Up more than two (2) times per Day.
- (g) Department may not Dispatch the Facility during a Scheduled Maintenance Outage.
- (h) Department may not Dispatch the Facility during an Uncontrollable Force to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Uncontrollable Force.
- (i) Department may not Dispatch the Facility during a Delivery Event to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Delivery Event.

Calpeak
Vaca
Dixon**AMENDED AND RESTATED POWER PURCHASE AGREEMENT**

This AMENDED AND RESTATED POWER PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the date set forth below, by and between Department of Water Resources, an agency of the State of California, with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Department"), and CALPEAK POWER – VACA DIXON LLC ("Seller") (each individually a "Party" and collectively the "Parties").

RECITALS

A. Department requires electric capacity and energy in connection with its responsibilities, as set forth in California Water Code Section 80000 *et seq.*

B. Seller proposes to develop, finance, construct and own the Facility, a new electric generation facility, located at Vacaville, California, with an expected Facility Completion Date of not later than June 1, 2002.

C. Seller wishes to provide and make available to Department and Department wishes to purchase and pay for electric capacity and energy from the Facility.

D. Because of the administrative burden and delays associated with such requirements, Seller would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements would apply to or be required to be incorporated in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

**ARTICLE I
DEFINITIONS**

Section 1.01. Definitions. Unless otherwise defined herein or in any appendix hereto, the following terms shall have the respective meanings in this Agreement:

"Act" shall mean ABX1-1 as amended by ABX1-31.

"Agreement" shall mean this Amended and Restated Power Purchase Agreement and the appendices hereto, which are hereby incorporated herein by reference.

"Air Permits" means permits issued by the Yolo-Solano Air Quality Management District for the Facility.

"ASME" means the American Society for Mechanical Engineers.

"Authorized Representative" shall mean the person or persons designated in Appendix A as having full authority to act on behalf of a Party for all purposes hereof.

Appendix D

Dispatch Limits

The dispatch limits ("Dispatch Limits") for the Facility shall be the following:

- (a) Department shall schedule Dispatch on a day-ahead basis, provided, however that Department may adjust Dispatch schedules on a real-time basis to the extent Facility capacity or Energy not scheduled to another purchaser on a day-ahead or real-time basis or otherwise committed by Seller, and subject to Department's responsibility for any Fuel cost impacts or fuel imbalance charges, which shall be provided by Seller to Department at the time Department requests any real-time changes. To the extent any such costs are not identified by Seller and accepted by Department, all such cost shall be paid by Seller. Hours Dispatched on a real-time basis shall not count toward the Mechanical Availability Percentage, and shall count toward Dedicated Hours.
- (b) Department shall schedule Dispatch consistent with the following scheduling notification requirements:
 - (i) Department shall notify Seller by 5:45 a.m. Pacific Standard Time as such time may change from time to time consistent with normal WSCC prescheduling guidelines and practices; or
 - (ii) otherwise thirty (30) minutes before the time required to schedule gas purchases or market power sales, whichever is sooner.
- (c) The maximum Dispatch level shall be equal to the Rated Capacity adjusted for ambient temperature. Department may pre-schedule energy in hourly amounts of integral units not to exceed the Rated Capacity.
- (d) Department shall Dispatch Energy to the Delivery Point.
- (e) If the Facility is scheduled to run during a Day, it shall be called for a minimum of four (4) consecutive hours. Dispatch scheduling will allow for thirty (30) minutes for the Facility to ramp up to scheduled capacity.
- (f) The Facility may not be called for Start-Up more than two (2) times per Day.
- (g) Department may not Dispatch the Facility during a Scheduled Maintenance Outage.
- (h) Department may not Dispatch the Facility during an Uncontrollable Force to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Uncontrollable Force.
- (i) Department may not Dispatch the Facility during a Delivery Event to the extent that Seller is unable to provide all or part of the Contract Capacity or Energy as a result of the Delivery Event.

AMENDED AND RESTATED
MASTER POWER PURCHASE AND SALE AGREEMENT
COVER SHEET

This *Amended and Restated Master Power Purchase and Sale Agreement* ("Master Agreement") is made as of the following date: September 19, 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 *Amended and Restated Master Agreement* are the following:

Name ("Colton Power L.P.", a Delaware limited partnership, or "Party A")

Name (California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the California Water Code (the "Act"), and not under its powers and responsibilities with respect to the "State Water Resources Development System" or "Party B" or "Department")

All Notices: Colton Power L.P.

