

Appendix E. DWR Non-Renewable Contract Summaries

Summary of Contract #30: Allegheny Energy Supply Company, LLC

General Information

Seller; Project Name	Allegheny Energy Supply Company, LLC
Fuel	Natural gas
Rated Capacity (MW)	150 to 1,000 MW
Contract Length (years)	11
Delivery Point	SP 15
Dispatchibility	Must-take
Date Contract Executed	March 23, 2001
Expected Operation Date	Already in operation
Technology Description	Steam turbine and gas turbine facilities at Redondo, Ellis, Alamitos (pg. 30-55)
Purchase Option	None

Contract Price

Total Price = \$61.00 / MWh (pg. 30-55)

Risk Allocation

Fuel Supply Risk		Seller bears fuel supply risk, except as excused under Excused Outages.
Fuel Price Risk		Seller bears fuel price risk.
Scheduling Risk		Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	3/23/01 through 3/31/01: 150 MW peak (pg. 30-55) 4/1/01 through 6/30/01: 750 MW peak 7/1/01 through 9/30/01: 250 MW peak 10/1/01 through 12/31/03: 250 MW baseload 1/1/04 through 12/31/04: 500 MW baseload 1/1/05 through 12/31/11: 1,000 MW baseload <i>Peak is delivery 6x16 (6 AM until 10 PM, Monday through Saturday)</i> <i>Baseload is delivery 7x24 (every hour of every day) (pg. 30-57)</i>
Demand Risk	Dispatch Flexibility	Seller has the right to supply energy from a source other than the units specified in this contract. (pg. 30-17)

Demand Risk	Operations and Maintenance Restrictions	Seller will use reasonable efforts to ensure the operator of the units utilizes Prudent Utility Practices. (pg. 30-57)
Performance Risk	Capacity Test	None
Performance Risk	Availability	<ul style="list-style-type: none"> Guaranteed Availability = 90% on yearly basis (pg. 30-56) Actual Availability = (delivered energy) / (contract energy amount, given above in Minimum Take) (pg. 30-56) <p><i>No remedy given if Seller does not meet guaranteed availability (only remedy would be default).</i></p>
Performance Risk	Excused Outages	<ul style="list-style-type: none"> If any portion of the units are unavailable due to a forced outage (the removal or derating of any portion of a unit for emergency reasons or due to an unplanned component failure), then Seller can reduce the amount of energy required to be delivered by a percentage calculated as (forced outage amount) / (1000 MW). (pg. 30-16,17) Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to force majeure as defined in that contract. (pg. Master-4) Force Majeure will exist for Seller if any portion of its generating units are adversely affected by eminent domain or similar action on behalf of the State of California. (pg. 30-8) Does not include any action taken by DWR in its governmental capacity, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<ul style="list-style-type: none"> If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)
Default Risk	Definition of Default	<ul style="list-style-type: none"> A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2, 10) Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties). (pg. Master-10)

Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract). (pg. Master-11, 30-9)
Default Risk	Key Credit Requirements	Seller may terminate (with no Termination Payment) if Buyer has been unable to issue at least \$3 billion in investment-grade bonds within one year.
Environmental Risk		<ul style="list-style-type: none"> • If any non-federal governmental authority within California increases any tax or levies a new tax (other than those based on net income or net worth), Buyer will reimburse Seller for the amount of such tax with respect to this agreement. (pg. 30-10) • If the Governor or Legislature take any action that adversely affects Seller's ability or cost to deliver power, then the parties will try to reach agreement as to how to share the costs. If the parties are unable to agree, then Buyer will reimburse Seller for the increased costs. (pg. 30-11) • If the Governor or Legislature take any action that reduces Seller's cost to deliver power, then the parties will try to reach agreement as to how to share the cost decrease. If the parties are unable to agree, then either party can refer the issue to arbitration. (Does not include tax decreases.) (pg. 30-11)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any non-federal governmental authority within California increases any tax or levies and new tax (other than those based on net income or net worth), Buyer will reimburse Seller for the amount of such tax with respect to this agreement. (pg. 30-10) • If any portion of Seller's generating units are adversely affected by eminent domain or similar action on behalf of the State of California, a public utility or a municipal utility, then Seller may elect to terminate either all or part of the contract quantity (as if Buyer defaulted). Buyer may prevent a termination by agreeing to reimburse Seller for any increased cost (pg. 30-8) • If the Governor or Legislature take any action that adversely affects Seller's ability or cost to deliver power, then the parties will try to reach agreement as to how to share the costs. If the parties are unable to agree, then Buyer will reimburse Seller for the increased costs. (pg. 30-11) • If the Governor or Legislature take any action that reduces Seller's cost to deliver power, then the parties will try to reach agreement as to how to share the cost decrease. If the parties are unable to agree, then either party can refer the issue to arbitration. (Does not include tax decreases.) (pg. 30-11) • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform

		<p>the Agreement in order to give effect to the original intention of the Parties. If the Parties are unable to reach agreement, the adversely affected party may terminate. Or the party that did not institute, or willingly join in, such action may terminate (and receive a Termination Payment). (pg. 30-13)</p> <ul style="list-style-type: none">• The agreement “shall not be subject to change by application of either Party pursuant to the provisions of Sections 205 or 206 of the Federal Power Act, or pursuant to Section 451 or other applicable provisions of the California Public Utilities Code”...” It is the express intention of the parties that the authority of the FERC to change this Agreement shall be pursuant to the ‘required by the public interest’ standard, as opposed to the ‘just and reasonable’ standard.” (pg. 30-14)• DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.15-9)• Force Majeure will exist for Seller if any portion of its generating units are adversely affected by eminent domain or similar action on behalf of the State of California. (pg. 30-8)
--	--	---

Summary of Contract #29: Alliance Colton LLC

General Information

Seller; Project Name	Alliance Colton LLC
Fuel	Natural gas
Rated Capacity (MW)	80
Contract Length (years)	10
Delivery Point	SP 15
Dispatchability	Partially dispatchable
Date Contract Executed	April 23, 2001
Expected Operation Date	July 31, 2001
Technology Description	Simple-cycle gas turbines (8 units of 10 MW each) (pg. 29-56, 72)
Purchase Option	None

Contract Price

<p>Total Price = <i>Summer Peak Hours:</i> included in Monthly Fixed Price + Fuel Price (pg. 29-59, 68) <i>Additional Anytime Hours:</i> \$135 / MWh (take-or-pay) + Fuel Price (pg. 29-59) <i>Take-or-Pay Hours:</i> included in Monthly Fixed Price + Fuel Price (pg. 29-59, 68) <i>Optional Take-or-Pay Hours:</i> \$65 / MWh (take-or-pay) + Fuel Price (pg. 29-59)</p>	
Monthly Fixed Price	Ranges from \$1.35 million per month to \$4.45 million per month. (pg. 29-64)
Fuel Price	All fuel costs actually incurred by Seller in providing fuel to generate electricity for Buyer. (pg. 29-68, 69)

Risk Allocation

Fuel Supply Risk	<ul style="list-style-type: none"> • Buyer is default supplier of fuel. Buyer can direct Seller to supply fuel by approving fuel supply contract. (pg. 29-68) • Seller excused in any case where natural gas supply is unavailable. (pg. 29-68) • Fuel supply interruption does not affect the availability of the units when the interruption is due to Force Majeure (if Seller is supplying fuel), or for any reason (if Buyer is supplying fuel). (pg. 29-62)
Fuel Price Risk	<ul style="list-style-type: none"> • Buyer can choose level of fuel price risk exposure by either providing fuel itself or directing how Seller should provide fuel. • Buyer pays all fuel costs.
Scheduling Risk	<ul style="list-style-type: none"> • Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. 29-25)

		<ul style="list-style-type: none"> • Buyer has option to choose to provide Scheduling Coordinator services to Seller; Seller will pay Buyer \$300,000 / year for this service. Buyer responsible for all imbalance charges and revenues, ancillary services, etc. If, on an annual basis, the plant has produced a different amount of energy than was scheduled, Seller responsible for the average imbalance charge or revenue * the number of kWh the plant was under or over. (pg. 29-66) • If Buyer does not choose to provide Scheduling Coordinator services then Seller will. Buyer will be responsible for any net annual imbalance charges or revenues due to the production of a different amount of energy than was scheduled. (pg. 29-67)
Demand Risk	Maximum Take	<ul style="list-style-type: none"> • <i>Summer Peak Hours:</i> up to 1,000 hours / year during Peak hours (8 AM through 12 PM, Monday through Saturday) of June through October, inclusive • <i>Additional Anytime Hours:</i> up to 1,500 hours / calendar year (take-or-pay) • <i>Optional Take-or-Pay Hours:</i> Buyer has option to choose 3,000 (fixed amount, not up to) take-or-pay hours for each of 2003 and 2004. (pg. 29-59)
Demand Risk	Minimum Take	<ul style="list-style-type: none"> • <i>Take-or-Pay Hours:</i> 8/1/01 to 12/31/01: 1,000 hours 2002: 3,000 hours if air permits are available, otherwise 1,500 hours • Each scheduled unit (10 MW) must be run at full output, and must be scheduled for at least 8 consecutive hours. (pg. 29-56, 70) • Buyer must choose on an annual basis the number of Additional Anytime Hours (given above in Maximum Take) it desires. Once chosen, these hours will be take-or-pay. (pg. 29-59)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • <i>Summer Peak Hours:</i> Buyer can schedule Summer Peak Hours on a day-ahead basis, and adjust on a real-time basis unless scheduled for sale to third party buyer. (Buyer pays for any imbalance charges due to real-time change). Seller can sell to a third party any remaining energy that has not been scheduled. (pg. 29-60, 70) • Seller can sell to a third party with Buyer's approval. (pg. 29-60) • <i>Additional Anytime Hours:</i> Buyer must tell Seller the number of hours they wish to use prior to each month, these hours are then available to be scheduled during the month. (pg. 29-60) • Seller has the option to give Buyer three-hour notice to schedule one less unit than Buyer requested (up to 300 hours during each Summer Peak period), and to run that unit to sell reserve energy to the ISO. Seller can use these revenues only to pay for imbalance charges. Any revenues left at the end of the year go to Buyer. (pg. 29-67) • All schedules subject to the physical operation limits of the plant. (pg. 29-70)

		<ul style="list-style-type: none"> No more than 2 start-ups per day for each unit on any day in which Additional Anytime Hours are scheduled, otherwise no more than 1 start-up per unit per day. (pg. 29-70)
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> Units to be maintained by Seller in compliance with prudent electric industry practices. (pg. 29-56) Seller will provide Buyer with an annual schedule of the anticipated maintenance schedule. Seller will accept any reasonable changes to the schedule requested by Buyer. (pg. 29-58) Seller will use commercially reasonable effort to avoid performing maintenance during June through October. Seller will try to perform any maintenance required to be performed during this time during off-peak hours. (pg. 29-58) Seller must provide at least two week notice of any scheduled outage during the Summer Peak period. (pg. 29-70)
Performance Risk	Capacity and Heat Rate Test	Contract Capacity and Contract Heat Rate determined by annual testing; Seller has the right to re-test at any time, but no more than once a month. (pg. 29-57)
Performance Risk	Availability	<ul style="list-style-type: none"> Guaranteed Availability: 95% (pg. 29-62) Availability is calculated as (the number of MWh's that were available to be delivered during the period) / (the total possible number of hours during the given period adjusted for scheduled outages * Contract Capacity) (pg. 29-76) Availability is calculated for the following periods: Summer Peak (June through October), any year that the option to take Additional Anytime Hours is exercised. (pg. 29-62)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> If plant is unavailable as a result of a Forced Outage (as defined in NERC Generating Unit Availability Data System Forced Outage reporting guidelines). (pg. 29-51) <i>i.e. an outage resulting from an immediate mechanical / electrical / hydraulic control system trip or operator-initiated trip in response to an alarm.</i> If plant is unavailable due to a circumstance that was not anticipated as of the date this contract was executed, and that's not within the reasonable control of (or the result of negligence of) Seller. (pg. 29-51) Seller excused in any case where natural gas supply is unavailable. (pg. 29-68)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. 29-20) Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. 29-20) Does not include transmission curtailments unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. 29-20) Does not include any action taken by DWR in its governmental

		<p>capacity or by the State of California or any subdivision thereof, if Buyer is the claiming party. (pg. 29-41, 29-15)</p> <ul style="list-style-type: none"> • Buyer not excused from making Monthly Fixed Payments as a result of a Force Majeure in which Buyer is claiming party. (pg. 29-65)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • The part of the contract with respect to any 10 MW unit that has not reached commercial operation by June 1, 2002 will be terminated. (pg. 29-57) • Buyer can terminate if none of the units reach commercial operation by June 1, 2002. (pg. 29-57) • If not all units reach commercial operation, then the Monthly Fixed Price is reduced proportionately. (i.e. Monthly Fixed Price is multiplied by the number of units that reached operation divided by 8.) (pg. 29-61) • If any units reach operation before 8/1/01, Seller gains a credit that can only be used to offset reductions in the Monthly Fixed Price (due to units not reaching commercial operation, above) equal to \$17,193 per unit / day. (pg. 29-61) <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Contract Capacity is less than 95% of guaranteed capacity (adjusted for temperature, given in contract) then Monthly Fixed Price during summer months (June through October) is reduced by multiplying the price by $[(\text{Contract Capacity}) / (95\% \text{ of guaranteed capacity}) / 2]$. (pg. 29-61) • If Contract Heat Rate is greater than 105% of guaranteed heat rate (adjusted for temperature, given in contract) then Monthly Fixed Price during summer months (June through October) is reduced by multiplying the price by $[(105\% \text{ of guaranteed heat rate}) / (\text{Contract Heat Rate}) / 2]$. (pg. 29-61) • If the plant's availability (as calculated above, under Availability) is less than 95% for any given period, then the Seller will pay the Buyer (the Monthly Fixed payments made during that period) * (1 – availability) (pg. 29-62,63) • If Seller fails to deliver energy scheduled under this agreement, Seller has no liability unless failure was due to gross negligence or willful misconduct, in which case Seller pays Buyer the difference between the costs to Buyer for purchasing replacement energy and the Contract Price. (pg. 29-25, 69) • If Buyer fails to receive energy required under this agreement, the Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. 29-25)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of “bankrupt” includes any entity that is generally unable to pay its debts as they fall due. (pg. 29-18, 29-26) • Failure to perform any material covenant (that is not fixed within 90 days), except for delivering energy (has its own

		remedies, given under Performance Penalties) (pg.29-26)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies for losses incurred during the suspension period. (pg. 29-12) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. 29-10,27)
Default Risk	Key Credit Requirements	Seller will give Buyer either a letter of credit for \$5 million or a lien on the generating facility. (pg. 29-69)
Environmental Risk		<ul style="list-style-type: none"> • For Take-or-Pay Hours during 2002, the Fixed Monthly payments do not decrease if Seller is unable to obtain enough air permits to run for 3,000 hours. (pg. 29-59) • If Seller is unable to obtain necessary permits by June 1, 2002, then Seller can terminate with no termination payment. (pg. 29-69)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. 29-39) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.29-15) • "Seller represents and warrants to Buyer that (a) it is standard business practice in jurisdictions where sellers in power sales transactions believe there to be political risk, to provide in transactions with non-government entities that future changes in taxes are generally borne by the customer in a power sales transaction; (b) no change in tax law has been included in Seller's Contract Price; and (c) if the taxes that would be paid by Seller, other than income taxes, are reduced, then Seller shall pass all of such tax reduction on to Buyer." (pg. 29-13) <i>It is unclear whether the contract actually requires Buyer to take risk of a tax increase.</i>

Summary of Contract #7: Calpeak Power – Mission LLC

General Information

Seller; Project Name	Calpeak Power – Mission LLC
Fuel	Natural gas
Rated Capacity (MW)	49
Contract Length (years)	10 (pg. 7-13)
Delivery Point	SP 15
Dispatchability	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	December 11, 2001
Technology Description	New simple-cycle combustion turbine Guaranteed Heat Rate = 10,302 BTU / kWh (pg. 7-3)
Purchase Option	At end of term, Buyer has right to purchase the project. If parties are unable to agree on a price, then the price is the lesser of the net book value and the market value of the plant (as long as it's greater than the outstanding amount of debt). (pg. 7-31,32)

Contract Price

Total Price = Capacity Price + Variable O&M Price + Fuel Price (pg. 7-9)	
Capacity Price	Capacity Charge * Contract Capacity <i>Capacity Charge varies by month, but equals \$120,000 / MW-yr (pg.7-9)</i>
Variable O&M Price	Variable O&M Charge * MWh of energy delivered <i>Variable O&M Charge = \$5 / MWh (pg. 7-10)</i>
Fuel Price	The cost of fuel provided by Seller to generate energy for Buyer, either pursuant to the Fuel Supply Plan or on the spot market. (Buyer pays any fuel cost impacts identified by Seller for any real-time changes in energy schedule) (pg.7-12,39)

Risk Allocation

Fuel Supply Risk	<ul style="list-style-type: none"> • Seller and Buyer agree on Fuel Supply Plan that specifies how Seller intends to procure fuel and transportation services (pg. 7-11) • Parties can agree on extended-term obligations that span multiple Fuel Supply Plans (such as fixed price contracts) (pg. 7-12) • Seller supplies firm transportation (pg. 7-12) • If parties don't agree on Fuel Supply Plan, Buyer can elect to supply fuel. If Buyer doesn't elect to supply fuel, Seller supplies fuel from the spot market. (pg. 7-11)
------------------	---

		<ul style="list-style-type: none"> • If Seller can't get fuel from the spot market, using commercially reasonable effort, then Buyer will supply fuel. If Buyer can't supply fuel, then it's a Force Majeure. (pg. 7-12) • Buyer responsible for any charges imposed on fuel it provides to the facility. (pg.7-12) • Party responsible for any fuel imbalance charges pays for them. (except Seller gets no penalty for providing fuel for a minimum of four hours per day) (pg. 7-12) • Buyer will pay Fuel Manager maximum of 2 cents / decatherm for services, and to minimize imbalance charges (pg.7-12,13) • Force Majeure includes curtailment of gas supply by fuel provider for reliability or non-economic reasons, provided Seller has not failed to make arrangements for firm gas transportation. (pg.7-8)
Fuel Price Risk		<ul style="list-style-type: none"> • Buyer can choose level of fuel price risk exposure. • Buyer can either approve Fuel Supply Plan for Seller to supply fuel, or Buyer can supply fuel. Either way Buyer pays for the cost of the fuel.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling and charges at and from the Delivery Point. Buyer responsible for all transmission services, including ancillary services and line losses, after Delivery Point (pg. 7-10)
Demand Risk	Maximum Take	<ul style="list-style-type: none"> • Peak Period: 1200 hours / year (pg. 7-37) (6 AM to 10 PM, Mon. – Sat., Dec. – Feb., June – Oct.) • Off - Peak Period: 1300 hours / year • Facility cannot be started-up more than two times per day. (pg.7-39)
Demand Risk	Minimum Take	<ul style="list-style-type: none"> • If facility is dispatched during a day, it must be scheduled for a minimum of four consecutive hours. (pg.7-39)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Buyer can dispatch facility within Maximum Take limits (pg. 7-10) • Buyer can schedule on day-ahead basis, and may adjust on real-time basis to the extent the other capacity is not committed by Seller (Buyer pays any fuel cost impacts identified by Seller, for any real-time changes) (pg.7-39)
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> • Seller will schedule major maintenance during November, March, April and May. (pg.7-14)
Performance Risk	Capacity Test	<ul style="list-style-type: none"> • Contract Capacity tested at Seller's discretion or Buyer's request. Buyer may not request a test more than once a year, and must pay for the costs of tests it requests. (pg. 7-7)
Performance Risk	Availability	<ul style="list-style-type: none"> • Availability Guarantee: (pg. 7-15) June – October, December – February: 96% November, March, April and May: 94% • Actual Availability = (# MWh actually delivered / # MWh Buyer requested to be delivered)
Performance	Excused Outages	<ul style="list-style-type: none"> • If Buyer or utility fails to obtain adequate transmission to take

Risk		<p>delivery of energy at Delivery Point. (pg. 7-3,19)</p> <ul style="list-style-type: none"> • Any transmission system emergency not resulting from act of Seller (pg. 7-3,19) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Force Majeure exists if failure to perform is due to events that are beyond the reasonable control of a party, without the fault or negligence of the party. (includes terrorism) (pg. 7-8) • Includes curtailment of gas supply by fuel provider for reliability or non-economic reasons, provided Seller has not failed to make arrangements for firm gas transportation. (pg.7-8) • Does not include events affecting performance of third-party suppliers of goods, except to the extent they're caused by Force Majeure. (pg. 7-8,19) • If Buyer and Seller don't agree on a Fuel Supply Plan, and Buyer doesn't elect to supply fuel, if Seller can't get fuel from the spot market, using commercially reasonable effort, and Buyer can't supply fuel, then it's a Force Majeure. (pg. 7-12) • Buyer still pays capacity payment for the amount of capacity Seller is able to provide during a Force Majeure. (pg.7-19) • If Force Majeure continues for one year, party not claiming Force Majeure may terminate with no termination payment. (pg.7-19)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • If commercial operation has not been achieved by November 1, 2001, Seller will deliver to Buyer a performance bond for \$1 million. If commercial operation has not been achieved by December 31, 2001, Buyer has right to draw the full amount of the performance bond. (pg. 7-16) • Buyer may terminate if Seller fails to deliver performance bond for late commercial operation date, or if operation has not been achieved by June 1, 2002. (pg.7-16) • Buyer may terminate if facility's Contract Capacity is less than 40 MW. (pg.7-17) <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Seller fails to meet 60% annual average availability for any two years out of three, Buyer has right to terminate. (pg.7-15) • If Seller fails to meet Availability Guarantee, and failure was not caused by Buyer, Force Majeure, or a transmission system failure, then Seller refunds to Buyer 1% of Capacity Price for each percent Seller was under Availability Guarantee. It's only an event of default if Seller fails to meet Availability Guarantee intentionally. (pg. 7-11,15) • If plant's heat rate (as tested annually) exceeds Guaranteed Heat Rate (given above under Technology Description), Seller pays Buyer \$450 for each BTU / kWh in excess, up to maximum annual liability of \$400,000. (pg. 7-16,42) • If Seller fails to meet Guaranteed Heat Rate and has an annual penalty of \$400,000 for two years, and fails to correct the problem, Buyer can terminate. (pg. 7-16)

Default Risk	Definition of Default	<ul style="list-style-type: none"> • Seller intentionally does not meet Availability Guarantee. (pg. 7-15) • Failure of party to perform material covenant or obligation, uncured for 60 days. (pg. 7-20) • Bankruptcy
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party can suspend performance for duration of default. (pg.7-23) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg.1-20,21)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Seller must provide one of the following: (pg. 7-23) <ul style="list-style-type: none"> • Investment grade long-term debt • Security for Seller’s performance as mortgage on facility, etc. • A guarantee agreement from corporate parent with investment grade debt. • If Buyer fails to maintain investment grade ratings on the bonds for 30 consecutive days, Seller may terminate with no termination payment. (pg. 7-22)
Environmental Risk		<ul style="list-style-type: none"> • Seller responsible for acquiring all permits (pg.7-14) • Contract specifies NO_x limit of 3.5 ppm (pg.7-14) • Seller can terminate if the United States or any agency thereof imposes a tax or imposition that reduces the benefits of this agreement to the Seller, and that is not generally applicable, but instead is targeted at electricity or natural gas or other energy services, if the parties can’t agree on course of action. (pg.7-22)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • Seller can terminate if the United States or any agency thereof imposes a tax or imposition that reduces the benefits of this agreement to the Seller, and that is not generally applicable, but instead is targeted at electricity or natural gas or other energy services, if the parties can’t agree on course of action. (pg.7-22) • Contract Price will be increased or decreased to account for any charge imposed by the State of California or any agency thereof that is not generally applicable, but is targeted at electricity services. (pg. 7-28) • Parties acknowledge that the rates and terms in this contract are “just and reasonable” within the meaning of the Federal Power Act. (pg. 7-27) • Parties agree not to institute or voluntarily cooperate with any FERC proceeding that is intended to or could change the terms of this agreement, without consent of the other party. Parties agree that the rates will not change for the term of the contract without agreement of the parties. (pg. 7-30) • Buyer agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 7-31)

Summary of Contract #8: Calpeak Power – Border LLC

General Information

Seller; Project Name	Calpeak Power – Border LLC
Fuel	Natural gas
Rated Capacity (MW)	48.6
Contract Length (years)	10
Delivery Point	SP 15
Dispatchibility	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	September 25, 2001
Technology Description	New simple-cycle combustion turbine Guaranteed Heat Rate = 10,304 BTU / kWh (pg.8-3)
Purchase Option	At end of term, Buyer has right to purchase the project. If parties are unable to agree on a price, then the price is the lesser of the net book value and the market value of the plant (as long as it's greater than the outstanding amount of debt). (pg. 8-31,32)

Contract Price *identical to contract #7*

Risk Allocation *identical to contract #7*

Summary of Contract #9: Calpeak Power – Panoche LLC

General Information

Seller; Project Name	Calpeak Power – Panoche LLC
Fuel	Natural gas
Rated Capacity (MW)	49.9
Contract Length (years)	10
Delivery Point	NP 15 (pg. 9-37)
Dispatchibility	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	September 15, 2001
Technology Description	New simple-cycle combustion turbine Guaranteed Heat Rate = 10,254 BTU / kWh (pg.9-3)
Purchase Option	At end of term, Buyer has right to purchase the project. If parties are unable to agree on a price, then the price is the lesser of the net book value and the market value of the plant (as long as it's greater than the outstanding amount of debt). (pg. 9-31,32)

Contract Price *identical to contract #7*

Risk Allocation *identical to contract #7*

Summary of Contract #10: Calpeak Power – Vaca Dixon LLC

General Information

Seller; Project Name	Calpeak Power – Vaca Dixon LLC
Fuel	Natural gas
Rated Capacity (MW)	48.2
Contract Length (years)	10
Delivery Point	NP 15 (pg. 10-37)
Dispatchibility	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	October 16, 2001
Technology Description	New simple-cycle combustion turbine Guaranteed Heat Rate = 10,300 BTU / kWh (pg.10-3)
Purchase Option	At end of term, Buyer has right to purchase the project. If parties are unable to agree on a price, then the price is the lesser of the net book value and the market value of the plant (as long as it's greater than the outstanding amount of debt). (pg. 10-31,32)

Contract Price *identical to contract #7*

Risk Allocation *identical to contract #7*

Summary of Contract #11: Calpeak Power – El Cajon LLC

General Information

Seller; Project Name	Calpeak Power – Vaca Dixon LLC
Fuel	Natural gas
Rated Capacity (MW)	48.9
Contract Length (years)	10
Delivery Point	SP 15 (pg. 11-37)
Dispatchibility	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	December 11, 2001
Technology Description	New simple-cycle combustion turbine Guaranteed Heat Rate = 10,293 BTU / kWh (pg.11-3)
Purchase Option	At end of term, Buyer has right to purchase the project. If parties are unable to agree on a price, then the price is the lesser of the net book value and the market value of the plant (as long as it's greater than the outstanding amount of debt). (pg. 11-31,32)

Contract Price *identical to contract #7*

Risk Allocation *identical to contract #7*

Summary of Contract #12: Calpeak Power – Midway LLC

General Information

Seller; Project Name	Calpeak Power – Midway LLC
Fuel	Natural gas
Rated Capacity (MW)	49.3
Contract Length (years)	10
Delivery Point	SP 15 (pg. 12-37)
Dispatchibility	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	December 11, 2001
Technology Description	New simple-cycle combustion turbine Guaranteed Heat Rate = 10,292 BTU / kWh (pg.12-3)
Purchase Option	At end of term, Buyer has right to purchase the project. If parties are unable to agree on a price, then the price is the lesser of the net book value and the market value of the plant (as long as it's greater than the outstanding amount of debt). (pg. 12-31,32)

Contract Price *identical to contract #7*

Risk Allocation *identical to contract #7*

Summary of Contract #13: Calpeak Power – Enterprise LLC

General Information

Seller; Project Name	Calpeak Power – Enterprise LLC
Fuel	Natural gas
Rated Capacity (MW)	48.4
Contract Length (years)	10
Delivery Point	SP 15 (pg. 13-37)
Dispatchibility	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	September 25, 2001
Technology Description	New simple-cycle combustion turbine Guaranteed Heat Rate = 10,296 BTU / kWh (pg.13-3)
Purchase Option	At end of term, Buyer has right to purchase the project. If parties are unable to agree on a price, then the price is the lesser of the net book value and the market value of the plant (as long as it's greater than the outstanding amount of debt). (pg. 13-31,32)

Contract Price *identical to contract #7*

Risk Allocation *identical to contract #7*

Summary of Contract #14: Calpine Energy Services, L.P.

General Information

Seller; Project Name	Calpine Energy Services, L.P.
Fuel	Unspecified
Rated Capacity (MW)	200 – 1,000 MW
Contract Length (years)	10 (pg. 14-12)
Delivery Point	NP 15 (pg. 14-11)
Dispatchability	Must-take
Date Contract Executed	February 6, 2001
Expected Operation Date	October 1, 2001
Technology Description	Unspecified
Purchase Option	None

Contract Price

Total Price = \$58.60 / MWh (pg. 14-12)

Risk Allocation

Fuel Supply Risk		Seller bears fuel supply risk except in cases of Force Majeure.
Fuel Price Risk		Seller bears fuel price risk.
Scheduling Risk		Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	<i>October 1 to December 31, 2001: 200 MW (7x24 delivery) 2002: 350 MW (7x24 delivery) 2003: 600 MW (7x24 delivery) 2004 through 2011: 1,000 MW (7x24 delivery) (pg. 14-11) 7x24 delivery is all hours of every day</i>
Demand Risk	Dispatch Flexibility	Seller may schedule one or more different delivery points within NP 15 on an hourly basis. (pg. 14-11)
Demand Risk	Operations and Maintenance Restrictions	None
Performance Risk	Capacity Test	None
Performance	Availability	None

Risk		
Performance Risk	Excused Outages	Force Majeure. (pg. 14-11, Master-29)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) • Does not include any action taken by DWR in its governmental capacity, or the State of California or any agency thereof, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<ul style="list-style-type: none"> • If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) • Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10) • If Seller or Calpine Corporation defaults on payments in an aggregate amount of 3% of the stockholder's equity and such default would have a material adverse affect on Seller's ability to perform its obligations under this contract, then Seller defaults. (pg. 14-2, Master-10) • If Buyer fails to make payment or defaults on any bonds issued by Buyer, then Buyer defaults. (pg. 14-2, Master-10) • If either party fails to deliver Performance Assurances as required under Key Credit Requirements, then that party defaults. (pg. 14-7)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. 14-6)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Seller's satisfaction that provisions have been made to assure Seller of full payment is a condition precedent to Seller's

		<p>obligations under this contract. If Seller is not satisfied by the date of the first delivery of electricity, Seller may terminate. (pg. 14-5)</p> <ul style="list-style-type: none"> • If Seller has reasonable grounds to believe that Buyer's ability to perform under this contract has become unsatisfactory, Seller may require Buyer to provide Performance Assurance (collateral in the form of cash, letter of credit, or other security acceptable to Seller) within 3 days. (pg. 14-7,4) • If Buyer has reasonable grounds to believe that Seller's ability to perform under this contract has become unsatisfactory, Buyer may require Seller to provide Performance Assurance (demonstrate that Seller owns or controls enough generation to be able to perform its obligations) within 3 days. (pg. 14-7,4)
Environmental Risk		<ul style="list-style-type: none"> • If Seller can demonstrate that its costs have increased in aggregate by \$5 / MWh due to any action by a governmental entity, then Buyer will pay Seller for all increased costs of service in excess of \$5 / MWh for the remainder of the term. (pg. 14-8)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If Seller can demonstrate that its costs have increased in aggregate by \$5 / MWh due to any action by a governmental entity, then Buyer will pay Seller for all increased costs of service in excess of \$5 / MWh for the remainder of the term. (pg. 14-8) • The terms and conditions of the contract will not be subject to change through application to the FERC by either party or by the State of California or any agency thereof. Both parties agree not to make filings under Section 205 or 206 of the Federal Power Act to revise this rate schedule. If a third party makes a filing, they will be required to meet the 'public interest standard' under Section 206 of the FPA. (pg. 14-9) • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 14-9)

Summary of Contract #17: Calpine Energy Services, L.P.

General Information

Seller; Project Name	Calpine Energy Services, L.P.
Fuel	Natural gas
Rated Capacity (MW)	<i>Product A:</i> 200 – 1,000 MW <i>Product B:</i> 90 - 495 MW (pg. 17-17)
Contract Length (years)	<i>Product A:</i> 10 years (pg. 17-13) <i>Product B:</i> 20 years (pg. 17-16)
Delivery Point	<i>Product A:</i> anywhere within the ISO grid to be designated by Seller before June 1, 2001 and 2002 (pg. 17-12, 13) <i>Product B:</i> NP 15 (pg. 17-17)
Dispatchibility	<i>Product A:</i> Must-take <i>Product B:</i> Fully dispatchable
Date Contract Executed	February 26, 2001
Expected Operation Date	July 1, 2001
Technology Description	<i>Product A:</i> Combined cycle facilities (source: CEC) at Otay Mesa, Teayawa, Metcalf, East Altamont (pg. 17-13) <i>Product B:</i> Simple cycle facilities (source: CEC) at Greenleaf Two, King City, Watsonville and Gilroy, 11 units of 45 MW each (pg. 17-17)
Purchase Option	None

Contract Price

Total Price = <i>Product A:</i> 2001: \$115 / MWh 2002 through 2011: \$61 / MWh (pg. 17-13) <i>Product B:</i> \$73 / MWh + Capacity Price	
Capacity Price	<i>August 1, 2001 through July 31, 2006:</i> \$90 million / year <i>August 1, 2006 through July 31, 2021:</i> \$80 million / year (pg. 17-17)

Risk Allocation

Fuel Supply Risk		Seller bears fuel supply risk except in cases of Force Majeure.
Fuel Price Risk		Seller bears fuel price risk.
Scheduling Risk		Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9)

Demand Risk	Maximum Take	<p><i>Product B:</i></p> <p>August 1, 2001 through July 31, 2002: 90 MW increasing to 450 MW only during peak period</p> <p>August 1, 2002 through July 31, 2021: 495 MW only during peak period (pg 17-16, 18)</p> <p>2,000 hours per year (pg. 17-19)</p> <p><i>Peak period is June through October, December through January, Monday through Saturday, 6 AM until 10 PM. (pg. 17-18)</i></p>
Demand Risk	Minimum Take	<p><i>Product A:</i></p> <p>July 1, 2001 through June 30, 2002: 200 MW</p> <p>July 1, 2002 through December 31, 2011: 1,000 MW (pg. 17-12)</p> <p><i>Although the contract does not specify, assume Product A is to be delivered 7x24.</i></p> <p><i>Product B:</i></p> <p>Any unit scheduled must operate at least at 80% of capacity (36 MW) (pg. 17-18)</p> <p>Each unit scheduled must be for a minimum of 4 hour flat blocks. (pg. 17-19)</p>
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Seller has the right to change the units designated to generate electricity for this contract with at least 15 days notice to Buyer, as long as the replacement units (or market sources) deliver energy into the same ISO congestion zone. (pg. 17-13, 17) <p><i>Product B:</i></p> <ul style="list-style-type: none"> • Buyer may schedule energy up to Maximum Take on a day-ahead basis. 500 hours per year can be scheduled with 10 minute notice. (pg. 17-19)
Demand Risk	Operations and Maintenance Restrictions	Seller agrees to maintain the units according to prudent industry practices. (pg. 17-14)
Performance Risk	Capacity Test	None
Performance Risk	Availability	None
Performance Risk	Excused Outages	<p><i>Product A and each unit of Product B until 6 months after commercial operation:</i></p> <ul style="list-style-type: none"> • If a plant is unavailable as a result of a Forced Outage (as defined in NERC Generating Unit Availability Data System Forced Outage reporting guidelines). (pg. Master-35) <i>i.e. an outage resulting from an immediate mechanical / electrical / hydraulic control system trip or operator-initiated trip in response to an alarm.</i> • If a plant is unavailable due to a circumstance that was not anticipated as of the date this contract was executed, and that's not within the reasonable control of (or the result of negligence of) Seller. (pg. Master-35)

		<p><i>Product B, 6 months after commercial operation for each unit:</i></p> <ul style="list-style-type: none"> Force Majeure (pg. 17-18, Master-29)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) Does not include any action taken by DWR in its governmental capacity, or the State of California or any agency thereof, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Seller will use commercially reasonable efforts to achieve commercial operation of each unit, but is not liable to Buyer, or liable to provide the quantity of energy that would have been provided by a unit, if it does not reach commercial operation. The contract quantity given under Minimum Take, above, would be reduced accordingly. (pg. 17-13,14, 18) <p><i>Operations</i></p> <ul style="list-style-type: none"> If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)
Default Risk	Definition of Default	<ul style="list-style-type: none"> A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. 17-5,6)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> Seller's satisfaction that provisions have been made to assure Seller of full payment is a condition precedent to Seller's obligations under this contract. If Seller is not satisfied by the later of July 1, 2001 or 30 days after Seller has received final documents relating to the DWR Electric Power Fund and

		bonds, Seller may terminate. (pg. 17-5)
Environmental Risk		<ul style="list-style-type: none"> • If Seller can demonstrate that its costs have increased in aggregate by \$0.50 / MWh due to any action by a governmental entity, then Buyer will pay Seller for all increased costs of service in excess of \$0.50 / MWh for the remainder of the term. (pg. 17-6)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If Seller can demonstrate that its costs have increased in aggregate by \$0.50 / MWh due to any action by a governmental entity, then Buyer will pay Seller for all increased costs of service in excess of \$0.50 / MWh for the remainder of the term. (pg. 17-6) • The terms and conditions of the contract will not be subject to change through application to the FERC by either party or by the State of California or any agency thereof. Both parties agree not to make filings under Section 205 or 206 of the Federal Power Act to revise this rate schedule. If a third party makes a filing, they will be required to meet the 'public interest standard' under Section 206 of the FPA. (pg. 17-8) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 17-8) • Buyer covenants that it will not alter the economic benefits or burdens conferred on Seller under this agreement until all performance obligations have been met. (pg. 17-8) • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23)

Summary of Contract #19: Calpine Energy Services, L.P.
Note: Contract #19 is another transaction added to Contract #17

General Information

Seller; Project Name	Calpine Energy Services, L.P.
Fuel	Natural Gas
Rated Capacity (MW)	180 – 225 (pg. 19-1,2)
Contract Length (years)	3 (pg. 19-4)
Delivery Point	NP 15 (pg. 19-2)
Dispatchibility	Fully dispatchable
Date Contract Executed	June 11, 2001
Expected Operation Date	<i>Simple cycle:</i> May 1, 2002 <i>Combined cycle:</i> July 1, 2003 (pg. 19-2)
Technology Description	Four simple cycle units of 45 MW each, to be converted to combined cycle units of 56.25 MW each. (pg. 19-4)
Purchase Option	None

Contract Price

Total Price = Capacity Price + Fuel Price + Variable O&M Price	
Capacity Price	<p>Capacity Charge * Contract Capacity *(1 + Availability Adjustment)</p> <ul style="list-style-type: none"> • <i>Capacity Charge =</i> <i>First year:</i> \$22 / kW month <i>Second year:</i> \$20 / kW month <i>Third year:</i> \$18 / kW month (pg. 19-3) • <i>Availability Adjustment = Actual Availability - Guaranteed Availability (pg. 19-6)</i>
Fuel Price	<p>Fuel Quantity * Fuel Price * Heat Rate Factor</p> <ul style="list-style-type: none"> • <i>Fuel Quantity = monthly metered usage of gas to generate power scheduled by Buyer, plus equivalent gas at Guaranteed Heat Rate for any replacement energy (including ISO imbalance energy) (pg. 19-2)</i> • <i>Fuel Price = the cost of gas as determined in the Annual Fuel Plan (pg. 19-2)</i> • <i>Heat Rate Factor =</i> If Seller supplies fuel: <i>lesser of 1.0, and (Guaranteed Heat Rate / Actual Heat Rate)</i> If Buyer supplies fuel: <i>[lesser of 1.0, and (Guaranteed Heat Rate / Actual Heat Rate)] – 1.0; i.e. Fuel Price is 0 if guaranteed heat rate is met, if not then Fuel Price is negative. (pg. 19-3)</i>
Variable O&M Price	\$4 / MWh (pg. 19-3)

Risk Allocation

Fuel Supply Risk		<ul style="list-style-type: none"> Each year, Seller will propose an Annual Fuel Plan. If Buyer accepts, then Seller supplies fuel. If Buyer does not accept, then Buyer supplies fuel. (pg. 19-3) Fuel imbalance charges borne by party at fault; imbalance charges due to Force Majeure are divided equally between the parties. (pg. 19-4)
Fuel Price Risk		Buyer bears fuel price risk. Buyer can mitigate the fuel price risk by providing fuel itself or approving an appropriate Annual Fuel Plan for Seller to provide fuel.
Scheduling Risk		<ul style="list-style-type: none"> Seller responsible for transmission service to the Delivery Point, and responsible for all ISO imbalance charges. (pg. 19-7) Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9)
Demand Risk	Maximum Take	4,000 hours per year, during the Peak Period (pg. 19-7) <i>Peak Period is 6 AM until 10 PM, Monday through Saturday (pg. 19-6)</i>
Demand Risk	Minimum Take	<ul style="list-style-type: none"> Any scheduled unit must operate between 80 and 100% of capacity, and comply with other operating specifications such as ramp times. (pg. 19-6) All energy scheduled from a unit must be in minimum 4 hour flat blocks. (pg. 19-8)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> Seller has the right to change the units designated to generate energy for this contract with 15 days notice, or supply energy from the market in the case of a forced outage or Force Majeure (delivery will remain into NP 15). (pg. 19-4) Buyer can dispatch up to Maximum Take on a day-ahead basis. Buyer can dispatch up to 1,000 hours on 10 minutes notice. (pg. 19-8)
Demand Risk	Operations and Maintenance Restrictions	None
Performance Risk	Capacity Test	Contract Capacity determined each year using a performance test. Each party may request up to two additional tests per year. (pg. 19-7)
Performance Risk	Availability	<ul style="list-style-type: none"> Guaranteed Availability: 98% for Summer, 92% for Winter Actual Availability = [the sum over all peak hours in the month of: (energy delivered) / (energy scheduled) + (capacity that was capable of being scheduled, if none was) / (Contract Capacity)] / [number of peak hours in the month] (pg. 19-6) <i>Summer is June through October, Winter is November through May</i>
Performance Risk	Heat Rate	<ul style="list-style-type: none"> Guaranteed Heat Rate: <i>Simple cycle = 10,500 Btu / kWh</i> <i>Combined cycle = 8,500 Btu / kWh</i> (pg. 19-3) Actual Heat Rate = (Monthly Fuel Quantity) / (total energy scheduled by Buyer during month) (pg. 19-3)

		<ul style="list-style-type: none"> Fuel Price is adjusted if Actual Heat Rate < Guaranteed
Performance Risk	Excused Outages	<ul style="list-style-type: none"> If a plant is unavailable as a result of a Forced Outage (as defined in NERC Generating Unit Availability Data System Forced Outage reporting guidelines). (pg. Master-35) <i>i.e. an outage resulting from an immediate mechanical / electrical / hydraulic control system trip or operator-initiated trip in response to an alarm.</i> If a plant is unavailable due to a circumstance that was not anticipated as of the date this contract was executed, and that's not within the reasonable control of (or the result of negligence of) Seller. (pg. Master-35) If Buyer is fuel supplier, and fails to deliver required gas. (pg. 19-4) If the output of a unit designated to supply energy under this contract is curtailed for any reason, Seller can reduce energy deliveries. (pg. 19-6) Seller has the right to designate one period up to two weeks in duration (with 15 day notice to Buyer) during which Buyer may not schedule any energy; such period will be deemed time under Force Majeure. (pg. 19-8) Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) Does not include any action taken by DWR in its governmental capacity, or the State of California or any agency thereof, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Seller's obligations to supply energy from any unit are contingent upon that unit reaching commercial operation. Seller agrees to use commercially reasonable efforts to achieve commercial operation by May 1, 2002, but will otherwise not be liable to Buyer until a unit reaches operation. (pg. 19-5) Buyer can terminate the part of the contract relating to any unit that does not achieve commercial operation in simple cycle by July 1, 2002, unless Seller commits to make 180 MW available on a "firm with liquidated damages" basis until October 1, 2002, in which case the deadline will be October 1, 2002. (pg. 19-5) If none of the units achieve commercial operation in simple cycle by July 1, 2002, then Buyer can terminate. (pg. 19-5)

		<p><i>Operations</i></p> <ul style="list-style-type: none"> • If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9) • Seller penalized and rewarded based on Availability Adjustment to Capacity Price. • Seller penalized for not meeting Guaranteed Heat Rate, through Fuel Price.
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of “bankrupt” includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) • Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. 17-5,6)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Seller’s satisfaction that provisions have been made to assure Seller of full payment is a condition precedent to Seller’s obligations under this contract. If Seller is not satisfied by the later of October 31, 2001 or 30 days after Seller has received final documents relating to the DWR Electric Power Fund and bonds, Seller may terminate. (pg. 17-5)
Environmental Risk		<p>Seller can pass through to Buyer any cost related to this agreement, arising out of a tax or other imposition enacted by the California Legislature that is not of general applicability but is instead directed at energy goods and services. Buyer will receive the benefit of a reduction due to any such action by the Legislature. (pg. 19-9)</p>
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • Seller can pass through to Buyer any cost related to this agreement, arising out of a tax or other imposition enacted by the California Legislature that is not of general applicability but is instead directed at energy goods and services. Buyer will receive the benefit of a reduction due to any such action by the Legislature. (pg. 19-9) • The terms and conditions of the contract will not be subject to change through application to the FERC by either party or by the State of California or any agency thereof. Both parties agree not to make filings under Section 205 or 206 of the Federal Power Act to revise this rate schedule. If a third party makes a filing, they will be required to meet the ‘public interest standard’ under Section 206 of the FPA. (pg. 17-8)

		<ul style="list-style-type: none">• DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 17-8)• Buyer covenants that it will not alter the economic benefits or burdens conferred on Seller under this agreement until all performance obligations have been met. (pg. 17-8)• If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23)
--	--	--

Summary of Contract #27: Coral Power, LLC

General Information

Seller; Project Name	Coral Power, LLC
Fuel	Natural gas
Rated Capacity (MW)	275 to 850 MW 215 MW of new facilities (pg. 27-29)
Contract Length (years)	11 (pg. 27-25)
Delivery Point	<i>Product A:</i> SP 15, NP 15, or ZP 15 as selected by Seller on an annual basis for each month of the following year. (At least 25% of deliveries will be to NP 15 at all times.) (pg. 27-17,18) <i>Product B:</i> NP 15 (pg. 27-18)
Dispatchability	Partially dispatchable
Date Contract Executed	May 24, 2001
Expected Operation Date	July 1, 2001 (pg. 27-30)
Technology Description	5 gas turbines, 43 MW nominal capacity each (pg. 27-29)
Purchase Option	None

Contract Price

<p>Total Price =</p> <p><i>May 24, 2001 through June 30, 2002: \$115 to \$249 / MWh</i></p> <p><i>July 1, 2002 through December 31, 2003: \$169 / MWh + Capacity Price</i></p> <p><i>January 1, 2004 through December 31, 2005: \$72.87 / MWh + Capacity Price</i></p> <p><i>January 1, 2006 through June 30, 2012: \$25.16 / MWh + Fuel Price * 7.25 MMBtu / MWh</i></p>	
Capacity Price	<i>July, 2002 through December, 2005:</i> \$358,000 * number of units in commercial operation (pg. 27-15)
Fuel Price	<i>January 1, 2006 through June 30, 2012:</i> If the parties have agreed on a fixed gas price it will be the Fuel Price, otherwise the Fuel Price is the Bidweek, California Border-Topock gas price index. (pg. 27-17) If Buyer supplies fuel, Fuel Price will be zero.