All Notices: California Department of Water Resources/CERS

Attn: President

Street: 3310 El Camino Avenue, Suite 120

Street: 100 Clinton Square Suite 403

City: Sacramento, California Zip: 95821

City: Syracuse, New York Zip: 13202

Attn: Executive Manager, Power Systems

Attn: Contract Administration

Phone: 916-574-0339

Phone: 315-448-2266

Facsimile: 916-574-2152

Facsimile: 315-448-0264

Duns: _____

Duns: _____

Federal Tax ID Number:

Federal Tax ID Number:

Invoices:

Invoices:

Attn: Suzette Brower

DWR/CERS Settlements Unit

Phone: 315-448-2266

Attn: Doreen Singh

Facsimile: 315-448-0264

Phone: 916-574-0309

Facsimile: 916-574-1239

Scheduling:

Scheduling:

Attn: Joel Lepoutre

Attn: Chief Water and Power Dispatcher

Phone: 909-824-1942

Phone: 916-574-0161

Facsimile: 909-824-2202

Facsimile: 916-574-2569

Payments:

Payments:

Attn: Suzette Brower

Attn: Cash Receipts Section

Phone: 315-448-2266

Phone: 916-653-6892

Facsimile: 315-448-0264

Facsimile: 916-654-9882

Wire Transfer:

Wire Transfer:

BNK:

BNK:

ABA:

ABA: Routing

The Delivery Period shall commence on the Effective Date and shall expire on the earlier to occur of December 31, 2010, or any earlier date that this Transaction is terminated in accordance with the terms of the Confirmation and/or the Master Agreement.

9. Special Conditions

(a) Party A shall deliver invoices to Party B monthly within ten (10) days following the end of each month. Payments shall be due by Party B in accordance with the payment terms of this Confirmation and the Master Agreement.

(b) Party A shall have no liability under Section 4.1 of the Master Agreement for Party B's cover costs as a result of any unavailability of the Generating Facilities to operate to deliver energy during any Unit Hours scheduled by Party B, except to the extent that any such unavailability is due to the gross negligence, willful misconduct or intentional breach of Party A hereunder.

(c) INTENTIONALLY DELETED

(d) No later than thirty (30) days after the date that the first Unit of the Generating Facilities achieves its Commercial Operation Date, Party A, in its sole discretion, shall either (i) deliver to Party B a Letter of Credit (as defined in the Master Agreement) for the benefit of Party B with a face amount of \$5,000,000 ("LC"), or (ii) grant to Party B a lien, mortgage or other security interest in the Generating Facilities ("Lien"), in order to secure Party B's interest in this Confirmation on commercially reasonable terms that are reasonably acceptable to both Party A and Party B. From time to time, Party A may, at its sole discretion, replace the Lien with an LC or replace the LC with a Lien.

(i) If Party A elects to grant a Lien to Party B, then Party B agrees to make such Lien a subordinated security interest, which shall be subordinated to any secured lender(s), including any secured lender(s) that is an affiliate of Party A, its members, partners or shareholders, that extends financing, including any refinancing, of the Generating Facilities to Party A and the terms of such subordination shall be commercially reasonable terms reasonably acceptable to such secured lender(s) and mutually agreed to by Party A and Party B acting reasonably.

(ii) If Party A elects to deliver an LC, then Party B shall be entitled to draw on the LC under the following circumstances: (A) no drawing shall be permitted under such LC until the later to occur of the day immediately following the Commercial Operation Date of all eight (8) Units of the Generating Facilities or June 1, 2002, (B) if any payment owed to Party B by Party A has not been paid by the date such payment is due, then Party B may give Party A written notice indicating that such amount is past due and that Party B intends to draw on the LC for the amounts owed, and (C) if Party A has not paid such amount on or before five (5) Business Days after Party A receives such written notice from Party B, then Party B may draw on the LC for an amount equal to such past due payment.

(e) Party B agrees that it will only look to Party A to satisfy Party A's obligations hereunder, and that Party B shall not have recourse to any shareholder, officer, employee, partner or member of Party A to satisfy such obligations.