Risk Allocation

Fuel Supply Risk	<ul style="list-style-type: none"> After January 1, 2006, Buyer may elect to supply natural gas (and pay for transportation). (pg. 27-34,35) If Buyer fails to deliver gas, then Buyer will pay Seller an amount equal to (the amount of undelivered gas) * (the daily market value of gas at the delivery point) + all transportation
------------------	--

		<p>costs incurred by Seller to replace the undelivered gas. If Seller fails to receive gas, then Seller pays Buyer the difference between the value of the gas and the amount Buyer was able to sell it to a third party for. (pg. 27-35)</p> <ul style="list-style-type: none"> • The party at fault will reimburse the other party if necessary for any fuel imbalance charges. (pg. 27-35)
Fuel Price Risk		<ul style="list-style-type: none"> • Buyer may request from Seller fixed price quotes for gas for any relevant month. Seller will only enter into financial hedging arrangements deemed appropriate by Seller. (pg. 27-17) • Seller bears fuel price risk for the first 4.5 years of the contract. After that, Buyer bears the fuel price risk but can mitigate the risk by opting for fixed price gas or by supplying gas itself.
Scheduling Risk		<ul style="list-style-type: none"> • Parties agree to schedule in the day-ahead and hour-ahead markets only. (pg. 27-13) • Buyer will obtain scheduling coordinator services and will pay for all fees and imbalance energy charges at and after the Delivery Point. (pg. 27-13)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	<p><i>Product A:</i> (pg. 27-13,14)</p> <p>May 24, 2001 through June 30, 2002: 100 MW to 325 MW peak</p> <p>July 1, 2002 through June 30, 2003: 300 MW peak 100 MW baseload</p> <p>July 1, 2003 through June 30, 2010: 400 MW peak 100 MW baseload</p> <p>July 1, 2010 through June 30, 2012: 100 MW peak 100 MW baseload</p> <p><i>Product B:</i></p> <p>July 1, 2003 through June 30, 2004: 175 MW peak July 1, 2004 through June 30, 2012: 350 MW peak</p> <p>During November, December, March, April and May of each year, the above obligations are reduced by one-half. (pg. 27-14,15)</p> <p><i>Peak delivery is Monday through Saturday, 6 AM until 10 PM. (pg. 27-10)</i></p> <p><i>Baseload delivery is all hours of every day. (pg. 27-9)</i></p>
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Seller can provide energy from any source. (pg. 27-13) • Seller has option to cancel Product B six months prior to the July 1, 2003, and July 1, 2004, and to pay Buyer \$5 million to cancel 175 MW, and \$10 million to cancel all 350 MW. (pg. 27-14) • Beginning on January 1, 2006, Buyer has the right to reduce the baseload deliveries for a given quarter, in increments of 25 MW, however Buyer must still pay Seller \$25.16 / MWh not delivered. (pg. 27-15,17) • Seller has the right, prior to each calendar year, to increase or decrease the quantities to be delivered for the coming year by 10% (except baseload deliveries may not be increased). (pg. 27-15)

		<ul style="list-style-type: none"> If Buyer wants to receive a different amount of energy in a given congestion zone, Buyer may request a price quote from Seller, and will pay for all costs to deliver energy to a different zone. (pg. 27-18) During 2002 through 2005, Buyer has the option to dispatch each unit (not terminated by Buyer) for up to 500 hours per year. In response to a dispatch, Seller can choose to either sell to Buyer as part of Minimum Take, above; sell on the market; or sell to Buyer in addition to Minimum Take. Dispatch will be on a day-ahead basis, and each unit must run for a minimum of 10 hours. If Seller determines that the dispatched energy will cost more to generate than the market price, then Buyer will either reimburse Seller for the difference or buy the power at cost. (pg. 27-30,32)
Demand Risk	Operations and Maintenance Restrictions	Seller will use commercially reasonable efforts to ensure that the maintenance of the units is in compliance with prudent industry practices until 2006. (pg. 27-33)
Performance Risk	Capacity Test	None
Performance Risk	Availability	<ul style="list-style-type: none"> Guaranteed Availability: July, August, September = 97% All other months = 94.3% Actual Availability = (MWh delivered + MWh not delivered due to either Force Majeure or a change in law that prevents Seller from delivering) / (Contract Quantity given in the contract) (pg. 27-18, 11)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> Force Majeure or a change in law that prevents Seller from delivering. (pg. 27-11) Unit-contingent, because force majeure includes failure of a generating facility (below)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> A circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg.27-6) Includes failure of a generating facility if firm electricity is contracted for, and failure of transmission if firm transmission is contracted for. In either of these cases, Force Majeure will only exist for the first full day if services are scheduled in the day-ahead market, or the first full hour if services are scheduled in the hour-ahead market. (pg. 27-6) Does not include market price movements. (pg. 27-6) Does not include any action taken by DWR in its governmental capacity, or the State of California or any agency thereof, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<ul style="list-style-type: none"> Buyer's obligation to pay the Capacity Price will be suspended for any unit affected by Force Majeure 60 days after its commencement. (pg. 27-16) <p><i>Construction</i></p> <ul style="list-style-type: none"> For each generation unit that does not reach commercial operation by August 1, 2002 (or such date as extended one

		<p>day for each day of delay due to either Force Majeure or a change in law), Buyer may reduce the Contract Capacity by 43 MW through to the end of the term of the agreement. If Buyer exercises this right, Seller has the right to determine which part of the Contract Capacity will be reduced (peak, baseload, and which product). (pg. 27-15)</p> <ul style="list-style-type: none"> The Capacity Price for each unit that has not reached commercial operation by October 31, 2001 is reduced by 6% for each subsequent Capacity Price that is due. The Capacity Price for each unit that has not reached commercial operation by June 1, 2002 is reduced by 18% for each subsequent Capacity Price that is due, unless such failure is due to either Force Majeure or a change in law. (pg. 27-15) <p><i>Operations</i></p> <ul style="list-style-type: none"> If Actual Availability is less than Guaranteed Availability, then Seller will pay Buyer 2% of the Capacity Price for each percentage point Actual Availability is less than Guaranteed for such period (but no more than the total Capacity Price). Seller will also pay for Buyer's incremental cost of replacement energy for each MWh of energy not delivered in excess of 3% of total contract quantity during July through September, and in excess of 5.7% otherwise. (pg. 27-18,19,11) If Buyer fails to receive energy scheduled under this agreement, other than as a result of Force Majeure or a change in law, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for, plus any electric or fuel imbalance charges, plus any losses from resale of fuel not used by Seller. (pg. 27-19)
Default Risk	Definition of Default	<ul style="list-style-type: none"> A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties). (pg. Master-10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> Non-defaulting party has the right to suspend performance for up to 180 days. (pg. 27-23) Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract). (pg. 27-22,23)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> Coral Energy Holding, L.P. is a guarantor for Seller up to \$50 million. (pg. 27-4, 52) If Seller's guarantor's rating is lowered below investment grade and Seller does not provide a replacement guaranty within 45 days, then Seller defaults. (pg. 27-21) Seller can terminate (without Termination Payment) if Buyer does not have an investment grade rating on bonds or the DWR Electric Power Fund by October 31, 2001, or if Buyer fails to maintain an investment grade rating. (pg. 27-33)

<p>Environmental Risk</p>		<ul style="list-style-type: none"> • If Seller is unable to develop additional generation due to a change in law which adversely affects Seller's obligations with respect to environmental or emissions requirements, or if Seller is unable to obtain necessary permits, then Seller can cancel Product B with no further liability to Buyer. (pg. 27-14) • Buyer defaults if a change in State law directed at energy goods or services increases costs for Seller, unless Buyer pays Seller for such increase in costs. (pg. 27-21) • Seller will use commercially reasonable efforts to obtain permits and any emission offsets in order to operate each unit for at least 3,000 hours per year through December 31, 2005. (pg. 27-30)
<p>Regulatory / Legislative Risk</p>		<ul style="list-style-type: none"> • The termination deadline for each generation unit is extended one day for each day of delay due to a change in law. (pg. 27-15) • If a change in State law occurs that causes any portion of this agreement to be illegal or unenforceable against Buyer, then Buyer defaults. (pg. 27-20) • Buyer defaults if a change in State law directed at energy goods or services increases costs for Seller, unless Buyer pays Seller for such increase in costs. (pg. 27-21) • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23) • Parties agree not to exercise any rights under Section 205 or 206 of the Federal Power Act to seek to modify any of the rates or other terms of this agreement. (pg. 27-30) • Seller can terminate with no Termination Payment if a non-State change in law occurs that causes any portion of this agreement to be illegal or unenforceable against Buyer, or if a non-State change in law directed at energy goods or services increases costs for Seller. (pg. 27-33) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 27-37)

Summary of Contract #16: Dynegy Power Marketing, Inc.

General Information

Seller; Project Name	Dynegy Power Marketing, Inc.
Fuel	Natural gas (source: CEC)
Rated Capacity (MW)	200 - 1,500 MW
Contract Length (years)	3.5 (pg. 16-20)
Delivery Point	SP 15 (pg. 16-16)
Dispatchability	<i>March 6, 2001 through December 31, 2001: Must-take January 1, 2002 through December 31, 2004: Partially dispatchable</i>
Date Contract Executed	March 2, 2001 Seller maintains right to terminate contract for any reason without penalty until May 15, 2001. (pg. 16-20)
Expected Operation Date	Already operational
Technology Description	Gas turbines, steam turbines (source: CEC) at Cabrillo Power, El Segundo Power, and Long Beach Generation (pg. 16-18)
Purchase Option	None

Contract Price

Total Price = <i>Firm Energy: \$119.50 / MWh (pg. 16-20)</i> <i>System Contingent Energy: Capacity Price + Fuel Price + O&M Price + Start Price</i>	
Capacity Price	\$20.25 per MWh * MWh of System Contingent Energy delivered (pg. 16-20,21)
Fuel Price	Fuel cost * 11.25 MMBtu / MWh * MWh of System Contingent Energy delivered + any other costs incurred by Seller in providing fuel (pg. 16-17) <i>Fuel cost. Parties can either agree on a fuel price for a period of at least 30 days, or else a daily fuel price. If parties do not agree, the fuel price will be a specified price published in the 'Gas Daily.'</i> (pg. 16-17,19)
O&M Price	O&M cost * MWh of System Contingent Energy delivered (pg. 16-18) <i>O&M cost ranges from \$1.35 to \$1.50 per MWh (pg. 16-18)</i>
Start Price	(Fuel cost + fuel transport cost)* volume of fuel required to start each unit (as specified in contract: ranging from 768 to 4518 MMBtu) + power produced by each unit during start-up (as specified in contract: ranging from 32 to 180 MWh) * applicable utility tariff (pg. 16-19, 28)

Risk Allocation

Fuel Supply Risk	<ul style="list-style-type: none"> • Seller provides fuel. (pg. 16-22) • Parties can agree to lock in a fuel price, or Buyer can choose to have a third party sell to Seller a portion of the fuel needed for System Contingent Energy (in this case, Buyer will be
------------------	---

		<p>liable to Seller for the failure of the third party to perform in accordance with its contractual obligations to Seller). (pg. 16-22)</p> <ul style="list-style-type: none"> Force Majeure includes failure of firm transmission upstream of Delivery Point, fuel transportation curtailments, any outages at the units, mechanical or equipment failure, and failure to obtain necessary governmental authorizations. (pg. 16-23)
Fuel Price Risk		<ul style="list-style-type: none"> Seller bears fuel price risk for fixed price Firm Energy. Buyer bears fuel price risk for System Contingent Energy, but can choose level of risk exposure by choosing the Fuel Price, as described above. Buyer pays any fuel imbalance charges, fuel transportation charges, and any other fees reasonably incurred by Seller in providing fuel. (pg. 16-17)
Scheduling Risk		<ul style="list-style-type: none"> Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9) Buyer responsible for ancillary services for Firm Energy. (pg. 16-16) Buyer responsible for any ISO imbalance charges due to an Excused Outage or Force Majeure. (pg. 16-18, 21) Buyer will be Scheduling Coordinator. (pg. 16-23)
Demand Risk	Maximum Take	<p><i>January 1, 2002 through December 31, 2004</i></p> <ul style="list-style-type: none"> 1,500 MW: System Contingent Capacity during on-peak hours (6 AM until 10 PM, everyday) 1,500 MW: System Contingent Capacity during off-peak hours
Demand Risk	Minimum Take	<p><i>March 6, 2001 through December 31, 2001</i></p> <ul style="list-style-type: none"> 1,000 MW: System Contingent Capacity during on-peak hours (6 AM until 10 PM, everyday) 200 MW: System Contingent Capacity during off-peak hours <p><i>January 1, 2002 through December 31, 2004</i></p> <ul style="list-style-type: none"> 500 MW: System Contingent Capacity during on-peak hours 200 MW: System Contingent Capacity during off-peak hours 200 MW: Firm Energy during all hours 600 MW: Firm Energy during 6 AM until 10 PM, Monday through Saturday <p>If Buyer fails to take delivery of any System Contingent Energy for any reason, including Force Majeure, Buyer still pays Seller for cost of disposing of fuel delivered to facility and any start-up costs. (pg. 16-21)</p>
Demand Risk	Dispatch Flexibility	<p>Each day, Buyer will schedule an amount of System Contingent Energy between the minimum and maximum (give above) in 50 MW increments for each hour of the next day.</p>
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> Seller will maintain the units in accordance with Prudent Utility Practices. (pg. 16-20) Seller will exercise commercially reasonable efforts to schedule maintenance during off-peak hours, and provide

		<p>Buyer with notice of scheduled maintenance. (pg. 16-20)</p> <ul style="list-style-type: none"> • Seller will use commercially reasonable efforts to ensure the ramp rate will be between 3 MW / min. and 15 MW / min. (pg. 16-23)
Performance Risk	Capacity Test	None
Performance Risk	Availability	None
Performance Risk	Excused Outages	<p><i>System Contingent Energy</i></p> <ul style="list-style-type: none"> • The inability of the units to generate energy due to equipment failures, limitations or Force Majeure. (pg. 16-18,19) <p><i>Firm Energy</i></p> <ul style="list-style-type: none"> • None except “Uncontrollable Force” as defined by the ISO (see Force Majeure, below). (pg. 16-16)
Performance Risk	Force Majeure	<p><i>System Contingent Energy</i></p> <ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master–3,4) • Includes failure of firm transmission upstream of Delivery Point, fuel transportation curtailments, any outages at the units, mechanical or equipment failure, and failure to obtain necessary governmental authorizations. (pg. 16-23) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller’s supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) • Does not include any action taken by DWR in its governmental capacity, if Buyer is the claiming party. (pg. Master-25) <p><i>Firm Energy</i></p> <ul style="list-style-type: none"> • “Uncontrollable Force” as defined by the ISO (pg. 16-24) <i>“An Uncontrollable Force means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of the ISO or Market Participant which could not be avoided through the exercise of Good Utility Practice.” (ISO FERC Electric Tariff, October 13, 2000.)</i>
Performance Risk	Performance Penalties and	<ul style="list-style-type: none"> • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the

	Incentives	<p>Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)</p> <ul style="list-style-type: none"> • <i>For Firm Energy:</i> If Seller fails to deliver Firm Energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9, 16-23) • <i>For System Contingent Energy:</i> If Seller fails to deliver System Contingent Energy scheduled under this agreement, the sole remedy of Buyer will be the reduction in MWh's delivered used to calculate the Capacity Price paid to Seller. (pg. 16-23)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) • Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties). (pg. Master-10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. Master-11, 16-9,10)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Seller can terminate (without Termination Payment) if Buyer fails to issue investment grade bonds or fails to receive an investment grade rating on the DWR Electric Power Fund by July 1, 2001, or fails to maintain an investment grade rating on the bonds or Fund. (pg. 16-24) • If Seller chooses not to terminate, Seller may invoice Buyer more frequently, up to once per week. (pg. 16-25)
Environmental Risk		<ul style="list-style-type: none"> • Parties intend that Seller "shall not suffer the effects of any costs or restrictions imposed by environmental agencies whenever incurred that are associated with providing" energy under this contract. (pg. 16-21) • Parties agree that Seller is out of emission credits for 2001, and that delivering energy according to this contract may cause the units to exceed applicable emission limits. Parties agree that any and all costs associated with exceeding such limits shall be borne exclusively by Buyer. (pg. 16-21) • Parties agree that Seller's emission credits throughout the term are insufficient to meet the performance obligations under this contract. Buyer agrees to bear all costs associated with exceeding applicable emission limits to the extent they're attributable to performance under this contract. (pg. 16-21) • Buyer will only be liable for the above costs if they are not due to Seller's gross negligence or willful misconduct. (pg. 16-21) • Seller may terminate (with no Termination Payment) the System Contingent Capacity portion of the agreement any time before June 1, 2001 if Seller believes the costs and

		<p>restrictions associated with environmental compliance are not fully resolved to their satisfaction. (pg. 16-21)</p> <ul style="list-style-type: none"> • If performance in accordance with this agreement restricts the ability of Seller or its affiliates to generate electricity during or beyond the term of this agreement, Buyer will provide Seller with energy sufficient to ensure that Seller and its affiliates are kept whole financially with respect to such restrictions. (pg. 16-21) • If Seller is required to make environmental upgrades (to pollution control equipment) in order to supply the minimum quantity of System Contingent Energy, Buyer can choose to either reimburse Seller for Buyer's pro-rata share of the upgrade expenses or else reduce the minimum quantity of System Contingent Energy such that it would obviate the need for an upgrade. If an upgrade is needed as a result of the provision of Firm Energy, Buyer will pay Seller pro-rata share of upgrade expenses. (pg. 16-22)
<p>Regulatory / Legislative Risk</p>		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master - 23) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.16-13) • Buyer agrees that all payments to Seller under this contract are "just and reasonable" within the meaning of Section 451 of the Public Utilities Code and that Buyer will not take any action or inaction that is inconsistent with the just and reasonable nature of the payments. (pg. 16-25)

Summary of Contract #26: El Paso Merchant Energy, L.P.

General Information

Seller; Project Name	El Paso Merchant Energy, L.P.
Fuel	Unspecified
Rated Capacity (MW)	100
Contract Length (years)	5 (pg. 26-11)
Delivery Point	<i>Product A:</i> NP 15 <i>Product B:</i> SP 15
Dispatchibility	Must-take
Date Contract Executed	February 13, 2001
Expected Operation Date	N/A
Technology Description	Unspecified
Purchase Option	None

Contract Price

<p>Total Price =</p> <p><i>Product A:</i> \$127 / MWh</p> <p><i>Product B:</i> \$115 / MWh (pg. 26-11)</p>
--

Risk Allocation

Fuel Supply Risk		Seller bears fuel supply risk except in cases of Force Majeure.
Fuel Price Risk		Seller bears fuel price risk.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9) • Buyer responsible for ancillary services (pg. 26-11)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	<i>Product A:</i> 50 MW (6x16 delivery) <i>Product B:</i> 50 MW (6x16 delivery) (pg. 26-11) <i>6x16 delivery is Monday through Saturday, 6 AM until 10 PM.</i>
Demand Risk	Dispatch Flexibility	None
Demand Risk	Operations and Maintenance Restrictions	None
Performance	Capacity Test	None

Risk		
Performance Risk	Availability	None
Performance Risk	Excused Outages	Force Majeure (pg. 26-11)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) • Does not include any action taken by DWR in its governmental capacity, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<ul style="list-style-type: none"> • If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) • Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10) • If Seller fails to provide Buyer with Performance Assurance within 3 days as required under Key Credit Requirements, then Seller defaults. (pg. Master-18,19) • If El Paso Corporation defaults on payments in an aggregate amount of 3% of the company's net worth, then Seller defaults. (pg. 26-2, Master-10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. 26-6,7)
Default Risk	Key Credit Requirements	<p>El Paso Corporation will guarantee Seller's performance up to \$30 million. (pg. 26-4, Master-19)</p> <p>If Seller's credit rating is downgraded, or Buyer has reasonable grounds to believe that Seller's creditworthiness has become</p>

		unsatisfactory, then Buyer may require Seller to provide Performance Assurance (collateral in the form of cash, letter of credit, or other security acceptable to Buyer). (pg. 26-4, Master-18,19, 5)
Environmental Risk		None
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 26-8)

Summary of Contract #5: Fresno Cogeneration Partners, L.P.

General Information

Seller; Project Name	Fresno Cogeneration Partners, L.P.
Fuel	Natural gas
Rated Capacity (MW)	21.3
Contract Length (years)	10 (pg. 5-42)
Delivery Point	NP 15 (pg. 5-48)
Dispatchibility	Fully dispatchable
Date Contract Executed	August 3, 2001
Expected Operation Date	July 27, 2001 (pg. 5-43)
Technology Description	Simple cycle peaking combustion turbine
Purchase Option	None

Contract Price

Total Price = Capacity Price + Variable Fuel Price + Fixed Fuel Price + Variable O&M Price + Start-up Price	
Capacity Price	<p>Capacity Charge * Contract Capacity – Availability Adjustment – Starting Reliability Adjustment</p> <p><i>Capacity Charge ranges from \$13.75 / kW-month to \$4.92 / kW-month (pg. 5-46,59)</i></p> <p><i>If Actual Availability is less than Guaranteed,</i></p> <p><i>Availability Adjustment = (Guaranteed Availability – Actual Availability) * Capacity Charge * Contract Capacity * k. (k = 3 for June through October, else k = 1) (pg. 5-45)</i></p> <p><i>If Actual Starting Reliability is less than Guaranteed,</i></p> <p><i>Starting Reliability Adjustment = (Guaranteed Starting Reliability – Actual Starting Reliability) * Capacity Charge * Contract Capacity * k. (k = 3 for June through October, else k = 1) (pg. 5-47)</i></p> <p><i>See Availability and Starting Reliability, below, for guaranteed levels and definitions.</i></p>
Variable Fuel Price	<p><i>If Seller provides fuel:</i></p> <p>Billing Heat Rate * Gas Price * MWh of energy delivered + Billing Start Fuel * Gas Price * Successful starts in month</p> <p><i>Billing Heat Rate = lesser of actual heat rate during month and 13,500 Btu / kWh (pg. 5-48)</i></p> <p><i>Billing Start Fuel = lesser of actual fuel used during each start-up and 200 mmBtu (pg. 5-50)</i></p> <p><i>Gas Price = average actual gas price during month (pg. 5-51)</i></p> <p><i>If Buyer provides fuel:</i></p> <p>Seller reimburses Buyer for the incremental cost of fuel for starts that used more than 200 mmBtu, and fuel used during unsuccessful starts. (pg. 5-50)</p>

Fixed Fuel Price	Any fixed fuel costs incurred by Seller in accordance with Annual Fuel Plan. (pg. 5-51)
Variable O&M Price	\$12 / MWh * MWh of energy delivered (pg. 5-49)
Start-up Price	\$1,000 * # of successful starts (pg. 5-50)

Risk Allocation

Fuel Supply Risk		<ul style="list-style-type: none"> • Seller is default fuel supplier (pursuant to Annual Fuel Plan). (pg. 5-53) • Buyer has the right to elect to supply fuel for the remainder of the term of the agreement. (pg.5-53) • Seller responsible for natural gas transportation, may be interruptible. (pg. 5-50) • Natural gas transportation or commodity imbalance charge paid by: (pg. 5-52) <ul style="list-style-type: none"> <i>Seller</i> if Actual Heat Rate > Guaranteed Heat Rate, unexcused outage, Seller failed to schedule natural gas in accordance with Buyer's energy schedule, or intra-day scheduling by Seller <i>Buyer</i> if intra-day scheduling by Buyer, late notice of or changes to day-ahead energy schedule to Seller, an excused outage, disruption in interruptible fuel transportation, or if Buyer is supplying fuel and fails to deliver right quantity to match energy dispatch. • If Annual Fuel Plan provides for firm supply of fuel and it's interrupted, Seller will use reasonable effort to mitigate failure and pass any costs above those approved in Annual Fuel Plan (and any compensation from fuel supplier) to Buyer. (pg. 5-51) • Interruption of natural gas transportation or supply to plant is an excused outage, except if Seller has "firm" contract and interruption is due to Seller's negligence in administering the arrangement. (pg. 5-11)
Fuel Price Risk		<ul style="list-style-type: none"> • Buyer pays all actual fuel costs for fuel used by Seller to generate electricity delivered to Buyer. (pg. 5-51) • Buyer can choose level of fuel price risk exposure either through Annual Fuel Plan or by providing the fuel itself.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling, ancillary services and charges at and from the Delivery Point. (pg. 5-19) • Seller responsible for any ISO imbalance charges due to deviations of the actual electrical output of the facility from the ISO schedule, except those attributable to Buyer's real-time dispatch orders (pg. 5-19, 21) • If either party fails to schedule with the ISO such that the ISO imposes charges, the party at fault will pay the charges. (pg. 5-23)
Demand Risk	Maximum Take	<ul style="list-style-type: none"> • 4,000 hours per year (pg. 5-55); 16 hours per day (pg. 5-56) • Buyer can dispatch only from 6 AM to 10 PM, Monday through

		<p>Friday, excluding holidays. (pg. 5-19)</p> <ul style="list-style-type: none"> • If PG&E constraints are alleviated, then Buyer will have the right to dispatch from 6 AM to 10 PM, Monday through Saturday. (pg. 5-20) • No more than two successful starts per day. (pg. 5-49)
Demand Risk	Minimum Take	<ul style="list-style-type: none"> • Buyer can only schedule the unit at 100% of its Contract Capacity (pg. 5-22) • Unit must be dispatched for no less than 4 sequential hours; 3 hours of non-operation between scheduled operations. (pg. 5-55)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Buyer may request same day schedule changes, consistent with ISO requirements (pg. 5-20) • Buyer has first priority use of the unit. Seller has unrestricted use of the unit during hours when Buyer has not scheduled the unit. (pg 5-23)
Demand Risk	Operations and Maintenance Restrictions	Seller will use best efforts to do O&M during off-peak hours of non-summer months. (pg.5-54)
Performance Risk	Capacity Test	Contract Capacity determined by annual testing of the facility (pg. 5-43,64)
Performance Risk	Availability	<ul style="list-style-type: none"> • Guaranteed Availability: <i>June through October: 97% each month</i> <i>All other months: 94% each month calculated on a rolling seven-month basis for other than June through October</i> • Actual Availability = # of hours unit was available in month / all possible dispatch hours in month (or 16 hours * number of weekdays) (pg. 5-45)
Performance Risk	Starting Reliability	<ul style="list-style-type: none"> • Guaranteed Starting Reliability = 95% • Actual Starting Reliability = # successful starts in last year / # requested starts in last year (pg. 5-47)
Performance Risk	Heat Rate	Guaranteed Heat Rate = 13,500 Btu / kWh
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • Force Majeure (pg. 5-12) • Transmission at Delivery Point unavailable (pg. 5-11) • Interruption of natural gas supply to plant, except if Seller has "firm" natural gas contract and interruption is due to Seller's negligence in administering the arrangement. (pg. 5-11) • If schedule is inconsistent with operating limits of plants (pg. 5-11)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. 5-13) • Does not include the inability of either party to economically use or sell the product, or any action taken by DWR in its

		<p>governmental capacity. (pg. 5-13)</p> <ul style="list-style-type: none"> • Buyer can terminate (with no Termination Payment) if Seller's unit interrupted by Force Majeure for continuous period of >18 months. (pg. 5-24)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • Buyer can terminate (with no termination payment) if Seller: <ul style="list-style-type: none"> ◦ does not have all permits to start construction and legally enforceable agreements for gas and electrical interconnections by October 1, 2001 ◦ has not reached operation by October 31, 2001 (pg. 5-29) • Seller pays penalty of \$452 / MW * Contract Capacity for each day the unit is late in reaching operation after August 8, 2001. (pg. 5-44) <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Seller willfully fails to make available any portion of the Contract Capacity during any hours, and instead sells to a third party other than as expressly permitted in contract, Seller must pay everything it earned to Buyer, pay a penalty of two times the Capacity Price for those hours, and pay any reasonable costs of replacement energy. (pg 5-22) • Buyer can terminate (with no termination payment) or suspend performance if either the Actual Availability or the Actual Starting Reliability are < 60% for one year. (pg 5-29) • Buyer can terminate (with no termination payment) if Seller's unit interrupted by Force Majeure for continuous period of >18 months. (pg. 5-29) • Seller pays Capacity Price penalty for not achieving Guaranteed Availability or Starting Reliability. (pg. 5-45,47) • If Buyer supplies fuel, Seller reimburses Buyer for the incremental cost of fuel for starts that used more than 200 mmBtu, and fuel used during unsuccessful starts. (pg. 5-50)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. 5-9) • Failure to perform any material covenant, except for delivering energy (has its own remedies, through the Availability Adjustment and the Start Reliability adjustment to Capacity Price, above). (pg.5-26)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies for losses incurred during the suspension period. (pg.5-28) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg.5-27,28)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • If Buyer fails to maintain investment grade rating on bonds, Seller can terminate (with no termination payment). (pg. 5-29) • Seller required to give Buyer a deed of trust on the unit that provides a first lien on the unit (pg. 5-32)

<p>Environmental Risk</p>		<ul style="list-style-type: none"> • Seller responsible for obtaining permits and emission offsets to supply energy at Contract Capacity for up to hours given in Maximum Take. (pg. 5-54) • Seller will use best efforts to time an excused outage to upgrade emissions control equipment between January 1 and April 30, 2002. Duration of the outage must be agreed on by parties. (pg. 5-54) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.5-34)
<p>Regulatory / Legislative Risk</p>		<ul style="list-style-type: none"> • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.5-24) • If FERC authorizes changes to the ISO requirements that materially change the provisions of the contract and the parties can't agree on modifications, then either party may terminate (with no termination payment). (pg. 5-29) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.5-34) • Parties agree not to seek at FERC or other regulatory authority action that would change the Contract Price. (pg. 5-39)

Summary of Contract #1: GWF Energy LLC

General Information

Seller; Project Name	GWF Energy LLC
Fuel	Natural gas
Rated Capacity (MW)	430
Contract Length (years)	10
Delivery Point	NP 15
Dispatchability	Fully dispatchable
Date Contract Executed	May 11, 2001
Expected Operation Date	See below
Technology Description	See below
Purchase Option	None

Phase of Project	Technology Description (pg. 1-45)	Rated Capacity (MW)	Expected Operation Date (pg. 1-48)
I	Two LM6000 SPRINT combustion turbine units. (simple cycle)	88	September 1, 2001
II	Two LM6000 SPRINT combustion turbine units. (simple cycle)	88	June 1, 2002
IIIa	Two GE Frame 7EA combustion turbine units. (simple cycle)	164	July 1, 2002
IIIb (optional*)	Convert Phase IIIa simple cycle units to combined cycle	90 additional	October 1, 2003

*The State Auditor's report indicates that the DWR did not exercise this option.

Contract Price

Total Price = Capacity Price + Variable Fuel Price + Fixed Fuel Price + Variable O&M Price	
Capacity Price	Capacity Charge * Contract Capacity * (1 + Availability Adjustment) (pg. 1-50) <i>Capacity Charge ranges from \$180 / kW-yr to \$240 / kW-yr, and varies by month. (pg. 1-60)</i> <i>Availability Adjustment = 2 * (Actual Availability - Guaranteed Availability) (pg. 1-51)</i> <i>See Availability, below, for definitions of Actual and Guaranteed Availability.</i>
Variable Fuel Price	Fuel Charge – (Heat Rate Adjustment * Fuel Charge Index)

	<p><i>Fuel Charge for each month is the sum over all hours of: (actual total variable fuel cost, including start-up and shutdown, used by every unit scheduled by Buyer during each hour) * (final physical energy schedule for each hour at the close of the ISO scheduling process) / (unadjusted metered energy for each hour including startup and shutdown) (pg. 1-54,55) i.e. Fuel Price is adjusted so Buyer does not pay for gas used to produce electricity that's used onsite or lost before delivery point.</i></p> <p><i>Heat Rate Adjustment is the (Actual Heat Rate – Guaranteed Heat Rate) / (Guaranteed Heat Rate) (pg. 1-52,53) See Heat Rate, below, for definitions.</i></p> <p><i>Fuel Charge Index is the same as the Fuel Charge if the Seller is supplying fuel. If the Buyer supplies fuel, the Fuel Charge Index is the sum over all hours of: (an index fuel price agreed to by the parties) * (MWh of energy delivered) (pg. 1-52)</i></p>
Fixed Fuel Price	Any fixed fuel charge not included in the Variable Fuel Price. (pg. 1-52)
Variable O&M Price	<p>Variable O&M Charge * MWh of energy delivered (pg. 1-53,54)</p> <p><i>Variable O&M Charge (escalates with GDP-Implicit Price Deflator):</i></p> <p><i>Phase I and II Units: \$4.25 / MWh</i></p> <p><i>Phase IIIa Units: \$3.45 / MWh</i></p> <p><i>Phase IIIb Units: \$2.20 / MWh</i></p>

Risk Allocation

Fuel Supply Risk	<ul style="list-style-type: none"> • Seller is default supplier (pursuant to Annual Fuel Plan) unless Buyer elects to supply fuel each year. (pg.1-56) • Seller makes natural gas transportation arrangements (may be interruptible). Buyer may ask Seller for firm transport, but no penalty if Seller is unable to obtain firm service. (pg.1-54,56) • Interruption of natural gas supply or transportation to plant is an excused outage, except if Seller has “firm” natural gas supply or transportation contract and interruption is due to Seller’s negligence in administering the arrangement. (pg. 1-12) • Disruption in interruptible fuel transportation will not reduce the actual availability of the unit (assuming its operable except for lack of fuel) (pg. 1-54) <i>i.e. no penalty to Seller through Capacity Price</i> • If Annual Fuel Plan is for firm supply of fuel and it’s interrupted, Seller will use reasonable effort to mitigate failure and pass any costs above those approved in Annual Fuel Plan (and any compensation from fuel supplier) to Buyer. (pg. 1-52) • Natural gas transportation or commodity imbalance charge paid by: (pg. 1-55) <ul style="list-style-type: none"> <i>Seller if Actual Heat Rate > Guaranteed Heat Rate, unexcused outage, Seller failed to schedule natural gas in accordance with Buyer’s energy schedule, or intra-day scheduling by Seller</i> <i>Buyer if intra-day scheduling by Buyer, late notice of or changes to day-ahead energy schedule to Seller, an excused outage, disruption in interruptible fuel transportation, or if</i>
------------------	--

		Buyer is supplying fuel and fails to deliver correct quantity to match energy dispatch.
Fuel Price Risk		<ul style="list-style-type: none"> • Buyer can choose level of fuel price risk exposure. • Seller is default supplier of fuel, but Buyer approves Seller's fuel supply plan through the Annual Fuel Plan; Buyer has option to supply fuel. • Seller essentially passes all fuel costs on to Buyer, unless Seller is directly at fault for an extra charge due to negligence. • If the heat rate is worse than the guaranteed rate, using a fuel price index to adjust the Fuel Price protects the Seller in a case where the Buyer is providing fuel that is very expensive.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling and ancillary services at and from the Delivery Point. (pg. 1-19) • Seller responsible for all ISO imbalance charges due to deviations of the actual electrical output of the facility from the ISO schedule. (pg.1-19) • Buyer responsible for Ancillary Services, System Losses, and Congestion Management to support its purchase (pg.1-19, 51) • Seller can revise day-ahead energy schedules for units due to changes in ambient temperatures, in accordance with ISO procedures. (pg.1-19) • If either party fails to schedule with the ISO such that the ISO imposes charges, the party at fault will pay the charges. (pg.1-22)
Demand Risk	Maximum Take	<p>Phase I:</p> <p><i>2001: 1,000 hours</i></p> <p><i>January 1, 2002 – April 30, 2002: 0 hours</i></p> <p><i>May 1, 2002 – December 31, 2002: 4,000 hours</i></p> <p><i>2003 – 2011: 4,000 hours per year</i></p> <p>Phase II: 4,000 hours per year</p> <p>Phase IIIa: 4,000 hours per year</p> <p>Phase IIIb: every hour (pg. 1-49)</p>
Demand Risk	Minimum Take	Buyer must schedule <i>all</i> of any unit it takes from (can't just take part of output of a unit) (pg. 1-20)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Buyer can't request more than one start per unit per day or more than 250 starts per unit per year. (pg. 1-54) • Can't exceed unit's operating limits (pg. 1-57) • Buyer must schedule with Seller the capacity for each unit it wishes to reserve for each hour of the following day at least one hour before the Seller must supply schedules to the ISO or its natural gas supplier. (pg.1-19) • Buyer can revise day-ahead energy schedules for units it has reserved in accordance with ISO procedures. (pg.1-19) • See Scheduling Risk
Demand Risk	Operations and Maintenance Restrictions	Seller will use best effort to ensure scheduled maintenance occurs during off-peak hours, and will provide Buyer with notice. (pg. 1-57)

Performance Risk	Capacity Test	<ul style="list-style-type: none"> Each unit's capacity is tested annually. Each party may request up to two additional tests per year. (pg. 1-47) Seller designates each unit's Contract Capacity (MW), which must be between 95% and 100% of the unit's tested capacity. The Contract Capacity is used to determine the Capacity Price and the Guaranteed Availability for each unit. (pg. 1-47)
Performance Risk	Availability	<ul style="list-style-type: none"> Guaranteed Availability: 98% June through October, 94% otherwise. Actual Availability: (capacity available to be scheduled during an hour) / (Contract Capacity). Does not penalize excused outages. (pg. 1-49,51)
Performance Risk	Heat Rate	Guaranteed Heat Rate: Set in contract according to temperature (pg. 1-61). Varies from 10,337 to 12,559 Btu / kWh for simple cycle turbines.
Performance Risk	Excused Outages	<ul style="list-style-type: none"> Force Majeure (pg. 1-12) Transmission at Delivery Point unavailable (pg. 1-12) Interruption of natural gas supply to plant, except if Seller has "firm" natural gas contract and interruption is due to Seller's negligence in administering the arrangement. (pg. 1-12) 15 days of scheduled outages per year, parties must agree on duration of outages (pg. 1-12) If schedule is inconsistent with operating limits of plants (pg. 1-13) The time it takes to convert Phase IIIa units to IIIb combined cycle option; parties must agree on duration of conversion time (pg. 1-13)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. 1-13) Does not include the inability of either party to economically use or sell the product, or any action taken by DWR in its governmental capacity. (pg. 1-13) Force Majeure excuses a party from the performance of its obligations for the duration of the Force Majeure, except for making payments for performance prior to the Force Majeure. (pg.1-22) If Seller claims Force Majeure, Buyer's Capacity Price payments for the affected unit(s) will be suspended 60 days after Force Majeure commences until the unit is again available. (Buyer still pays Contract Price for any energy delivered) (pg.1-22) Buyer can terminate if Seller's unit(s) interrupted by Force Majeure for continuous period of >18 months. (pg.1-23)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Buyer may terminate the part of the contract relevant to any unit that does not achieve its commercial operation date by a

		<p>set deadline. (Neither party liable for damages) (pg.1-28)</p> <ul style="list-style-type: none"> One-time additional capacity payment of \$2.25 / kW-day for each day that Phase I reaches COD early (pg 1-48) <p><i>Operations</i></p> <ul style="list-style-type: none"> If Seller willfully fails to make available any portion of the Contract Capacity during any hours, and instead sells to a third party other than as expressly permitted in contract, Seller must pay everything it earned to Buyer and pay a penalty of two times the Capacity Price for those hours. (pg 1-21) If heat rate is worse than guaranteed, Seller is penalized through the Heat Rate Adjustment to the Variable Fuel Price. (pg. 1-52) Seller receives penalty or bonus for differing from guaranteed availability, through Availability Adjustment to Capacity Price. If Seller fails to deliver energy, sole remedy of Buyer is Availability Adjustment to Capacity Price (pg. 1-30) Buyer may terminate if Actual Availability is <60% for one year. (Neither party liable for damages) (pg.1-29) Buyer can terminate if Seller's unit(s) interrupted by Force Majeure for continuous period of >18 months. (Neither party liable for damages) (pg.1-23)
Default Risk	Definition of Default	<ul style="list-style-type: none"> Failure to perform any material covenant, except for delivering energy (has its own remedies described above in Performance Penalties) (pg.1-25) A party becomes Bankrupt (pg.1-25)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg.1-26,27) Non-defaulting party has right to suspend performance, and seek remedies for losses incurred during the suspension period. (pg.1-27)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> Seller required to take one of the following actions: (pg.1-34,35) <ul style="list-style-type: none"> Have a guarantor with maximum liability of \$15 million (pg. 1-65 to 76) or standby letter of credit for \$12.5 million Give Buyer a deed of trust on the facilities to secure payment obligations up to \$25 million Issue to Buyer an irrevocable standby letter of credit for \$25 million. Seller may terminate (with no termination payment), suspend performance, or extend COD up to a year if DWR fails to issue bonds with investment grade rating (Moody's Baa3 or S&P BBB-) by Sept. 1, 2001 or to maintain rating on bonds (pg.1-28)
Environmental Risk		<ul style="list-style-type: none"> Excused outage for Phase I units during time it takes to install environmental equipment that is required for compliance with air permits; parties must agree on duration of excused outage (pg. 1-12) Seller responsible for obtaining permits and emission offsets to supply energy at Contract Capacity for up to hours given in

		<p>Maximum Take. (pg. 1-57)</p> <ul style="list-style-type: none"> • If after August 31, 2003, regulatory changes increase the Seller's costs of providing capacity or energy by at least \$2.5 million in any year, Seller will propose to adjust the contract price and if the two parties can't agree, the Seller can terminate with no termination payment. (pg. 1-31) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.1-32)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.1-23) • Parties agree not to seek at FERC or other regulatory authority any action that would change the contract price. (pg. 1-30) • If a regulatory authority orders a reduction or refund of rates as a result of actions taken by the State of California or any agency (or person at the State's direction), Seller is still entitled to collect from Buyer full Contract Price (difference as "liquidated damages"). Vice versa if increase in rates due to action of person controlled by Seller. (pg.1-30) • If a regulatory authority orders a reduction or refund of rates <i>not</i> as a result of actions taken by the State of California or any agency (or person at their direction), Buyer can offer Seller to still pay full Contract Price (difference as "liquidated damages"). If Buyer doesn't make offer Seller is entitled to terminate with no termination payment. (pg.1-30) • If after August 31, 2003, regulatory changes increase the Seller's costs of providing capacity or energy by at least \$2.5 million in any year, Seller will propose to adjust the contract price and if the two parties can't agree, the Seller can terminate with no termination payment. (pg. 1-31) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.1-32)

Summary of Contract #15: High Desert Power Project, LLC

General Information

Seller; Project Name	High Desert Power Project, LLC
Fuel	Natural gas
Rated Capacity (MW)	840 (pg. 15-14)
Contract Length (years)	8 (pg. 15-14)
Delivery Point	SP 15 (pg. 15-14)
Dispatchability	Must-take
Date Contract Executed	March 9, 2001
Expected Operation Date	July 1, 2003
Technology Description	Three combustion turbines and one steam turbine (pg. 15-14)
Purchase Option	None

Contract Price

Total Price = \$58 / MWh

Risk Allocation

Fuel Supply Risk		<ul style="list-style-type: none"> • Interruption of fuel supply constitutes an excused outage. (pg. 15-13) • Seller liable if interruptible gas transportation is curtailed and firm gas transportation is available. (pg. 15-13,14)
Fuel Price Risk		Seller bears fuel price risk in a fixed price contract.
Scheduling Risk		Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	The actual output of electricity from the plant, 24 hours per day, as available. (pg. 15-13)
Demand Risk	Dispatch Flexibility	Seller may elect to deliver all or part of the energy to alternate delivery points, but then Seller will pay Buyer positive difference between the Final Day Ahead Congestion Zone Price for each hour (published by ISO) at the alternate delivery point, and the price for each hour at the primary delivery point. (pg. 15-15)
Demand Risk	Operations and Maintenance Restrictions	Seller will make reasonable efforts to schedule O&M at times agreeable to Buyer. Seller will not schedule O&M during July, August or September. (pg. 15-14)
Performance Risk	Capacity Test	None, plant provides energy based on the actual output from the plant, as available. (pg. 15-13)

Performance Risk	Availability	No requirement. Plant paid only for energy delivered.
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • A planned outage, or a forced or partial outage. (pg. 15-13) • An outage due to a cause beyond the reasonable control of Seller, including: shortages of materials and supplies; interruption of fuel supply, water supply or transmission; damages or breakdown of machinery; and changes in law or regulation that prevents performance under this contract. (pg. 15-13) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) • Does not include any action taken by DWR in its governmental capacity, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • The construction and operation of all gas and electric interconnections is a condition precedent to Seller's obligations under this contract. (pg. 15-16) • For each day after July 1 through September 30, 2003 that Seller's plant has not reached commercial operation, Seller will either pay Buyer \$230,770 or provide the energy from another source. (pg. 15-16) • If plant does not reach commercial operation by March 31, 2004, Buyer has the right to terminate and Seller will pay Buyer \$5 million. <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2, 10) • Failure to perform any material covenant (that is not fixed within 45 days), except for delivering energy (has its own

		<p>remedies, given under Performance Penalties) (pg. Master-10, 15-6)</p> <ul style="list-style-type: none"> • Buyer defaults if any change to the California Water Code adversely affects the rights of Seller under this agreement. (pg.15-6) • Buyer defaults if Buyer is no longer entitled to recover (or the PUC fails to impose) rates sufficient to enable Buyer to recover its revenue requirements on a timely basis. (pg.15-9)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. Master-11, 15-6)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Seller has right to terminate (with no Termination Payment) if Buyer fails to issue bonds by July 1, 2001 or fails to maintain an investment grade rating on the bonds or the DWR Electric Power Fund. (pg. 15-11) • Buyer issuing bonds with investment grade rating, or DWR Electric Power Fund receiving investment grade rating is a condition precedent to Seller's obligation under this contract. (pg. 15-16)
Environmental Risk		<ul style="list-style-type: none"> • Seller's receipt of all regulatory authorizations necessary for performance under this contract is a condition precedent to Seller's obligations under this contract. (pg. 15-16)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master - 23) • Buyer defaults if any change to the California Water Code adversely affects the rights of Seller under this agreement. (pg.15-6) • Buyer defaults if Buyer is no longer entitled to recover (or the PUC fails to impose) rates sufficient to enable Buyer to recover its revenue requirements on a timely basis. (pg.15-9) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.15-9) • Buyer "agrees that it will exercise all rights and use all remedies available to it to collect from retail end use customers all amounts necessary to fund Buyer's revenue requirements" (pg. 15-11) • Changes in law or regulation that prevent performance under this contract constitute an excused outage. (pg. 15-13) • Seller's receipt of all regulatory authorizations necessary for performance under this contract is a condition precedent to Seller's obligations under this contract. (pg. 15-16)

Summary of Contract #24: Morgan Stanley Capital Group Inc.