10. Scheduling

(a) During the Peak Hours (being the sixteen (16) hours from 8:00 a.m. PPT to 12:00 p.m. (midnight) PPT) on each Monday through Saturday during any Summer Availability Period, Party B may schedule, on a day-ahead basis, the generation and delivery of energy at the Delivery Points, equal to (i) zero Unit Hours, or (ii) up to the number of Unit Hours equal to 16 hours multiplied by the number of Accepted Units; provided, however, that such scheduled Unit Hours may not exceed the Committed Unit Hours plus any Additional Unit Hours available to Party B in accordance with this Confirmation. In addition, Party B may adjust its day-ahead schedule on a "real-time" basis; provided, however, that (X) such adjusted schedule of Unit Hours may not exceed the Committed Unit Hours plus any Additional Unit Hours available to Party B in accordance with this Confirmation, (Y) Party B reimburses

Party A for any and all fuel related costs and imbalance charges incurred by Party A in accommodating any such adjustment to Party B's day-ahead schedule, and (Z) Party A shall not be obligated to increase the number of Unit Hours scheduled by Party B to the extent that any such Unit Hours have been scheduled for delivery to any third party as permitted by this Confirmation. Party A shall notify Party B on a monthly and weekly basis of the anticipated Unit Hours that will be available from each Accepted Unit of the Generating Facilities during each day of the pending calendar month or week, as applicable, including therewith the anticipated electric generating capacity of each such Unit at different forecast ambient air temperatures and no less than fourteen (14) days notice of any scheduled outage of any Accepted Unit of the Generating Facilities. Party B shall notify Party A of the number of Accepted Units to be dispatched on any day (the "Prescheduled Day") no later than sixty (60) minutes prior to the earliest to occur of (A) 3:00 p.m. PPT on the business day preceding the Prescheduled Day, (B) the day-ahead scheduling deadlines for transmission on such Prescheduled Day imposed by the ISO or any regional transmission organization providing transmission services in the region, or (C) the day-ahead scheduling deadline for any day-ahead market for electric energy that may be in effect from time to time in the region for such Prescheduled Day.

(b) Each request for operation of any one or more Accepted Units, scheduled by Party B to operate and deliver energy to Party B at the Delivery Points on any day, shall specify (i) a number of Accepted Units to be operated at an even rate for a sixty (60) consecutive minute period beginning at the top of each hour, (ii) the operation of such number of Accepted Units for each Accepted Unit's full output and for periods of time not smaller than eight (8) consecutive hours, provided that, beginning January 1, 2003, for a request for operation as part of Committed Unit Hours, the operation of such number of Accepted Units for each Accepted Unit's full output and for periods of time not smaller than four (4) consecutive hours, and (iii) the desired power factor ranging between 0.8 leading and 0.8 lagging. All generation and deliveries of energy shall be subject to the physical operating characteristics of the Generating Facilities, including a minimum down time between start-ups of two hours, restrictions on cold and warm start-up times and ramp rates as specified by the equipment manufacturers, and there shall be no more than one start per day of each Accepted Unit, subject to an increase to two starts per day per Accepted Unit at any time that Party B has exercised the Additional Unit Hours Option and has scheduled Additional Unit Hours for such day. In any event, there shall be no more than two start-ups of each Accepted Unit of the Generating Facilities permitted within any twenty-four consecutive hour period.

(c) On a monthly basis, Party A shall provide to Party B a summary of all Unit Hours supplied to Party B during the prior month. If Party B does not notify Party A of a disputed item, within five (5) Business Days after receipt of such notice from Party A, then Party B shall have waived its right to dispute such summary.

11. Suspension of Payments; Early Termination

(a) Payment During Casualty. Notwithstanding anything herein to the contrary, if Party A is unable to provide to Party B the capacity and energy from one or more Accepted Units for a continuous period of more than sixty (60) days as a result of an event of Force Majeure consisting of a casualty to a Generating Facility or third party facility that is covered by business interruption insurance or contingent business interruption insurance maintained by Party A, the Monthly Fixed Payment, Committed Unit Hours and Scheduled Unit Hours shall be reduced in proportion to the number of Accepted Units affected by the casualty until the affected Accepted Unit is returned to service ("Capacity Abatement"). If Party A has not maintained business interruption insurance or contingent business interruption insurance for the applicable period, Party B shall be entitled to a Capacity Abatement if it can show that such insurance was or would have been available to Party A on a timely basis on commercially reasonable terms had Party A exercised reasonable diligence to seek such insurance. The term of the Agreement shall be extended by the period during which payments are temporarily reduced pursuant to this subsection.

(b) Termination for Force Majeure. In the event a Force Majeure consisting of a casualty to a Generating Facility prevents Party A from providing to Party B the Demonstrated Capacity from one or more Accepted Units for a period of twelve (12) continuous months or a casualty to facilities owned by third parties prevents Party A from providing Party B the Demonstrated Capacity from one or more Accepted Units for a period of eighteen (18) months, either Party may terminate this Agreement ("Casualty Termination") with respect to the affected Accepted Unit(s) by written notice to the other ("Casualty Termination Notice"), in which event the number of Accepted Units

MASTER POWER PURCHASE AND SALE AGREEMENT

(Version 2.1 – Modified 4/25/00)

COVER SHEET

This *Master Power Purchase and Sale Agreement* (“*Master Agreement*”) is made as of the following date: May 24, 2001 (“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 the Transaction shall be referred to as the “Agreement.” The Parties to this *Master Agreement* are the following:

Name (“Coral Power, L.L.C.” or “Party A”)

Name (“California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the Water Code, as amended (the “Act”), and not under its powers and responsibilities with respect to the State Water Resources Development System” or “Party B”)

All Notices:

All Notices: California Department of Water Resources

Street: 909 Fannin, Suite 700

Street: 1416 Ninth Street

City: Houston, Texas Zip: 77010

City: Sacramento, California Zip: 95814

Attn: Contract Administration

Attn: Executive Manager Power Systems

Phone: 713-767-5400

Phone: 916-653-5913

Facsimile: 713-767-5414

Facsimile: 916-653-0267

Duns: 937517266

Duns: _____

Federal Tax ID Number:

Federal Tax ID Number:

Invoices:

Attn: Power Accounting

Invoices:

Attn: Contracts Payable

Phone: 713-767-5400

Phone: 916-653-6404

Facsimile: 713-767-5414

Facsimile: 916-654-9882

Scheduling:

Attn: 24 Hour Operations

Scheduling:

Attn: Chief Water and Power Dispatcher

Phone: 1-858-320-1500

Phone: 916-574-2693

Facsimile: 1-858-320-1550

Facsimile: 916-574-2569

Payments for Energy with cash:

Attn: Power Accounting

Payments:

Attn: Cash Receipts Section

Phone: 713-767-5400

Phone: 916-653-6892

Facsimile: 713-767-5414

Facsimile: 916-654-9882

Payments for Energy with Gas:

Attn: Gas Scheduling

Phone: 713-767-5366

Facsimile: 832-397-5911

directly to, or for, retail customers of any person. In performing their respective obligations hereunder, neither Party is acting, or is authorized to act, as agent of the other Party.”

“10.13 [Intentionally Omitted]”

“10.14 Generating Facilities. An affiliate of Party A is currently developing five (5) General Electric LM6000 natural gas-fired generating facilities (each such facility is hereinafter a “Generating Facility”) each with a nominal generating capacity of 43MW. It is contemplated that three (3) of the Generating Facilities will be installed at the Indigo Energy Facility located at the Northern terminus of 19 Avenue, City of Palm Springs, Riverside County, California 92258; Riverside Assessor Parcel Number 666-320-014 (the “Indigo Site”). Two (2) of the Generating Facilities are contemplated to be installed at the Larkspur Energy Facility located at the intersection of Harvest Road and Otay Mesa Road, City of San Diego, California 92173; San Diego County Assessor Parcel Number 646-130-48 (the “Larkspur Site”). Each of the Generating Facilities is to consist of a LM 6000 Enhanced Sprint gas turbine to be outfitted with selective catalytic reduction units and CO catalysts for stack emissions control which are designed to limit NOx emissions to 5 parts per million and 35 tons per year consistent with the air permits requested for each Generating Facility. The major milestones (the “Major Milestones”) identified for the development of the Generating Facilities and the current anticipated completion date for each Major Milestone is as follows:

Major Milestone Activity	Current Anticipated Completion Date	
	<u>Larkspur Site</u> ^{file}	<u>Indigo Site</u> ¹²⁶
Acquisition of land use permit	4/4/2001	4/4/2001
Acquisition of air permit	4/27/2001	4/27/2001
Approval of gas interconnection	1/31/2001	2/5/2001
Approval of electrical interconnection	3/28/2001	3/28/2001
Delivery of all required equipment	6/1/2001	6/1/2001
Start of construction	4/7/2001	4/7/2001
Completion of gas interconnection	6/4/2001	6/4/2001
Completion of electric interconnection	6/4/2001	6/4/2001
Facility ready for test	6/15/2001	6/15/2001

Commercial Operation Date 7/1/2001 7/1/2001”

“10.15 Emissions. Party A shall use commercially reasonable efforts to cause the owner of the Generating Facilities to obtain permits and any emissions offsets in order to install and operate each Generating Facility for at least 3,000 hours per year through December 31, 2005 at nominal generating capacity.”

“10.16 Reports. Party A shall deliver monthly progress reports to Party B describing the progress made during the prior month towards completion of the Major Milestones. If one or more Generating Facilities has not achieved commercial operations prior to July 1, 2001, Party A shall supply weekly progress reports with respect to such Generating Facilities.”