General Information

Seller; Project Name	Morgan Stanley Capital Group Inc.
Fuel	Unspecified
Rated Capacity (MW)	50 MW
Contract Length (years)	5 (pg. 24-15)
Delivery Point	SP 15 (pg. 24-15)
Dispatchibility	Must-take
Date Contract Executed	February 14, 2001
Expected Operation Date	N/A
Technology Description	Unspecified
Purchase Option	None

Contract Price

Total Price = \$95.50 / MWh (pg. 24-15)

Risk Allocation

Fuel Supply Risk		Seller bears fuel supply risk except in cases of Force Majeure.
Fuel Price Risk		Seller bears fuel price risk.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9) • Buyer responsible for ancillary services (pg. 24-15)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	50 MW (7x24 baseload delivery) (pg. 24-15)
Demand Risk	Dispatch Flexibility	None
Demand Risk	Operations and Maintenance Restrictions	None
Performance Risk	Capacity Test	None
Performance Risk	Availability	Parties agree to notify each other of any possible curtailment affecting this transaction. (pg. 24-15)
Performance Risk	Excused Outages	Force Majeure (pg. 24-15)

Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) • Does not include any action taken by DWR in its governmental capacity, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<ul style="list-style-type: none"> • If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. 24-5) • Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. 24-7,8)
Default Risk	Key Credit Requirements	Seller has right to terminate (with no Termination Payment) if Buyer fails to issue bonds by July 1, 2001 or fails to maintain an investment grade rating on the bonds or the DWR Electric Power Fund. (pg. 24-10)
Environmental Risk		None
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 24-11)

Summary of Contract #3: PacifiCorp Power Marketing, Inc.

General Information

Seller; Project Name	PacifiCorp Power Marketing, Inc.
Fuel	Natural gas
Rated Capacity (MW)	<i>Through June 30, 2002: 150 MW July 1, 2002 – June 30, 2004: 200 MW Thereafter: 300 MW (pg. 3-4)</i>
Contract Length (years)	10 (pg.3-3)
Delivery Point	California – Oregon Border (pg. 3-9) Seller may choose to deliver up to 50 MW of power to NP 15 (pg. 3-12)
Dispatchibility	Must-take until January 1, 2003; Fully dispatchable thereafter
Date Contract Executed	July 6, 2001
Expected Operation Date	July 25 – 30, 2001 (pg. 3-12) Deadline for building second part of facility is July 1, 2005 (pg. 3-5)
Technology Description	Combined cycle (pg. 3-3) Seller has contract for 237 MW from existing facility, and Seller may build another combined cycle facility (pg. 3-3)
Purchase Option	None

Contract Price

<i>Prior to 1/1/03: Total Price = \$70 / MWh (pg.3-5,13)</i>	
<i>After 1/1/03: Total Price = Capacity Price + Fixed O&M Price + Variable O&M Price + Fuel Price + Miscellaneous Charges</i>	
Capacity Price	Capacity Charge * Contract Capacity <i>Capacity Charge = \$15 / kW-month; can change if fixed gas and electric transmission charges change (pg. 3-14,45)</i>
Fixed O&M Price	Fixed O&M Charge * Contract Capacity <i>Fixed O&M Charge = \$1.75 / kW-month; charge escalates with CPI (pg. 3-14,46)</i>
Variable O&M Price	Variable O&M Charge * MWh of energy delivered <i>Variable O&M Charge = \$3.50 / MWh; charge escalates with Bureau of Labor Statistics Index for Gas Turbine Generator Sets (pg. 3-14,47)</i>
Fuel Price	<i>For power scheduled in monthly firm schedule: Monthly firm schedule converted to amount of gas consumed using Contract Heat Rate. Fuel price calculated using Monthly Gas Index. For power deliveries that differed from monthly firm schedule: Fuel charge or refund calculated using the Daily Gas Index price, on hourly basis. If Buyer supplies fuel: Fuel price is the cost of any gas that Seller has to provide, plus all fuel transport costs. (pg. 3-17) Contract Heat Rate = 7200 Btu / kWh, for schedules at full Contract Capacity.</i>

	<p>(pg. 3-4) For schedules at less than full Contract Capacity, surcharges are added on top of contract heat rate (surcharges can be changed by Seller). (pg. 3-60)</p> <p>Monthly Gas Index = "Alberta Spot Price – AECO" (pg. 3-8)</p> <p>Daily Gas Index = daily spot gas price reported in Canadian Gas Price Reporter (pg. 3-5)</p> <p>Fuel price includes pipeline loss charges, which can change. (pg.3-14,15)</p>
Miscellaneous Charges	<ul style="list-style-type: none"> • Buyer pays Seller for all transmission losses and all costs of Operating Reserves required to deliver power to Delivery Point (pg. 3-15,16) • Cycling charge: Buyer pays for each plant startup; charge can be changed by Seller (pg. 3-21,22)

Risk Allocation

Fuel Supply Risk		<ul style="list-style-type: none"> • Seller is default supplier of fuel • Buyer may elect, on annual basis, to supply a fixed daily amount of gas to facility (pg. 3-17) • Seller contracts for firm gas transportation for length of contract (pg. 3-17,36) • Pipeline imbalance charges paid by party at fault. (pg. 3-17) • If Buyer elects to provide gas for the year and fails at any time to provide the amount of gas specified, Buyer will pay Seller any additional costs incurred in replacing the undelivered gas. (pg. 3-17)
Fuel Price Risk		<ul style="list-style-type: none"> • Buyer can mostly choose level of fuel price risk exposure. • Seller is default supplier of fuel, but Buyer can elect to supply fixed daily amount. • Fuel Price based on spot indexes that Buyer could hedge against.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling after the Delivery Point. Seller responsible for scheduling to the Delivery Point. (pg. 3-24)
Demand Risk	Maximum Take	<ul style="list-style-type: none"> • Contract Capacity for all hours.
Demand Risk	Minimum Take	<ul style="list-style-type: none"> • <i>Prior to 1/1/03:</i> Buyer must take full Contract Capacity in all hours. (pg. 3-18) • <i>After 1/1/03:</i> If Buyer fails to provide timely notice of schedule, it's set to full Contract Capacity for all hours. (pg. 3-19)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • <i>After 1/1/03:</i> Buyer can dispatch facility at flat rate on monthly basis. If Buyer requests a schedule that is not flat, Seller will review the schedule based on ramp rate, cycling costs, and other schedules from contracts executed prior to this contract, and determine the final schedule. (pg. 3-19) • Buyer can request day-ahead scheduling changes to monthly schedule. (Seller doesn't have to accept if it would violate ramp rate or other plant conditions). Buyer pays for any additional costs as a result of the schedule change. Same holds for hourly changes to schedule, except Buyer must change schedule by

		more than 25 MW. (pg. 3-20)
Demand Risk	Operations and Maintenance Restrictions	Seller provides Buyer 30 days non-binding advance notice of scheduled maintenance (pg. 3-22)
Performance Risk	Capacity Test	No capacity testing. Contract Capacity set in the contract, as specified under Rated Capacity, above.
Performance Risk	Availability	Guaranteed Availability = MWhs scheduled – (12% * Contract Capacity * all hours in year) (pg. 3-22)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> Force Majeure Seller can curtail deliveries on up to 12% of total MWhs that could be delivered in a year (i.e. up to Guaranteed Availability) (pg. 3-22)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Any event beyond the reasonable control of a party, that delays or prevents a party from timely performance of obligations Includes any restriction imposed by law or regulation that a party cannot avoid by exercise of due diligence and is unable to overcome. (pg.3-6) Does not include electric or gas transmission curtailment unless: contracted for firm transmission, curtailment is due to Force Majeure, and party can't get alternate transmission services Does not include for gas supply curtailment unless: contracted for firm supply, curtailment is due to Force Majeure Does not include economic reasons related to the Contract Price For Buyer, Force Majeure does not include any action taken by the State of California (pg. 3-6)
Performance Risk	Performance Penalties and Incentives	<ul style="list-style-type: none"> If Seller doesn't provide timely notice of scheduled maintenance to Buyer, it must continue to deliver power during the scheduled maintenance. (pg 3-22) Seller may further curtail deliveries beyond Availability Guarantee by up to an additional 3%, however the Seller must provide 2-day notice and pay a pro-rata refund of the Capacity and Fixed O&M Prices, equal to: (MWhs curtailed) / (Contract Capacity * all hours) * (Capacity and O&M Prices). These curtailments cannot be during June 15'th through October 15'th without consent of Buyer. (pg. 3-24) If Seller does not meet Availability Guarantee: <i>Prior to 1/1/03:</i> Seller pays Buyer difference between COB Market Index and Contract Price; <i>After 1/1/03:</i> Seller gives Buyer pro-rata refund of that year's Capacity Price and Fixed O&M Price, equal to: (Excess MWhs curtailed beyond Availability Guarantee) / (0.88 * Contract Capacity * all hours) * (Capacity and O&M Prices). Does not apply to willful acts of Seller to not meet Availability Guarantee. (pg. 3-23)
Default Risk	Definition of	<ul style="list-style-type: none"> A party becomes bankrupt; definition of "bankrupt" includes

	Default	<p>any entity that is generally unable to pay its debts as they fall due. (pg. 3-4)</p> <ul style="list-style-type: none"> • Failure to perform any material covenant or obligation in this contract. (pg. 3-28) • If State of California or any agency thereof takes action that reduces the payments made under this contract, Buyer is defaulting party. (pg. 3-28)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Defaulting party has thirty days to cure the default. (pg. 3-28) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg.3-29)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • None specified for Seller • If Buyer fails to maintain investment grade rating (better than Moody's Baa3 or S&P BBB-) on bonds, Buyer must pay Seller bi-weekly instead of monthly. (pg. 3-25)
Environmental Risk		<ul style="list-style-type: none"> • Force Majeure includes any restriction imposed by law or regulation that a party cannot avoid by exercise of due diligence and is unable to overcome. (pg.3-6) • Seller can pass through to Buyer any tax or other imposition by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.3-18)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any action by a governmental authority (other than the State of California or agency thereof) reduces the payments required to be made under the contract, the Seller has the right to terminate, with no Termination Payment. (pg.3-13) • If the State of California or any agency thereof takes action that reduces the payments made under this contract, Buyer is defaulting party. Seller can terminate and get termination payment (pg. 3-28) • Contract states that Buyer has determined that the contract price is just and reasonable for the purposes of Article 451 of CA Public Utilities Code. (pg. 3-34) • Seller can pass through to Buyer any tax or other imposition by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.3-18) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 3-39)

Summary of Contract #22: Sempra Energy Resources

General Information

Seller; Project Name	Sempra Energy Resources
Fuel	Natural gas
Rated Capacity (MW)	400 – 1900
Contract Length (years)	10
Delivery Point	See below
Dispatchibility	Must-take
Date Contract Executed	May 4, 2001
Expected Operation Date	See below
Technology Description	Unspecified
Purchase Option	None

Project Name (pg. 22-32)	Rated Capacity (MW)	Delivery Point	Expected Operation Date
Market Sources	300*	SP 15, NP 15, or ZP 26	N/A
El Dorado	250**	SP 15	In service
Elk Hills (Simple cycle)	300**	ZP 26	4/1/02
Elk Hills (Combined cycle)	600 total for Elk Hills	ZP 26	6/1/03
Mesquite I	625	SP 15	6/1/03
Mexicali	650	SP 15	6/1/03
Mesquite II	625 added to Mesquite I	SP 15	1/1/04
Copper Mountain	650	SP 15	6/1/04
Illegible	600	SP 15	6/1/04

* As Available Resource (see Excused Outages, below)

** As Available Resource until June 2003 (see Excused Outages, below)

Contract Price

<p>Total Price =</p> <p><i>June through September 2001:</i> The average of the daily market prices and futures prices, capped at \$189 / MWh (pg. 22-9, 22-11)</p> <p><i>October 2001 through May 2003:</i> Ranges from \$69 to \$160 / MWh (pg. 22-11, 22-33)</p> <p><i>June 2003 through September 2011:</i> 7x24 Price or 6x16 Price, as appropriate (pg. 22-11)</p>	
7x24 (Baseload) Price	Gas Price * 7.5 MMBtu / MWh + \$26 / MWh
6x16 (Peak) Price	Gas Price * 10 MMBtu / MWh + \$31 / MWh
Gas Price	[(The cost of gas purchased by Seller pursuant to Annual Fuel Plan) + (any extra quantity of gas provided by Seller * Southern California Border Gas Price)] / (peak energy provided * 10 MMBtu / MWh + baseload energy provided * 7.5

Risk Allocation

Fuel Supply Risk		<ul style="list-style-type: none"> • Seller supplies fuel pursuant to an Annual Fuel Plan, which the Seller proposes and Buyer may make reasonable requests to change. Seller not required to make changes it thinks would expose it to unwanted risks. (pg. 22-11) • Buyer may annually elect to provide up to 80% of the fuel requirements for the plants. (pg. 22-11) • Seller responsible for all fuel imbalances. (pg. 22-13)
Fuel Price Risk		<ul style="list-style-type: none"> • Parties share fuel price risk until October 2001 • Seller bears fuel price risk October 2001 through May 2003 • Buyer bears fuel price risk after June 2003, but is able to choose level of fuel price risk exposure in part by supplying 80% of the fuel itself.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling at and from the Delivery Point. (pg. 22-13) • Parties equally responsible for ISO imbalance charges. (pg. 22-13)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	<p><i>Prior to June 1, 2003:</i> (pg. 22-33) <i>6x16 delivery:</i> 250 to 300 MW <i>7x24 delivery:</i> 150 to 220 MW</p> <p><i>After June 1, 2003:</i> <i>6x16 delivery:</i> 350 to 700 MW <i>7x24 delivery:</i> 800 to 1,200 MW</p> <p>6x16 is peak deliveries, 7x24 is baseload deliveries</p> <ul style="list-style-type: none"> • Seller must provide and Buyer must take all energy produced from the Contract Capacity for all designated hours. (pg. 22-10) • Seller provides Buyer an annual and monthly Energy Delivery Plan with intended delivery points and quantities for each month and day, respectively. Seller will make commercially reasonable efforts to accommodate requested revisions from the Buyer. (pg. 22-14) • Seller will provide Buyer a daily notice indicating the Delivery Points and quantities of energy to be delivered for each hour of the next day. (pg. 22-14)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Seller may deliver all or part of the energy to any Delivery Point. (pg. 22-14) • Parties can agree to use an alternative Delivery Point for any hour; party requesting the alternative Delivery Point pays all associated costs and bears risks of non-delivery associated with use of the alternative point. (pg. 22-14)
Demand Risk	Operations and	Seller will operate and maintain plants in accordance with Prudent

	Maintenance Restrictions	Electric Practice
Performance Risk	Capacity Test	No capacity test. Capacity and delivery hours set in contract. (pg. 22-33)
Performance Risk	Availability	None
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • If As Available Resources (as denoted in General Information, above) become unavailable, Seller still required to provide at least 90% of the capacity. (pg. 22-16) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Anything beyond the reasonable control of the party affected that it has been unable to overcome by exercise of due diligence. (pg. 22-19) • Includes failure to obtain the necessary authorizations from any governmental authority. (pg. 22-19) • For Seller, Force Majeure includes: (pg. 22-19) <ul style="list-style-type: none"> • Interruption of transportation or supply of natural gas for non-economic reasons, provided Seller has made “firm” arrangements. • An outage at a plant on short notice caused by an alarm or malfunction. • Does not include the cost of transmission, natural gas, gas transmission, or O&M. (pg. 22-20) • Does not include ability of Seller to sell to another party at a better price, or the loss of the Buyer’s market or the inability to use or resell the energy. (pg. 22-20)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • If any project does not meet its Expected Operation Date, Seller is not obligated to continue efforts to achieve commercial operation. (Seller must make commercially reasonable efforts before the target date to achieve commercial operation.) (pg. 22-15) <ul style="list-style-type: none"> ○ Seller may reduce its obligations to deliver energy by the following amount: (total capacity to be delivered during a given time period) * (capacity of unfinished project) / (capacity of all the projects that should have been built by that date) • Seller responsible for risk of transmission curtailment up to Delivery Point, Seller responsible for risk of transmission after Delivery Point. If curtailment occurs after Delivery Point, Seller will try to deliver to another Delivery Point. (pg. 22-13) <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Seller fails to deliver energy required under this agreement, the Seller pays Buyer the difference between the costs to Buyer of purchasing replacement energy and the Contract Price. (pg. 22-24) • If Buyer fails to receive energy required under this agreement, the Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy

		for. (pg. 22-24)
Default Risk	Definition of Default	Failure to perform any material obligation, except for delivering energy (has its own remedies described above in Performance Penalties) (pg.22-20)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Defaulting party has 60 day opportunity to cure default. (pg.22-20) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg.22-21) • Non-defaulting party has right to suspend performance (pg. 22-23)
Default Risk	Key Credit Requirements	Seller may terminate (without Termination Payment) if Buyer fails to issue bonds by October 2001 or fails to maintain an investment grade rating. (pg. 22-22,23)
Environmental Risk		<ul style="list-style-type: none"> • Seller may terminate (without Termination Payment) if any agency of the US government imposes a cost that is not generally applicable, but is targeted at electricity, natural gas, or other energy services and that reduces the benefits of this agreement to the Seller. (pg.22-23) • Force Majeure includes failure to obtain the necessary authorizations from any governmental authority. (pg. 22-19)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If FERC or a reviewing court imposes any condition under the Federal Power Act that either party determines to be adverse to themselves, they may terminate or renegotiate the terms of the contract. (pg. 22-1, 15) • Seller may terminate (without Termination Payment) if any agency of the US government imposes a cost that is not generally applicable, but is targeted at electricity, natural gas, or other energy services and that reduces the benefits of this agreement to the Seller. (pg.22-23) • The parties acknowledge that “the rates, terms and conditions of this Agreement are ‘just and reasonable’ within the meaning of the FPA and that changes in market conditions will not render such rates, terms or conditions ‘unjust’ or ‘unreasonable’ for purposes of Section 206 of the FPA.” (pg. 22-26) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.22-29) • Force Majeure includes failure to obtain the necessary authorizations from any governmental authority. (pg. 22-19)

Summary of Contract #18: Sunrise Power Company, LLC

General Information

Seller; Project Name	Sunrise Power Company, LLC
Fuel	Natural gas
Rated Capacity (MW)	560
Contract Length (years)	10 (pg. 18-28)
Delivery Point	SP 15 (pg. 18-23)
Dispatchability	Fully dispatchable
Date Contract Executed	June 25, 2001
Expected Operation Date	<i>Phase I:</i> July 30, 2001 <i>Phase II:</i> August 1, 2003
Technology Description	Phase I: Two gas turbine peaking units (162.5 MW each) Phase II: Conversion to combined cycle (235 MW additional). (pg. 18-21)
Purchase Option	None

Contract Price

Total Price = Capacity Price + Fuel Price + Variable O&M Price (pg. 18-5)	
Capacity Price	Capacity Charge * Contract Capacity (pg. 18-37) <i>Capacity Charge ranges from \$750 / MW-month to \$38,800 / MW-month, for a total of \$120,000 / MW-year during Phase I, and \$179,600 / MW-year during Phase II.</i>
Fuel Price	All fuel costs incurred by Seller. (pg. 18-38)
Variable O&M Price	\$3.00 / MWh * MWh's of energy delivered (pg. 18-38)

Risk Allocation

Fuel Supply Risk	<ul style="list-style-type: none"> • Seller is default supplier of fuel. (pg. 18-34) • Seller's obligation to deliver energy is dependent upon receipt of fuel. (pg 18-34) • If fuel suppliers require security from Seller, Seller may suspend its fuel purchase obligations and Buyer will supply fuel. (pg. 18-34) • On an annual basis, Buyer can choose to supply fuel, or else Seller will propose a fuel supply plan based on Buyer's estimated annual dispatch schedule. If Buyer does not accept the Seller's plan, Buyer will supply fuel. (pg. 18-36) • On a monthly basis, Seller will obtain a fixed price quote for fuel supply and delivery, based on Buyer's estimated dispatch schedule. Buyer may either accept the quote or choose to
------------------	---

		<p>supply fuel itself. Buyer pays for additional costs to accommodate changes in weekly and daily schedules. (pg. 18-34,35)</p> <ul style="list-style-type: none"> Parties may agree to solicit long-term fuel supply offers. (pg. 18-35) Seller has firm gas transportation contract. (pg. 18-36)
Fuel Price Risk		<ul style="list-style-type: none"> Buyer bears all fuel costs. (pg. 18-24,34) Buyer can choose level of fuel price risk exposure by either choosing to supply fuel, or by approving Seller's fuel supply plan.
Scheduling Risk		<p>Buyer responsible for scheduling, transmission service, and any charges at and from Delivery Point. (pg. Master-9, 18-29)</p> <p>Buyer will be Scheduling Coordinator for the facility and will pay any charges assessed by the ISO. The parties may agree on a price for Buyer to delegate these responsibilities to Seller. (pg. 18-30)</p> <p>Seller will cooperate with Buyer to minimize imbalance charges. Buyer will bear all imbalance charges, unless due to Seller's failure to adhere to dispatch schedule for reasons other than prevailing mechanical or climatic conditions. (pg. 18-33)</p>
Demand Risk	Maximum Take	<ul style="list-style-type: none"> Phase I: <ul style="list-style-type: none"> <i>July 1 through September 30, 2001: 950 hours</i> (For each start-up of a unit in excess of 60 times, hours are reduced by 1.1) <i>October 1 through December 31, 2001: 200 hours</i> (For each start-up of a unit in excess of 13 times, hours are reduced by 1.1) <i>January 1 through March 31, 2002: 200 hours</i> <i>April 1 through June 30, 2002: 384 hours</i> <i>July 1 through September 30, 2002: 950 hours</i> <i>October 1 through December 31, 2002: 200 hours</i> (For each start-up of a unit in excess of 13, 24, 60, 13 times (per period above, respectively), hours are reduced by 1.1) (pg. 18-47) Phase II: <ul style="list-style-type: none"> Permits are anticipated to allow the facility to operate through the year, but will depend on receipt of CEC certification and permits. (pg. 18-47)
Demand Risk	Minimum Take	<ul style="list-style-type: none"> Phase I: any dispatch must be for at least 2 consecutive hours Phase II: any dispatch must be for at least 6 consecutive hours (pg. 18-32) Minimum dispatch is for 60% of full load during either Phase. (pg. 18-31,32)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> Buyer can dispatch the facility at any level of output between 60% of full load and full load for each hour of the day, provided the ramp rate does not exceed the ramp rate of the facility. (pg. 18-31,32) Buyer can make same-day dispatch changes by providing

		<p>notice to Seller at least 3 hours prior to the hour affected by the revision. All costs incurred as a result of same-day dispatches will be born by Buyer. (pg. 18-33)</p> <ul style="list-style-type: none"> • If the facility has undischarged energy available, Seller has the option to sell to third parties, provided that the sales not reduce the amount of energy available to the Buyer under permit limits. Seller will pay Buyer 50% of the net profit that Seller earns on each sale to a third party (and Seller is responsible for any imbalance charges). (pg. 18-34)
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> • No scheduled outages can be scheduled during the Summer (June through September) (pg. 18-31) • Buyer may request Seller to complete repairs during an unscheduled outage on an accelerated basis, and Buyer will pay for the incremental cost. (pg. 18-38)
Performance Risk	Capacity and Heat Rate Test	<ul style="list-style-type: none"> • Contract Capacity determined by annual capacity testing during April or May. Seller may schedule up to two additional capacity tests during any year. (pg. 18-30) • Actual Heat Rate will be tested twice a year in April and October. Guaranteed Heat Rate is the heat rate of the facility upon reaching commercial operation. (pg. 18-40.5,41)
Performance Risk	Availability	<ul style="list-style-type: none"> • Guaranteed Availability (pg. 18-23) <i>Summer (June through September): 95%</i> <i>Yearly: 91.8%</i> (and less during years when major overhauls occur) • Actual Availability = (the number of hours the plant was available to generate energy) / (total number of hours in the year) (pg. 18-22)
Performance Risk	Excused Outages	<p>If Buyer is providing fuel, and it fails to deliver fuel necessary to generate dispatched energy. (pg. 18-37)</p> <p>Scheduled and unscheduled power plant outages. (pg. 18-9)</p> <p>Force Majeure.</p>
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Any cause beyond the control of the party affected, including failure to obtain necessary governmental authorizations which by exercise of due diligence such party could not reasonably avoid or overcome. (pg. 18-6) • No party will be relieved of liability for failure of performance due to its own negligence. (pg. 18-9) • Does not include the inability of either party to economically use or sell the product. (pg. 18-9) • Does not include the loss or failure of Seller's supply, including loss of generating assets or contracts for energy, unless such loss is due to Force Majeure or action or inaction of Buyer. (pg. 18-9) • If Force Majeure continues for one continuous year, either party may terminate without further liability. (pg. 18-9) • Does not include any action taken by DWR in its governmental capacity, if Buyer is the claiming party. (pg. Master-25)

<p>Performance Risk</p>	<p>Performance Penalties and Incentives</p>	<p><i>Construction</i></p> <ul style="list-style-type: none"> • Seller will use commercially reasonable efforts to reach commercial operation for Phase I by July 30, 2001 and Phase II by August 1, 2003, but Seller will have no liability under this agreement if the plant is not successfully permitted and completed. (pg. 18-28, 29) • If either or both of the two units comprising Phase I do not reach commercial operation by August 15, 2001, Seller will pay Buyer \$1 million per unit. (pg. 18-29) • Either party may terminate if Phase I has not reached commercial operation by June 1, 2002, or Phase II by June 1, 2004. (pg. 18-41) • To reach commercial operation, Phase I must reach a minimum capacity of 150 MW per unit, and Phase II 515 MW. (pg. 18-28) • For each \$100,000 by which actual capital costs exceed the estimated costs, the Phase II Capacity Charge will be increased by \$1.90 / MW-month for exceedances to complete Phase I, and \$1.50 / MW-month for exceedances to complete Phase II. (pg. 18-39) • For each \$100,000 by which actual capital costs are under the estimated costs, the Phase II Capacity Charge will be decreased by \$3.80 / MW-month for under-runs in completing Phase I, and \$3.00 / MW-month for under-runs in completing Phase II. (pg. 18-39) <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Force Majeure continues for one continuous year, either party may terminate without further liability. (pg. 18-9) • If Seller fails to deliver, and such failure is unexcused and not a willful act, then Buyer may elect to receive from Seller the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. 18-9) • If Buyer fails to schedule or receive, and such failure is unexcused, then Buyer must still pay the Capacity Price. (pg. 18-9) • If Seller willfully fails to deliver and instead delivers to another party, then Seller defaults. (pg. 18-9) • If Seller receives additional permits, allowing the facility to operate above the Maximum Take limits during Phase I given above, Buyer will pay Seller a one time payment of \$607,452. (pg. 18-39) • If the Summer Actual Availability exceeds the Summer Guaranteed Availability, Buyer pays Seller additional amount of (sum of Summer Capacity Prices) * (lesser of 5% and Summer Actual Availability – Summer Guaranteed Availability). Vice versa if Actual is less than Guaranteed. (pg. 18-39) • If the Yearly Actual Availability exceeds the Yearly Guaranteed Availability, Buyer pays Seller additional amount of (sum of yearly Capacity Prices) * (lesser of 10% and Yearly Actual Availability – Yearly Guaranteed Availability).
-------------------------	---	---

		<p>Vice versa if Actual is less than Guaranteed. (pg. 18-40)</p> <ul style="list-style-type: none"> • If the (Actual Heat Rate) / (Guaranteed Heat Rate) is greater than 103%, then Seller pays Buyer an amount equal to (sum of all fuel costs for the 6 months since the previous heat rate test) * (Actual Heat Rate / Guaranteed Heat Rate – 103%) (pg. 18-41) • If the (Actual Heat Rate) / (Guaranteed Heat Rate) is less than 97%, then Buyer pays Seller an amount equal to (sum of all fuel costs for the 6 months since the previous heat rate test) * (97% - Actual Heat Rate / Guaranteed Heat Rate). (pg. 18-41)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt; definition of “bankrupt” includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2, 10) • If Seller willfully fails to deliver to Buyer, and instead delivers to a third party (unless allowed in this contract). (pg. 18-9) • Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master–10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13, 18-10) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. 18-10)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Seller has right to terminate (without Termination Payment) if Buyer fails to issue investment grade bonds by September 30, 2001, or maintain an investment grade rating. (Or alternatively, if Buyer fails to receive an investment grade rating on the DWR Electric Power Fund by September 30, 2001, or maintain such a rating.) (pg. 18-13) • Seller will grant Buyer a subordinated lien on the personal property and contracts of Seller. (pg. 18-15)
Environmental Risk		<ul style="list-style-type: none"> • If a change in California law imposes additional costs on Seller, the parties will negotiate in good faith to make changes to the contract to have the effect of leaving Seller no worse off than if the change in law had not occurred. (pg. 18-43) • For Phase II, permits are anticipated to allow the facility to operate through the year, but will depend on receipt of CEC certification and permits. (pg. 18-47)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master - 23) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.18-17) • Seller can terminate (with no Termination Payment) if the Memorandum of Understanding (MOU) between Southern California Edison, Edison International, and the PUC is either

		<p>not executed, or subsequent legislation overturns it. (pg. 18-41)</p> <ul style="list-style-type: none">• If a change in California law imposes additional costs on Seller, the parties will negotiate in good faith to make changes to the contract to have the effect of leaving Seller no worse off than if the change in law had not occurred. (pg. 18-43)
--	--	---

Summary of Contract #4: Wellhead Power, LLC; Panoche

General Information

Seller; Project Name	Wellhead Power, LLC; Panoche
Fuel	Natural gas
Rated Capacity (MW)	49.9
Contract Length (years)	10, option to extend annually up to 20 (pg. 4-43, 61)
Delivery Point	NP 15 (pg. 4-48)
Dispatchability	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	September 15, 2001 (pg. 4-44)
Technology Description	Simple-cycle peaking combustion turbine (pg. 4-44)
Purchase Option	At end of 10 year initial contract term, Buyer has option to buy facility for lesser of \$2.5 million and fair market value, as determined by appraisers. (pg. 6-60)

Contract Price

Total Price = Capacity Price + Variable Fuel Price + Fixed Fuel Price + Variable O&M Price + Start-up Price	
Capacity Price	<p>Capacity Charge * Contract Capacity – Availability Adjustment – Starting Reliability Adjustment</p> <p><i>Capacity Charge ranges from \$13.75 / kW-month to \$4.92 / kW-month; escalates with CPI if contract term is extended (pg. 4-46, 60, 62)</i></p> <p><i>If Actual Availability is less than Guaranteed,</i></p> <p><i>Availability Adjustment = (Guaranteed Availability – Actual Availability) * Capacity Charge * Contract Capacity * k. (k = 3 for June through October, else k = 1) (pg. 4-45)</i></p> <p><i>If Actual Starting Reliability is less than Guaranteed,</i></p> <p><i>Starting Reliability Adjustment = (Guaranteed Starting Reliability – Actual Starting Reliability) * Capacity Charge * Contract Capacity * k. (k = 3 for June through October, else k = 1) (pg. 4-47)</i></p> <p><i>See Availability and Starting Reliability, below, for guaranteed levels and definitions.</i></p>
Variable Fuel Price	<p><i>If Seller provides fuel:</i></p> <p>Billing Heat Rate * Gas Price * MWh of energy delivered + Billing Start Fuel * Gas Price * Successful starts in month</p> <p><i>Billing Heat Rate = lesser of actual heat rate during month and 10,000 Btu / kWh (pg. 4-49)</i></p> <p><i>Billing Start Fuel = lesser of actual fuel used during each start-up and 200 mmBtu (pg. 4-50)</i></p> <p><i>Gas Price = average actual gas price during month (pg. 4-51)</i></p>

	<p><i>If Buyer provides fuel:</i></p> <p>Seller reimburses Buyer for the incremental cost of fuel for starts that used more than 200 mmBtu, and fuel used during unsuccessful starts. (pg. 4-50)</p>
Fixed Fuel Price	Any fixed fuel costs incurred by Seller in accordance with Annual Fuel Plan. (pg. 4-51)
Variable O&M Price	<p>\$12 / MWh * MWh of energy delivered (pg. 4-49)</p> <p><i>Escalates with CPI if contract term is extended (pg. 4-60)</i></p>
Start-up Price	<p>\$1,000 * # of successful starts (pg. 4-49)</p> <p><i>Escalates with CPI if contract term is extended (pg. 4-60)</i></p>

Risk Allocation

Fuel Supply Risk		<ul style="list-style-type: none"> • Seller responsible for natural gas transportation, may be interruptible. (pg. 4-50) • Seller is default fuel supplier (pursuant to Annual Fuel Plan). (pg. 4-53) • Buyer has the right to elect to supply fuel for the remainder of the term of the agreement. (pg.4-53) • Natural gas transportation or commodity imbalance charge paid by: (pg. 4-52) <ul style="list-style-type: none"> <i>Seller</i> if Actual Heat Rate > Guaranteed Heat Rate, unexcused outage, Seller failed to schedule natural gas in accordance with Buyer's energy schedule, or intra-day scheduling by Seller <i>Buyer</i> if intra-day scheduling by Buyer, late notice of or changes to day-ahead energy schedule to Seller, an excused outage, disruption in interruptible fuel transportation, or if Buyer is supplying fuel and fails to deliver right quantity to match energy dispatch. • If Annual Fuel Plan provides for firm supply of fuel and it's interrupted, Seller will use reasonable effort to mitigate failure and pass any costs above those approved in Annual Fuel Plan (and any compensation from fuel supplier) to Buyer. (pg. 4-52) • Interruption of natural gas transportation or supply to plant is an excused outage, except if Seller has "firm" contract and interruption is due to Seller's negligence in administering the arrangement. (pg. 4-11)
Fuel Price Risk		<ul style="list-style-type: none"> • Buyer pays all actual fuel costs for fuel used by Seller to generate electricity delivered to Buyer. (pg. 4-51) • Buyer can choose level of fuel price risk exposure either through Annual Fuel Plan or by providing the fuel itself.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling, ancillary services and charges at and from the Delivery Point. (pg. 4-19) • Seller responsible for any ISO imbalance charges due to deviations of the actual electrical output of the facility from the ISO schedule, except those attributable to Buyer's real-time dispatch orders (pg. 4-19, 21)

		<ul style="list-style-type: none"> If either party fails to schedule with the ISO such that the ISO imposes charges, the party at fault will pay the charges. (pg. 4-24)
Demand Risk	Maximum Take	<ul style="list-style-type: none"> 4,000 hours per year (pg. 4-55); 16 hours per day (pg. 4-56) Buyer can dispatch only from 6 AM to 10 PM, Monday through Saturday. (pg. 4-19) No more than two successful starts per day. (pg. 4-50)
Demand Risk	Minimum Take	<ul style="list-style-type: none"> Buyer can only schedule the unit at 0% or 100% of its Contract Capacity (pg. 4-22) <i>A 0% schedule would reserve the unit for Buyer to later real-time dispatch it (at 100% of capacity).</i> Unit must be dispatched for no less than 4 sequential hours; 3 hours of non-operation between scheduled operations (pg. 4-55,6)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> Buyer may request same day schedule changes, and make real-time dispatch orders. (pg. 4-20,21) Buyer has first priority use of the unit. Seller has unrestricted use of the unit during hours when Buyer has not scheduled the unit. (pg 4-23)
Demand Risk	Operations and Maintenance Restrictions	Seller will use best efforts to do O&M during off-peak hours of non-summer months. (pg.5-56)
Performance Risk	Capacity Test	Contract Capacity determined by annual testing of the facility (pg. 4-43,67)
Performance Risk	Availability	<ul style="list-style-type: none"> Guaranteed Availability: <ul style="list-style-type: none"> <i>June through October: 97% each month</i> <i>All other months: 94% each month calculated on a rolling seven-month basis for other than June through October</i> Actual Availability = # of hours unit was available in month / all possible dispatch hours in month (or 16 hours * number of dispatch days in month) (pg. 4-45)
Performance Risk	Starting Reliability	<ul style="list-style-type: none"> Guaranteed Starting Reliability = 95% Actual Starting Reliability = # successful starts in last year / # requested starts in last year (pg. 4-47)
Performance Risk	Heat Rate	Guaranteed Heat Rate = 13,500 Btu / kWh (pg. 4-49)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> Force Majeure Transmission at Delivery Point unavailable (pg. 4-11) Interruption of natural gas supply to plant, except if Seller has "firm" natural gas contract and interruption is due to Seller's negligence in administering the arrangement. (pg. 4-11) If schedule is inconsistent with operating limits of plants (pg. 4-11)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due

		<p>diligence. (pg. 4-13)</p> <ul style="list-style-type: none"> Does not include the inability of either party to economically use or sell the product, or any action taken by DWR in its governmental capacity. (pg. 4-13) Buyer can terminate (with no Termination Payment) if Seller's unit interrupted by Force Majeure for continuous period of >18 months. (pg. 4-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Buyer can terminate (with no termination payment) if Seller: <ul style="list-style-type: none"> does not have all permits to start construction and legally enforceable agreements for gas and electrical interconnections by October 1, 2001 has not reached operation by December 15, 2001 (pg. 4-30) Seller pays penalty of \$452 / MW * Contract Capacity for each day the unit is late in reaching operation. (pg. 4-44 ½) <p><i>Operations</i></p> <ul style="list-style-type: none"> If Seller willfully fails to make available any portion of the Contract Capacity during any hours, and instead sells to a third party other than as expressly permitted in contract, Seller must pay everything it earned to Buyer, pay a penalty of two times the Capacity Price for those hours, and pay any reasonable costs of replacement energy. (pg 4-23) Buyer can terminate (with no termination payment) or suspend performance if either the Actual Availability or the Actual Starting Reliability are < 60% for one year. (pg 4-30) Buyer can terminate (with no termination payment) if Seller's unit interrupted by Force Majeure for continuous period of >18 months. (pg. 4-30) Seller pays Capacity Price penalty for not achieving Guaranteed Availability or Starting Reliability. (pg. 4-45,47) If Buyer supplies fuel, Seller reimburses Buyer for the incremental cost of fuel for starts that used more than 200 mmBtu, and fuel used during unsuccessful starts. (pg. 4-50)
Default Risk	Definition of Default	<ul style="list-style-type: none"> A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. 4-9) Failure to perform any material covenant, except for delivering energy (has its own remedies, through the Availability Adjustment and the Starting Reliability adjustments to Capacity Price, above). (pg.4-27)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> Non-defaulting party has right to suspend performance, and seek remedies for losses incurred during the suspension period. (pg.4-29) Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg.4-28,29)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> If Buyer fails to maintain investment grade rating on bonds, Seller can terminate (with no termination payment). (pg. 4-30)

		<ul style="list-style-type: none"> • Seller required to give Buyer a deed of trust on the unit that provides a first lien on the unit (pg. 4-34)
Environmental Risk		<ul style="list-style-type: none"> • Seller responsible for obtaining permits and emission offsets to supply energy at Contract Capacity for up to hours given in Maximum Take. (pg. 4-54) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg. 4-35) • Seller will use best efforts to time an excused outage to upgrade emissions control equipment between January 1 and April 30, 2002. Duration of the outage must be agreed on by parties. (pg. 4-54)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.4-25) • If FERC authorizes changes to the ISO requirements that materially change the provisions of the contract and the parties can't agree on modifications, then either party may terminate (with no termination payment). (pg. 4-30) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.4-35) • Parties agree not to seek at FERC or other regulatory authority action that would change the Contract Price. (pg. 4-40)

Summary of Contract #6: Wellhead Power, LLC; Gates

General Information

Seller; Project Name	Wellhead Power, LLC; Gates
Fuel	Natural gas
Rated Capacity (MW)	42
Contract Length (years)	10, option to extend annually up to 20 (pg. 6-43, 61)
Delivery Point	NP 15 (pg. 6-49)
Dispatchibility	Fully dispatchable
Date Contract Executed	August 14, 2001
Expected Operation Date	September 23, 2001 (pg. 6-44)
Technology Description	Simple cycle peaking combustion turbine
Purchase Option	At end of 10 year initial contract term, Buyer has option to buy facility for lesser of \$13.5 million and fair market value, as determined by appraisers. (pg. 6-60)

Contract Price

Total Price = Capacity Price + Variable Fuel Price + Fixed Fuel Price + Variable O&M Price + Start-up Price	
Capacity Price	<p>Capacity Charge * Contract Capacity – Availability Adjustment – Starting Reliability Adjustment</p> <p><i>Capacity Charge ranges from \$13.75 / kW-month to \$4.92 / kW-month; escalates with CPI if contract term is extended (pg. 6-47, 61, 63)</i></p> <p><i>If Actual Availability is less than Guaranteed,</i></p> <p><i>Availability Adjustment = (Guaranteed Availability – Actual Availability) * Capacity Charge * Contract Capacity* k. (k = 3 for June through October, else k = 1) (pg. 6-46)</i></p> <p><i>If Actual Starting Reliability is less than Guaranteed,</i></p> <p><i>Starting Reliability Adjustment = (Guaranteed Starting Reliability – Actual Starting Reliability) * Capacity Charge * Contract Capacity* k. (k = 3 for June through October, else k = 1) (pg. 6-48)</i></p> <p><i>See Availability and Starting Reliability, below, for guaranteed levels and definitions.</i></p>
Variable Fuel Price	<p><i>If Seller provides fuel:</i></p> <p>Billing Heat Rate * Gas Price * MWh of energy delivered + Billing Start Fuel * Gas Price * Successful starts in month</p> <p><i>Billing Heat Rate = lesser of actual heat rate during month and 10,000 Btu / kWh (pg. 6-50)</i></p> <p><i>Billing Start Fuel = lesser of actual fuel used during each start-up and 200 mmBtu (pg. 6-51)</i></p> <p><i>Gas Price = average actual gas price during month (pg. 6-52)</i></p> <p><i>If Buyer provides fuel:</i></p>

	Seller reimburses Buyer for the incremental cost of fuel for starts that used more than 200 mmBtu, and fuel used during unsuccessful starts. (pg. 6-51)
Fixed Fuel Price	Any fixed fuel costs incurred by Seller in accordance with Annual Fuel Plan. (pg. 6-52)
Variable O&M Price	\$12 / MWh * MWh of energy delivered (pg. 6-50) <i>Escalates with CPI if contract term is extended (pg. 6-61)</i>
Start-up Price	\$1,000 * # of successful starts (pg. 6-50) <i>Escalates with CPI if contract term is extended (pg. 6-61)</i>