“10.17 No Challenge; Defense of Agreement. Neither Party will exercise any of its respective rights under Section 205 or Section 206 of the Federal Power Act to challenge or seek to modify any of the rates or other terms and conditions of this Agreement.”

“10.18 Dispatch of Generating Facilities.

(a) Dispatch Option. During each of calendar year 2002, 2003, 2004 and 2005, Party B shall have the option (the “Dispatch Option”) to request that Party A cause each of the Generating Facilities to be operated for up to 500 hours. In the event Party B does not elect to dispatch the Generating Facilities at least 500 hours during such period (whether due to Allowed Outage Hours (as hereinafter defined) or otherwise), any such shortfall shall not be carried over to the next calendar year. Party B may not exercise the Dispatch Option with respect to any Generating Facility unless and until such Generating Facility has reached commercial operations date; provided, however, that in the event Party B elects to reduce Base Quantities due to the failure of one or more Generating Facilities to reach commercial operations prior to August 1, 2002, Party B shall forfeit its Dispatch Option with respect to such Generating Facility. Electric energy generated by a Generation Facility in response to a Dispatch Notice (as hereinafter defined) may be (X) used by Party A to satisfy its obligations to sell electric energy to Party B pursuant to Section 3.4 herein, (Y) used by Party A to consummate a sale into the secondary trading market; provided, however, if Party A elects to sell such electric energy into the secondary trading market, Party A shall sell such electric energy to a delivery point located within any of NP-15, SP-15 or ZP-26, or (Z), in the case of Uneconomic Power (as hereinafter defined), sold to Party B as a sale of electric energy in addition to Party A’s obligations to sell electric energy to Party B pursuant to Section 3.4 herein.

(b) Dispatch Notices. Party B shall provide written notice (“Dispatch Notice”) of its election to exercise the Dispatch Option on a day-ahead prescheduled basis with a minimum of two (2) hours notice prior to the

applicable day-ahead scheduling deadlines in effect at such time. The minimum run time of each Generating Facility shall be ten (10) hours.

(c) Dispatch Option Adjustment.

(i) For each hour which Party B elects to dispatch a Generation Facility and (A) the output of the applicable Generating Facility is previously committed to third parties (including, but not limited to, serving the California ISO's ancillary service market), or (B) the Generation Facility is run during the time set forth in the Dispatch Notice, or (C) the Generating Facility cannot be operated due to emission restraints, Party A shall satisfy its obligation to dispatch the Generation Facility (each such hour, a "Running Hour").

(ii) For each hour which Party B elects to dispatch a Generation Facility and the Generation Facility is unavailable due to maintenance, forced outage, failure to start or is otherwise unavailable due to an event of Force Majeure (each hour, an "Allowed Outage Hour"), Party A shall not receive credit for such hour towards satisfying the Dispatch Option in the current calendar year, but Party B may not carry over any such hours to the next calendar year.

(iii) In the event the total of the Running Hours and Allowed Outage Hours for each Generating Facility is less than the total hours Party B elects to dispatch such Generating Facility in a calendar year, such deficiency shall be added to the number of hours Party B would otherwise be allowed to dispatch such Generating Facility in the next calendar year.

(d) Uneconomic Power Dispatch. In the event Party B elects to dispatch a Generating Facility and Party A determines that electricity to be generated by such Generating Facility would be Uneconomic Power (as hereinafter defined), Party B shall either (Y) reimburse Party A for the difference (the "Dispatch Shortfall") between the Power Generation Costs (as hereinafter defined) and the Market Price (as hereinafter defined) or (Z) purchase the Uneconomic Power (such purchase shall be in addition to Party B's obligations to purchase electricity hereunder) at the Power Generation Costs. Market Price means the amount of revenue Party A reasonably estimates it would receive from a market sale of the Uneconomic Power, including, but not limited to the cost to transmit the Uneconomic Power from the Generating Facility to a Delivery Point the Quantity is required to be delivered to hereunder. Uneconomic Power means any electricity generated by a Generating Facility in response to a Dispatch Notice for which Party A determines the Market Price will be less than the Power Generation Costs. Power Generation Costs shall include the cost of generating the Uneconomic Power (including, but not limited to natural gas (including, but not limited to all commodity, transportations, fees and surcharges) required to generate the Uneconomic Power as well as all variable operating costs (operations and maintenance, emissions, etc.)) associated with generating the Uneconomic Power. Payments of Dispatch Shortfall or the Power Generation Costs shall be made in the month following the month such amounts