Risk Allocation

Fuel Supply Risk	<ul style="list-style-type: none"> Seller responsible for natural gas transportation, may be interruptible. (pg. 6-51) Seller is default fuel supplier (pursuant to Annual Fuel Plan). (pg. 6-54) Buyer has the right to elect to supply fuel for the remainder of the term of the agreement. (pg.6-54) Natural gas transportation or commodity imbalance charge paid by: (pg. 6-53) <i>Seller</i> if Actual Heat Rate > Guaranteed Heat Rate, unexcused outage, Seller failed to schedule natural gas in accordance with Buyer's energy schedule, or intra-day scheduling by Seller <i>Buyer</i> if intra-day scheduling by Buyer, late notice of or changes to day-ahead energy schedule to Seller, an excused outage, disruption in interruptible fuel transportation, or if Buyer is supplying fuel and fails to deliver right quantity to match energy dispatch. If Annual Fuel Plan provides for firm supply of fuel and it's interrupted, Seller will use reasonable effort to mitigate failure and pass any costs above those approved in Annual Fuel Plan (and any compensation from fuel supplier) to Buyer. (pg. 6-52) Interruption of natural gas transportation or supply to plant is an excused outage, except if Seller has "firm" contract and interruption is due to Seller's negligence in administering the arrangement. (pg. 6-11)
Fuel Price Risk	<ul style="list-style-type: none"> Buyer pays all actual fuel costs for fuel used by Seller to generate electricity delivered to Buyer. (pg. 6-52) Buyer can choose level of fuel price risk exposure either through Annual Fuel Plan or by providing the fuel itself.
Scheduling Risk	<ul style="list-style-type: none"> Buyer responsible for scheduling, ancillary services and charges at and from the Delivery Point. (pg. 6-19) Seller responsible for any ISO imbalance charges due to deviations of the actual electrical output of the facility from the ISO schedule, except those attributable to Buyer's real-time dispatch orders (pg. 6-19, 21) If either party fails to schedule with the ISO such that the ISO

		imposes charges, the party at fault will pay the charges. (pg. 6-24)
Demand Risk	Maximum Take	<ul style="list-style-type: none"> • 4,000 hours per year (pg. 6-56); 16 hours per day (pg. 6-57) • Buyer can dispatch only from 6 AM to 10 PM, Monday through Saturday. (pg. 6-19) • No more than two successful starts per day. (pg. 6-51)
Demand Risk	Minimum Take	<ul style="list-style-type: none"> • Buyer can only schedule the unit at 0% or 100% of its Contract Capacity (pg. 6-22) <i>A 0% schedule would reserve the unit for Buyer to later real-time dispatch it (at 100% of capacity).</i> • Unit must be dispatched for no less than 4 sequential hours; 3 hours of non-operation between scheduled operations (pg. 6-56,7)
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Buyer may request same day schedule changes, and make real-time dispatch orders. (pg. 6-20,21) • Buyer has first priority use of the unit. Seller has unrestricted use of the unit during hours when Buyer has not scheduled the unit. (pg 6-23)
Demand Risk	Operations and Maintenance Restrictions	Seller will use best efforts to do O&M during off-peak hours of non-summer months. (pg.6-56)
Performance Risk	Capacity Test	Contract Capacity determined by annual testing of the facility (pg. 6-44,68)
Performance Risk	Availability	<ul style="list-style-type: none"> • Guaranteed Availability: <i>June through October: 97% each month</i> <i>All other months: 94% each month calculated on a rolling seven-month basis for other than June through October</i> • Actual Availability = # of hours unit was available in month / all possible dispatch hours in month (or 16 hours * number of dispatch days in month) (pg. 6-46)
Performance Risk	Starting Reliability	<ul style="list-style-type: none"> • Guaranteed Starting Reliability = 95% • Actual Starting Reliability = # successful starts in last year / # requested starts in last year (pg. 6-48)
Performance Risk	Heat Rate	Guaranteed Heat Rate = 10,000 Btu / kWh (pg. 6-50)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • Force Majeure (pg. 6-12) • Transmission at Delivery Point unavailable (pg. 6-11) • Interruption of natural gas supply to plant, except if Seller has "firm" natural gas contract and interruption is due to Seller's negligence in administering the arrangement. (pg. 6-11) • If schedule is inconsistent with operating limits of plants (pg. 6-11)
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. 6-13)

		<ul style="list-style-type: none"> Does not include the inability of either party to economically use or sell the product, or any action taken by DWR in its governmental capacity. (pg. 6-13) Buyer can terminate (with no Termination Payment) if Seller's unit interrupted by Force Majeure for continuous period of >18 months. (pg. 6-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Buyer can terminate (with no termination payment) if Seller: <ul style="list-style-type: none"> does not have all permits to start construction and legally enforceable agreements for gas and electrical interconnections by October 1, 2001 has not reached operation by December 31, 2001 (pg. 6-29) Seller pays penalty of \$452 / MW * Contract Capacity for each day the unit is late in reaching operation after October 7, 2001. (pg. 6-45) <p><i>Operations</i></p> <ul style="list-style-type: none"> If Seller willfully fails to make available any portion of the Contract Capacity during any hours, and instead sells to a third party other than as expressly permitted in contract, Seller must pay everything it earned to Buyer, pay a penalty of two times the Capacity Price for those hours, and pay any reasonable costs of replacement energy. (pg. 6-23) Buyer can terminate (with no termination payment) or suspend performance if either the Actual Availability or the Actual Starting Reliability are < 60% for one year. (pg 6-30) Buyer can terminate (with no termination payment) if Seller's unit interrupted by Force Majeure for continuous period of >18 months. (pg. 6-30) Seller pays Capacity Price penalty for not achieving Guaranteed Availability or Starting Reliability. (pg. 6-45,47) If Buyer supplies fuel, Seller reimburses Buyer for the incremental cost of fuel for starts that used more than 200 mmBtu, and fuel used during unsuccessful starts. (pg. 6-50)
Default Risk	Definition of Default	<ul style="list-style-type: none"> A party becomes bankrupt; definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. 6-9) Failure to perform any material covenant, except for delivering energy (has its own remedies, through the Availability Adjustment and the Start Reliability adjustment to Capacity Price, above) (pg.6-27)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> Non-defaulting party has right to suspend performance, and seek remedies for losses incurred during the suspension period. (pg.6-29) Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg.6-28,29)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> If Buyer fails to maintain investment grade rating on bonds, Seller can terminate (with no termination payment). (pg. 6-30)

		<ul style="list-style-type: none"> • Seller required to give Buyer a deed of trust on the unit that provides a first lien on the unit (pg. 6-33)
Environmental Risk		<ul style="list-style-type: none"> • Seller responsible for obtaining permits and emission offsets to supply energy at Contract Capacity for up to hours given in Maximum Take. (pg. 6-55) • Seller will use best efforts to time an excused outage to upgrade emissions control equipment between January 1 and April 30, 2002. Duration of the outage must be agreed on by parties. (pg. 6-56) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg. 6-35)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg.6-25) • If FERC authorizes changes to the ISO requirements that materially change the provisions of the contract and the parties can't agree on modifications, then either party may terminate (with no termination payment). (pg. 6-30) • Seller can pass through to Buyer any cost imposed by the California Legislature that is not generally applicable, but is targeted at electricity, natural gas, or other energy services. Buyer is entitled to the benefit of any reduction in such costs enacted by the Legislature. (pg.6-35) • Parties agree not to seek at FERC or other regulatory authority action that would change the Contract Price. (pg. 6-40)

Summary of Contract #21: Williams Energy Marketing & Trading Company

General Information

Seller; Project Name	Williams Energy Marketing & Trading Company
Fuel	Natural gas
Rated Capacity (MW)	175 to 1,400 MW
Contract Length (years)	10 (pg. 21-17)
Delivery Point	SP 15 (pg. 21-16)
Dispatchibility	Must-take
Date Contract Executed	February 16, 2001
Expected Operation Date	Already in operation
Technology Description	Steam turbine and gas turbine facilities at Alamitos and Redondo Beach (pg. 21-14)
Purchase Option	None

Contract Price

<p>Total Price =</p> <p><i>Product A:</i> \$62.50 / MWh</p> <p><i>Product B:</i> \$87 / MWh (pg. 21-16)</p>

Risk Allocation

Fuel Supply Risk		Seller bears fuel supply risk, except as excused under Excused Outages.
Fuel Price Risk		Seller bears fuel price risk.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer responsible for scheduling and transmission service at and from Delivery Point. (pg. Master-9) • Party responsible for imbalance charges will pay them. Parties will cooperate to minimize penalties. (pg. 21-7) • Buyer responsible for transmission contingencies at and after the Delivery Point, Seller responsible before Delivery Point. (pg. 21-15)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	<ul style="list-style-type: none"> • <i>Product A:</i> June 1, 2001 to December 31, 2005: 35 MW escalating to 100 MW (24x7 delivery) June 1, 2001 to December 31, 2005: 140 MW escalating to 400 MW (6x16 delivery) January 1, 2006 to December 31, 2010: 600 MW (24x7

		<p>delivery)</p> <p>January 1, 2003 to December 31, 2010: Seller has right to sell Buyer up to 500 additional MW (6x16 delivery) on a monthly basis, as available. (pg. 21-15,16)</p> <ul style="list-style-type: none"> • <i>Product B</i>: April 1, 2001 to December 31, 2010: 175 MW escalating to 300 MW (6x16 delivery) (pg. 21-15) <p><i>24x7 delivery is all hours of all days</i></p> <p><i>6x16 delivery is Monday through Saturday, 6 AM until 10 PM.</i></p>
Demand Risk	Dispatch Flexibility	<ul style="list-style-type: none"> • Seller may supply energy from any source regardless of the status of the units designated in the contract. (pg. 21-17) • January 1, 2003 to December 31, 2010: Seller has right to sell Buyer up to 500 additional MW (6x16 delivery) on a monthly basis, as available. (pg. 21-15,16)
Demand Risk	Operations and Maintenance Restrictions	Scheduled maintenance will occur November through April, and will not exceed 14 days per unit per year. (pg. 21-19)
Performance Risk	Capacity Test	None. Contract Capacity set in contract, given in Minimum Take, above.
Performance Risk	Availability	<p>Guaranteed Availability = 70% (pg. 21-16)</p> <p>Actual Availability = (MWh of energy delivered or made available) / (Contract Quantity as given above in Minimum Take – quantity unavailable due to maintenance) (pg. 21-19)</p>
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • If a unit is unavailable as a result of a Forced Outage (as defined in NERC Generating Unit Availability Data System Forced Outage reporting guidelines). (pg. 21-13) <i>i.e. an outage resulting from an immediate mechanical / electrical / hydraulic control system trip or operator-initiated trip in response to an alarm.</i> • If units are unavailable due to a circumstance that was not anticipated as of the date this contract was executed, and that's not within the reasonable control of (or the result of negligence of) Seller. (pg. 21-13) • If units are declared unavailable under Seller's agreement with the generator (AES), or if Seller's agreement with the generator is terminated. (pg. 21-13) • If a governmental authority imposes operating limits, including air permits. (pg. 21-13) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure

		<p>as defined in that contract. (pg. Master-4)</p> <ul style="list-style-type: none"> Does not include any act or omission of any governmental entity in the State of California, and such act or omission will be deemed to be an action of Buyer. (pg. 21-11, 21-10)
Performance Risk	Performance Penalties and Incentives	<ul style="list-style-type: none"> If Seller fails to deliver energy scheduled under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9) If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9) If Actual Availability for any year is less than Guaranteed Availability, Seller will reduce Contract Price for the next year by \$1 / MWh to \$2.50 / MWh (penalty increases over time) for Product A, and \$2 / MWh to \$5 / MWh for Product B. This penalty cannot exceed \$30 million cumulatively. (pg. 21-16,19,20) If the Actual Availability is greater than 82% in any year following a year in which the Actual Availability was less than the Guaranteed Availability, then the Contract Price for the next year will be increased to offset any availability penalties incurred by Seller. The Contract Price will increase by \$1.50 / MWh to \$4 / MWh for Product A, and \$3 / MWh to \$6 / MWh for Product B. This incentive cannot exceed the net cumulative penalty discussed above. (pg. 21-16,19,20)
Default Risk	Definition of Default	<ul style="list-style-type: none"> A party becomes bankrupt; definition of “bankrupt” includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10) Any action or inaction by the State of California or any political subdivision within the State, that impairs Seller’s ability to perform its obligations under this contract or that has an adverse economic impact on Seller, will be a default by Buyer. (pg. 21-7,10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. Master-11, 21-7)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> Seller has right to terminate (with no Termination Payment) if Buyer fails to issue bonds by July 1, 2001 or fails to maintain an investment grade rating on the bonds or the DWR Electric Power Fund. (pg. 21-12)
Environmental Risk		<ul style="list-style-type: none"> If Seller can demonstrate its costs have increased in aggregate by \$5 / MWh due to any action or inaction by a

		<p>governmental entity other than the State of California or a political subdivision of the State, then Buyer will pay Seller for all increased costs of service in excess of \$5 / MWh for the remainder of the term. If Seller's costs have increased due to action or inaction by the State of California or a political subdivision of the State, then Buyer will pay Seller for all increased costs of service. (pg. 21-8, 10)</p> <ul style="list-style-type: none"> • Buyer will pay Seller for the actual and verifiable costs of emission credits. (pg. 21-16)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If Seller can demonstrate its costs have increased in aggregate by \$5 / MWh due to any action or inaction by a governmental entity other than the State of California or a political subdivision of the State, then Buyer will pay Seller for all increased costs of service in excess of \$5 / MWh for the remainder of the term. If Seller's costs have increased due to action or inaction by the State of California or a political subdivision of the State, then Buyer will pay Seller for all increased costs of service. (pg. 21-8, 10) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. 21-11) • Both parties agree that the economic terms of the agreement are reasonable in all respects, including rates and allocation of risk. (pg. 21-9) • If any provision of the contract is materially affected by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master – 23, 21-10) • The terms and conditions of the contract will not be subject to change through application to the FERC by either party or by the State of California or any agency thereof. Both parties agree not to make filings under Section 205 or 206 of the Federal Power Act to revise this rate schedule. (pg. 21-10)

Appendix F. DWR Renewable Contract Summaries

Summary of Contract #R6: Capitol Power, Inc.

General Information

Seller; Project Name	Capitol Power, Inc.
Fuel	Biomass (pg. R6-2)
Rated Capacity (MW)	15 (pg. R6-20)
Contract Length (years)	5 (pg. R6-20)
Delivery Point	NP 15
Dispatchability	Must-take
Date Contract Executed	August 23, 2001
Expected Operation Date	November 15, 2001
Technology Description	Reconditioned plant (pg. R6-20)
Purchase Option	None

Contract Price

Total Price = \$89 / MWh (pg. R6-20)

Risk Allocation

Fuel Supply Risk		Rests with Seller. Prior to commercial operations, Seller must demonstrate that it has secured firm commitments for adequate supplies and transportation of fuel. (pg. R6-7)
Fuel Price Risk		Not specifically mentioned, so presumably rests with Seller
Scheduling Risk		<ul style="list-style-type: none"> • Seller must schedule and generate the plant's maximum capability in all hours, not to exceed 105% of the Contract Capacity (pg. R6-5) • Seller must operate the plant such that monthly actual generation is within plus or minus 10% of monthly scheduled generation (pg. R6-5) • Seller must submit daily (each year) and hourly (each month and week) production forecasts to Buyer. Seller must also submit preferred day-ahead schedule to Buyer no later than 4 hours before such data must be submitted to the CAISO. (pgs. R6-5, R6-6) • Seller responsible for scheduling and transmission, all CAISO costs and charges (including imbalance charges), and any transmission curtailment or interruptions, up to the Delivery Point. (pg. R6-5) • Buyer responsible for scheduling at and from the Delivery Point.

Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	Plant's maximum capability in all hours, not to exceed 105% of the Contract Capacity (pg. R6-5)
Demand Risk	Dispatch Flexibility	In the event that the Seller makes a same-day change in its schedule that results in an increase to its output, the Buyer shall have the right, but not the obligation, to purchase the increase at the same price per MWh (pg. R6-6)
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> Maintenance outages allowed for 40 days per 12-month period. Seller shall use best efforts to provide 30 days notice of such outages. In no event may scheduled outages occur during the months of June through October, inclusive. (pg. R6-7) Seller will use prudent utility practices. (pg. R6-22)
Performance Risk	Capacity Test	Prior to commercial operations, Seller must perform a capacity test, to demonstrate that the plant can generate at no less than 95% of Contract Capacity (set as the rated capacity, in the contract). Either party may request a re-test, at its expense. (pgs. R6-5, R6-7)
Performance Risk	Availability	<ul style="list-style-type: none"> Non-firm energy expected to be delivered 7,680 hours per year (88%) (pg. R6-3) Monthly Availability Guarantee: June-October = 75% January-May and November-December = 70% (pg. R6-20) Actual Availability = (MWh delivered in month) / (Contract Capacity * hours in month – MWh not generated due to planned outages) (pg. R6-2) Seller cannot curtail for economic reasons (pg. R6-5) Seller shall not provide replacement energy to avoid a reduction in availability (pg. R6-20)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> Plant outage (pg. R6-4) Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg R6-10) Does not include the loss of Buyer's markets or Buyer's inability to economically use or resell the energy; or Seller's ability to sell the energy at a price greater than the purchase price. (pg. R6-10) Does not include the loss or failure of Seller's supplies including, but not limited to, Seller's own generating assets or contracts for the purchase of power or energy. (pg. R6-10)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Buyer may terminate (with no Termination Payment) if Seller has not received all permits by October 15, 2001, or if plant has not reached commercial operations by December 15,

		<p>2001 (pg. R6-21)</p> <p><i>Operation</i></p> <ul style="list-style-type: none"> • If Buyer fails to schedule and/or receive part of the energy, Buyer shall pay Seller amount equal to all MWh not received multiplied by the positive difference, in any, between the purchase price under this agreement and the sales price (i.e., the price at which the Seller resold the power). (pg R6-15) • If Seller fails to schedule and/or deliver part of the energy, Buyer's remedy shall be through the calculation of monthly availability and the use of early termination as applicable. (pg R6-15) • Buyer may terminate (with no Termination Payment) if the plant's Actual Availability is less than Monthly Availability Guarantee for three consecutive months (pg. R6-21)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • Failure to perform any material covenant that is not cured within 5 days after notice. (pg. R6-11) • Bankruptcy (pg. R6-11)
Default Risk	Consequences of Default	Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract, plus costs incurred from any other agreements specifically relating to this contract) (pgs. R6-12, R6-13)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Should Seller's creditworthiness become unsatisfactory to Buyer, Buyer may require Seller to provide a letter of credit or some other mutually agreeable form of collateral in an amount sufficient to cover (i) in case the remaining term is less than one year, 100% of the termination payment, or (ii) in case the remaining terms is one year or more, 25% of the termination payment (calculated as described above). (pgs. R6-13, R6-14). • Failure to provide adequate credit assurances is an event of default. (pg. R6-11) • If Seller has not obtained an investment grade credit rating, or provided Buyer with a security interest in the generating unit, or provided Buyer with a guaranty, by the commercial operation date, then Buyer may terminate (with no Termination Payment). (pg. R6-21)
Environmental Risk		Seller shall obtain permits, operate plant according to permits, and keep permits updated (pg. R6-20)
Regulatory / Legislative Risk		None

Summary of Contract #R5: Clearwood Electric Company, LLC

General Information

Seller; Project Name	Clearwood Electric Company, LLC
Fuel	Geothermal
Rated Capacity (MW)	25 MW (pg. R5-23)
Contract Length (years)	10
Delivery Point	NP15
Dispatchibility	Must-take
Date Contract Executed	June 22, 2001
Expected Operation Date	May 31, 2002
Technology Description	None specified
Purchase Option	None

Contract Price

Total Price = \$67.40 / MWh (pg. R5-23)

Risk Allocation

Fuel Supply Risk		Steam field risk resides with the Seller (except lenient Force Majeure provisions)
Fuel Price Risk		Steam field risk resides with the Seller (except lenient Force Majeure provisions)
Scheduling Risk		<ul style="list-style-type: none"> • Seller must schedule and generate the plant's maximum capability available in all hours, unless restricted by the exercise of prudent electrical practices (pg. R5-5) • Seller must operate the plant such that monthly actual generation is within plus or minus 10% of monthly scheduled generation (pg. R5-5) • Seller must submit daily (each year) and hourly (each month and week) production forecasts to Buyer. Seller must also submit preferred day-ahead schedule to Buyer no later than 4 hours before such data must be submitted to the CAISO. (pg. R5-6) • Seller responsible for scheduling and transmission, all CAISO costs and charges (including imbalance charges), and any transmission curtailment or interruptions, up to the Delivery Point, except in cases of force majeure. (pgs. R5-5, R5-6) • Buyer responsible for scheduling at from the Delivery Point. (pg. R5-5)
Demand Risk	Maximum Take	See Minimum Take

Demand Risk	Minimum Take	Plant's maximum capability in all available hours (pg. R5-5)
Demand Risk	Dispatch Flexibility	In the event that the Seller makes a same-day change in its schedule that results in an increase to its output, Buyer shall have the right, but not the obligation, to purchase the increase at the Contract Price (pg. R5-5)
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> • Seller provides Buyer list of scheduled maintenance periods each year. Seller will not schedule major maintenance during Buyer's peak months, and will coordinate maintenance schedule with Buyer to minimize impact on Buyer (pgs. R5-6, R5-7) • Seller will maintain the unit in accordance with prudent electrical practices. (pg. R5-7)
Performance Risk	Capacity Test	None
Performance Risk	Availability	<ul style="list-style-type: none"> • Firm energy expected to be delivered 8,000 hours per year (91%) (pg. R5-2) • Seller shall not provide replacement energy to avoid a reduction in availability (pg. R5-5) • Availability = number of hours in year plant is capable of generating after allowing for planned and unplanned outages. (pg. R5-1)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • Anytime the plant is unavailable (unit contingent) (pg. R5-5) • Planned and unplanned outages (pg. R5-1) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pgs R5-10, R5-11) • This contract includes many provisions that are geothermal-specific, and are not normally included in force majeure clauses. This contract adopts a very liberal interpretation of force majeure, for example, it includes delays in construction due to the shortage of available drilling rigs. (pgs R5-10, R5-11) • Does not include the loss of Buyer's markets or Buyer's inability economically to use or resell the energy; or Seller's ability to sell the firm energy at a price greater than the purchase price. (pg. R5-11)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • Buyer may terminate if the project does not begin operation by December 1, 2002 (unless delay is due to Force Majeure). (pg. R5-23) <p><i>Operation</i></p> <ul style="list-style-type: none"> • If Buyer fails to schedule and/or receive part of the firm energy, Buyer shall pay Seller amount equal to all MWh not received multiplied by the positive difference, in any, between the

		<p>purchase price under this agreement and the sales price (i.e., the price at which the Seller resold the power). (pg R5-18)</p> <ul style="list-style-type: none"> • If Seller fails to schedule and/or deliver part of the firm energy, Seller shall pay Buyer amount equal to all MWh not delivered multiplied by the positive difference, in any, between the replacement price (i.e., the price at which the Buyer bought replacement power) and the purchase price under this agreement. (pg R5-17)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • Failure to perform any material covenant that is not cured within 30 days after notice. Contract provides longer times to cure a default for various specific scenarios, for example, problems due to the geothermal wellfield conditions. (pg. R5-12) • Bankruptcy (pg. R5-12)
Default Risk	Consequences of Default	Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract). (pgs. R5-13 through R5-15)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Seller must fund a Credit Guarantee Fund with \$250,000 for 5 consecutive years until balance reaches \$1,250,000. Buyer may draw upon this escrow account to repay damages related to default (pgs. R5-15, R5-16) • Seller may terminate if Buyer is unable to obtain an investment grade rating by October 31, 2001 (pg. R5-21). Alternatively, Seller may extend the initial delivery date until Buyer has obtained an investment grade rating (pg. R5-22).
Environmental Risk		None (except lenient Force Majeure provisions)
Regulatory / Legislative Risk		None (except lenient Force Majeure provisions)

Summary of Contract #R7: County of Santa Cruz

General Information

Seller; Project Name	County of Santa Cruz
Fuel	Landfill Gas
Rated Capacity (MW)	3 (pg. R7-19)
Contract Length (years)	5 (pg. R7-19)
Delivery Point	NP 15
Dispatchibility	Must-take
Date Contract Executed	September 13, 2001
Expected Operation Date	April 30, 2002
Technology Description	None specified
Purchase Option	None

Contract Price

Total Price = \$65 / MWh (pg. R7-19)

Risk Allocation

Fuel Supply Risk		Not specifically mentioned, so presumably resides with Seller
Fuel Price Risk		Not specifically mentioned, so presumably resides with Seller
Scheduling Risk		<ul style="list-style-type: none"> • Seller must schedule and generate the plant's maximum capability in all hours, not to exceed 105% of the Contract Capacity (pg. R7-5) • Seller must operate the plant such that monthly actual generation is within plus or minus 10% of monthly scheduled generation (pg. R7-5) • Seller must submit daily (each year) and hourly (each month and week) production forecasts to Buyer. Seller must also submit preferred day-ahead schedule to Buyer no later than 4 hours before such data must be submitted to the CAISO. (pgs. R7-5, R7-6) • Seller responsible for scheduling and transmission, all CAISO costs and charges (including imbalance charges), and any transmission curtailment or interruptions, up to the Delivery Point. (pg. R7-5) • Buyer responsible for scheduling at and from the Delivery Point.
Demand Risk	Maximum Take	See Minimum Take

Demand Risk	Minimum Take	Plant's maximum capability in all hours, not to exceed 105% of the Contract Capacity (pg. R7-5)
Demand Risk	Dispatch Flexibility	In the event that the Seller makes a same-day change in its schedule that results in an increase to its output, the Buyer shall have the right, but not the obligation, to purchase the increase at the Contract Price (pg. R7-5)
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> Maintenance outages allowed for 20 days per 12-month period. Seller shall use best efforts to provide 30 days notice of such outages. In no event may scheduled outages occur during the months of June through October, inclusive. (pg. R7-7) Seller will use prudent utility practices. (pg. R6-22)
Performance Risk	Capacity Test	Prior to commercial operations, Seller must perform a 4-hour demonstration test, at its expense, of the generating plant that achieves a net demonstrated capacity of no less than 95% of Contract Capacity (set as the rated capacity, in the contract). Either party may request a re-test, at its expense. (pg. R7-6)
Performance Risk	Availability	<ul style="list-style-type: none"> Non-firm energy expected to be delivered 8,000 hours per year (91%) (pg. R7-3) Monthly Availability Guarantee: June-October = 75% January-May and November-December = 70% (pg. R7-19) Actual Availability = (MWh delivered in month) / (Contract Capacity * hours in month – MWh not generated due to planned outages) (pg. R7-2) Seller cannot curtail for economic reasons (pg. R7-5) Seller shall not provide replacement energy to avoid a reduction in availability (pg. R7-19)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> Plant outage (pg. R7-4) Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg R7-10) Does not include the loss of Buyer's markets or Buyer's inability economically to use or resell the energy; or Seller's ability to sell the energy at a price greater than the purchase price. (pg. R7-10) Does not include the loss or failure of Seller's supplies including, but not limited to, Seller's own generating assets or contracts for the purchase of power or energy. (pg. R7-10)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Buyer may terminate (with no Termination Payment) if Seller has not received all permits by December 31, 2001, or if plant has not reached commercial operations by May 31, 2002 (pg.

		<p>R7-20) <i>Operation</i></p> <ul style="list-style-type: none"> • If Buyer fails to schedule and/or receive part of the non-firm energy, Buy shall pay Seller amount equal to all MWh not received multiplied by the positive difference, in any, between the purchase price under this agreement and the sales price (i.e., the price at which the Seller resold the power). (pg R7-14) • If Seller fails to schedule and/or deliver part of the non-firm energy, Buyer's remedy shall be through the calculation of monthly availability and the use of early termination as applicable. (pg R7-14) • Buyer may terminate (with no Termination Payment) if the plant's Actual Availability is less than Monthly Availability Guarantee for three consecutive months (pg. R7-20)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • Failure to perform any material covenant that is not cured within 5 days after notice. (pg. R7-11) • Bankruptcy (pg. R7-11)
Default Risk	Consequences of Default	Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract, plus costs incurred from any other agreements specifically relating to this contract) (pgs. R7-12, R7-13)
Default Risk	Key Credit Requirements	If Seller has not obtained an investment grade credit rating by the commercial operation date, then Buyer may terminate (with no Termination Payment). (pg. R7-20)
Environmental Risk		Seller shall obtain permits, operate plant according to permits, and keep permits updated (pg. R7-19)
Regulatory / Legislative Risk		None

Summary of Contract #R8: Imperial Valley Resource Recovery Company LLC

General Information

Seller; Project Name	Imperial Valley Resource Recovery Company, LLC
Fuel	Biomass; Wood waste (source: State Water Resources Control Board)
Rated Capacity (MW)	16
Contract Length (years)	3
Delivery Point	SP 15
Dispatchability	Must-take
Date Contract Executed	March 13, 2001
Expected Operation Date	N/A (unit already exists)
Technology Description	Unspecified
Purchase Option	None

Contract Price

<p>Total Price =</p> <p>2001: \$100 / MWh</p> <p>2002: \$95 / MWh</p> <p>2003: \$90 / MWh</p>

Risk Allocation

Fuel Supply Risk		<ul style="list-style-type: none"> Not mentioned, so presumably resides with Seller Loss of fuel supply is not deemed a Force Majeure (R8-20)
Fuel Price Risk		Not mentioned, so presumably resides with Seller
Scheduling Risk		<ul style="list-style-type: none"> Buyer schedules at and from Delivery Point (pg. R8-4) Seller faces risk of transmission curtailment or interruption up to the Delivery Point, except due to (i) Force Majeure; (ii) the fault of the Seller's transmission provider (Imperial Irrigation District), or (iii) an instruction or order from the CAISO or other governmental agency with jurisdiction (pg. R8-4, 19)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	16 MW at all times (7x24) (pg. R8-17)
Demand Risk	Dispatch Flexibility	Seller may procure energy from sources other than its generation facility in order to perform its obligations under this contract (pg. R8-19)
Demand Risk	Operations and	Seller may conduct up to 4 maintenance outages, lasting an

	Maintenance Restrictions	aggregate of 15 days, per year. Seller must provide Buyer 14 days notice of any maintenance outages, and shall use best efforts to schedule outages at non-peak times. (pg. R8-19)
Performance Risk	Capacity Test	None
Performance Risk	Availability	None
Performance Risk	Excused Outages	Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg R8-7) • Does not include the loss of Buyer's markets or Buyer's inability economically to use or resell the energy; or Seller's ability to sell the energy at a price greater than the purchase price. (pg. R8-8) • Does not include the loss or failure of Seller's supply of fuel for the facility. (pg. R8-8)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • None <p><i>Operation</i></p> <ul style="list-style-type: none"> • If Seller fails to schedule and/or deliver part of the firm energy, Seller shall pay Buyer amount equal to all MWh not delivered multiplied by the positive difference, in any, between the replacement price (i.e., the price at which the Buyer bought replacement power) and the purchase price under this agreement. (pg R8-12) • If Buyer fails to schedule and/or receive part of the firm energy, Buy shall pay Seller amount equal to all MWh not received multiplied by the positive difference, in any, between the purchase price under this agreement and the sales price (i.e., the price at which the Seller resold the power). (pg R8-12)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • Failure to perform any material covenant that is not cured within 5 days after notice. (pg. R8-8,9) • Bankruptcy (pg. R8-8,9)
Default Risk	Consequences of Default	Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract, plus costs incurred from any other agreements specifically relating to this contract) (pgs. R8-9, R8-10)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • If the Seller or its Guarantor does not have long-term debt rated investment grade (BBB S&P, Baa Moody's), or should Seller's creditworthiness become unsatisfactory to Buyer, Buyer may require Seller to provide a letter of credit or some other mutually agreeable form of collateral in an amount sufficient to cover (i) in case the remaining term is less than one year, 100% of the termination payment, or (ii) in case the

		<p>remaining terms is one year or more, 25% of the termination payment (calculated as described above). (pgs. R8-10, R8-11)</p> <ul style="list-style-type: none"> • If Seller does not provide satisfactory credit assurance within 3 days after notice, then Seller defaults. (pg. R8-11) • Seller's guarantor is Primary Power International, a Michigan-based company that owns Seller.
Environmental Risk		None
Regulatory / Legislative Risk		None

Summary of Contract #R1: PG&E Energy Trading – Power, L.P.

General Information

Seller; Project Name	PG&E Energy Trading – Power, L.P.
Fuel	Wind
Rated Capacity (MW)	66.6
Contract Length (years)	10 (pg. R1-2)
Delivery Point	SP 15 (pg. R1-2)
Dispatchability	Must-take as available
Date Contract Executed	May 31, 2001
Expected Operation Date	October 1, 2001
Technology Description	111 Mitsubishi MWT-600 wind turbines (2 units: 74 MW & 37 MW) (pg. R1-1)
Purchase Option	None

Contract Price

Total Price = \$58.50 / MWh

Risk Allocation

Fuel Supply Risk		The unavailability of wind is an excused outage.
Fuel Price Risk		Fuel (wind) is free; there is no fuel price risk.
Scheduling Risk		<ul style="list-style-type: none"> • Buyer pays for all ISO charges except losses, which are paid by Seller. (pg. R1-2) • Seller is Scheduling Coordinator. (pg. R1-2) • Buyer is responsible for all imbalance charges or credits; Buyer may direct Seller to submit schedules that differ from the current forecast of generation in order to minimize the risk of imbalance charges. (pg. R1-3)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	All of the plant's output, as available. (pg. R1-1)
Demand Risk	Dispatch Flexibility	Buyer can require Seller to curtail generation during any hour if the output during that hour is greater than the energy scheduled to the ISO and the ISO has directed the scheduling coordinator to reduce the output to manage congestion. However, Buyer still pays Seller for the output that would have been generated without the curtailment. (pg. R1-3)
Demand Risk	Operations and Maintenance	None

	Restrictions	
Performance Risk	Capacity Test	None
Performance Risk	Availability	Energy provided as available. No minimum availability requirement. (pg. R1-1)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • If a plant is unavailable as a result of a Forced Outage (as defined in NERC Generating Unit Availability Data System Forced Outage reporting guidelines). (pg. R1-1) <i>i.e. an outage resulting from an immediate mechanical / electrical / hydraulic control system trip or operator-initiated trip in response to an alarm.</i> • Insufficient wind power to generate energy (pg. R1-1) • Scheduled maintenance (pg. R1-1) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) • Does not include any action taken by DWR in its governmental capacity, or the State of California or any agency thereof, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • Buyer can terminate the agreement with respect to each unit that does not reach commercial operation by October 1, 2001. (pg. R1-4) <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Seller fails to deliver energy scheduled (and failure is not an Excused Outage) under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9, R1-1) • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9)
Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt: Definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall due. (pg. R1-14) • Failure to perform any material covenant (that is not fixed within 3 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-

		10)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. R1-15)
Default Risk	Key Credit Requirements	Parties provide each other with annual audited financial statements. (pg. R1-9,11, Master-17)
Environmental Risk		Seller retains rights to the renewable attributes and any emission reduction credits related to the plant. (pg. R1-4)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. R1-17)

Summary of Contract #R4: Soledad Energy LLC

General Information

Seller; Project Name	Soledad Energy LLC
Fuel	Biomass (pg. R4-2), wood waste (source: CEC)
Rated Capacity (MW)	13
Contract Length (years)	5 years, with Buyer option to extend by either 4 months at same price, or 60 months at negotiated price
Delivery Point	NP15
Dispatchability	Must-take
Date Contract Executed	April 28, 2001
Expected Operation Date	June 30, 2001
Technology Description	Re-power of existing facility originally built in 1993 (source: CEC)
Purchase Option	None

Contract Price

<p>Total Price =</p> <p>2001: \$80/MWh</p> <p>2002: \$82/MWh</p> <p>2003 through 2006: \$84/MWh</p>

Risk Allocation

Fuel Supply Risk		No mention of fuel supply, so presumably this risk rests with the Seller, except when performance is excused due to Force Majeure or an excused outage.
Fuel Price Risk		No mention of fuel price, so presumably this risk rests with the Seller
Scheduling Risk		<ul style="list-style-type: none"> • Seller must schedule and generate the plant's maximum capability in all hours (pg. R4-5) • Seller must operate the plant such that monthly actual generation is within plus or minus 10% of monthly scheduled generation (pg. R4-5) • Seller responsible for all CAISO costs and charges, including imbalance charges due to deviations from power schedules (pg. R4-5) • Buyer responsible for scheduling and transmission service at and from the delivery point. (pg. R4-5)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	Plant's maximum capability in all hours (pg. R4-5)

Demand Risk	Dispatch Flexibility	None
Demand Risk	Operations and Maintenance Restrictions	<ul style="list-style-type: none"> • Seller may perform planned maintenance for up to 20 days per 12-month period, and shall use best efforts to ensure that no planned maintenance occurs during the summer between June and October. Seller shall provide 30-day notice to Buyer of all planned maintenance. (pg. R4-5) • Seller will use prudent utility practices (pg. R4-19)
Performance Risk	Capacity Test	None
Performance Risk	Availability	<ul style="list-style-type: none"> • Energy expected to be delivered 8,000 hours per year (91.3%) (pg. R4-3) • Monthly Availability Guarantee: June through October = 75% January-May and November-December = 70% (pg. R4-18) • Actual Availability = (MWh delivered) / (Contract Capacity * number of hours in month – MWh not generated due to planned outages) (pg. R4-1) • Cannot curtail for economic reasons (pg. R4-18) • Seller cannot provide replacement energy to avoid a reduction in availability (pg. R4-18)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • Generating plant outage (pg. R4-4) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • A circumstance that is not within the reasonable control of, or the result of negligence of, the party affected, and which the party cannot overcome by the exercise of due diligence. (pg. R4-8) • Does not include the loss of Buyer's markets or Buyer's inability economically to use or resell the energy; or Seller's ability to sell the energy at a price greater than the purchase price. (pg. R4-9) • Does not include the loss or failure of Seller's supplies including, but not limited to, Seller's own generating assets or contracts for the purchase of power or energy. (pg. R4-9)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • Buyer can terminate the contract if Seller has not received all permits or achieved commercial operation by August 1, 2001. (pg. R4-19) <p><i>Operation</i></p> <ul style="list-style-type: none"> • If Buyer fails to receive part of Seller's scheduled output, Buyer shall pay Seller amount equal to all MWh not received multiplied by the positive difference, in any, between the sales price (i.e., the price at which the Seller resold the power) and the purchase price under this agreement. (pg R4-13) • If the generating plant does not meet the Monthly Availability Guarantee percentage for three consecutive months, Buyer may terminate. (pg. R4-19)

Default Risk	Definition of Default	<ul style="list-style-type: none"> • Failure to perform any material covenant that is not cured within 5 days after notice. (pg. R4-9) • Bankruptcy (pg. R4-9)
Default Risk	Consequences of Default	Non-defaulting party has right to terminate and receive Termination Payment (difference between the present value of this contract and a replacement contract) (pgs. R4-10, R4-11)
Default Risk	Key Credit Requirements	<ul style="list-style-type: none"> • Should Seller's creditworthiness become unsatisfactory to Buyer, Buyer may require Seller to provide a letter of credit or some other mutually agreeable form of collateral in an amount sufficient to cover (i) in case the remaining term is less than one year, 100% of the termination payment, or (ii) in case the remaining terms is one year or more, 25% of the termination payment (calculated as described above). (pgs. R4-11, R4-12). • Failure to provide adequate credit assurances within 10 days is an event of default. (pg. R4-9, 12)
Environmental Risk		<ul style="list-style-type: none"> • Seller shall obtain permits, operate plant according to permits, and keep permits updated (pg. R4-18) • If Seller can demonstrate that its cost of service has increased due to new taxes imposed by the State, then Buyer shall pay for such increased costs. Likewise, if the Buyer can demonstrate that the Seller's cost of service has decreased due to changes in State taxes, Seller shall pay or credit Buyer for such decreased costs. (pg. R4-14)
Regulatory / Legislative Risk		If Seller can demonstrate that its cost of service has increased due to new taxes imposed by the State, then Buyer shall pay for such increased costs. Likewise, if the Buyer can demonstrate that the Seller's cost of service has decreased due to changes in State taxes, Seller shall pay or credit Buyer for such decreased costs. (pg. R4-14)

Summary of Contract #R2: Whitewater Energy Corporation; Whitewater Hill

General Information

Seller; Project Name	Whitewater Energy Corporation; Whitewater Hill
Fuel	Wind
Rated Capacity (MW)	65.1
Contract Length (years)	12 (pg. R2-2)
Delivery Point	SP 15 (pg. R2-2)
Dispatchibility	Must-take, as available
Date Contract Executed	July 12, 2001
Expected Operation Date	December 31, 2001 (pg. R2-4)
Technology Description	41 Enron 1.5 MW wind turbines and 4 Enron 900 kW wind turbines (pg. R2-1)
Purchase Option	None

Contract Price

Total Price = \$60 / MWh (pg. R2-2)

Risk Allocation

Fuel Supply Risk		The unavailability of wind is an excused outage.
Fuel Price Risk		Fuel (wind) is free; there is no fuel price risk.
Scheduling Risk		Seller is Scheduling Coordinator. (pg. R2-2) Buyer is responsible for all imbalance charges or credits; Buyer may direct Seller to submit schedules that differ from the current forecast of generation in order to minimize the risk of imbalance charges. (pg. R2-3)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	All of the plant's output, as available. (pg. R2-1)
Demand Risk	Dispatch Flexibility	Buyer can require Seller to curtail generation during any hour if the output during that hour is greater than the energy scheduled to the ISO and the ISO has directed the scheduling coordinator to reduce the output to manage congestion. However, Buyer still pays Seller for the output that would have been generated without the curtailment. (pg. R2-4)
Demand Risk	Operations and Maintenance Restrictions	Seller will maintain the plant in accordance with prudent industry practices, and will schedule maintenance during November, March, April and May unless otherwise agreed to by Buyer. (pg. R2-4)

Performance Risk	Capacity Test	None
Performance Risk	Availability	Energy provided as available. No minimum availability requirement. (pg. R2-1)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> • If a plant is unavailable as a result of a Forced Outage (as defined in NERC Generating Unit Availability Data System Forced Outage reporting guidelines). (pg. R2-1) <i>i.e. an outage resulting from an immediate mechanical / electrical / hydraulic control system trip or operator-initiated trip in response to an alarm.</i> • Insufficient wind power to generate energy (pg. R2-1) • Scheduled maintenance (pg. R2-1) • Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> • Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) • Includes weather conditions (including high wind speeds) which prevent the safe and continuous construction or operation of the project. (pg. R2-14) • Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) • Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) • Does not include any action taken by DWR in its governmental capacity, or the State of California or any agency thereof, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> • Buyer can terminate the agreement with respect to any portion of the project that does not reach commercial operation by June 1, 2002. (pg. R2-5) <p><i>Operations</i></p> <ul style="list-style-type: none"> • If Seller fails to deliver energy scheduled (and failure is not an Excused Outage) under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9, R2-1) • If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9) • If no energy is generated and delivered for a period of six months for reasons other than weather related conditions, Buyer may terminate without Termination Payment. (pg. R2-5)

Default Risk	Definition of Default	<ul style="list-style-type: none"> • A party becomes bankrupt: Definition of “bankrupt” includes any entity that is generally unable to pay its debts as they fall due. (pg. Master-2) • Failure to perform any material covenant (that is not fixed within 10 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10, R2-15)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> • Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) • Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. R2-15)
Default Risk	Key Credit Requirements	Seller or Seller’s guarantor required to have an investment grade credit rating, or else Seller required to provide Buyer with a security interest in the facility and collateral assignment of contracts. (pg. R2-6)
Environmental Risk		Seller retains rights to the renewable attributes and any emission reduction credits related to the plant. (pg. R2-5)
Regulatory / Legislative Risk		<ul style="list-style-type: none"> • If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23) • DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. R2-17)

Summary of Contract #R3: Whitewater Energy Corporation; Cabazon

General Information

Seller; Project Name	Whitewater Energy Corporation; Cabazon
Fuel	Wind
Rated Capacity (MW)	42.9
Contract Length (years)	12 (pg. R3-2)
Delivery Point	SP 15 (pg. R3-2)
Dispatchibility	Must-take, as available
Date Contract Executed	July 12, 2001
Expected Operation Date	December 31, 2001 (pg. R3-4)
Technology Description	65 Vestas V-47, 660 kW wind turbines (pg. R3-1)
Purchase Option	None

Contract Price

Total Price = \$60 / MWh (pg. R3-2)

Risk Allocation

Fuel Supply Risk		The unavailability of wind is an excused outage.
Fuel Price Risk		Fuel (wind) is free; there is no fuel price risk.
Scheduling Risk		Seller is Scheduling Coordinator. (pg. R3-2) Buyer is responsible for all imbalance charges or credits; Buyer may direct Seller to submit schedules that differ from the current forecast of generation in order to minimize the risk of imbalance charges. (pg. R3-3)
Demand Risk	Maximum Take	See Minimum Take
Demand Risk	Minimum Take	All of the plant's output, as available. (pg. R3-1)
Demand Risk	Dispatch Flexibility	Buyer can require Seller to curtail generation during any hour if the output during that hour is greater than the energy scheduled to the ISO and the ISO has directed the scheduling coordinator to reduce the output to manage congestion. However, Buyer still pays Seller for the output that would have been generated without the curtailment. (pg. R3-4)
Demand Risk	Operations and Maintenance Restrictions	Seller will maintain the plant in accordance with prudent industry practices, and will schedule maintenance during November, March, April and May unless otherwise agreed to by Buyer. (pg. R3-4)
Performance	Capacity Test	None

Risk		
Performance Risk	Availability	Energy provided as available. No minimum availability requirement. (pg. R3-1)
Performance Risk	Excused Outages	<ul style="list-style-type: none"> If a plant is unavailable as a result of a Forced Outage (as defined in NERC Generating Unit Availability Data System Forced Outage reporting guidelines). (pg. R3-1) <i>i.e. an outage resulting from an immediate mechanical / electrical / hydraulic control system trip or operator-initiated trip in response to an alarm.</i> Insufficient wind power to generate energy (pg. R3-1) Scheduled maintenance (pg. R3-1) Force Majeure
Performance Risk	Force Majeure	<ul style="list-style-type: none"> Definition: A circumstance that prevents a party from performing its obligations; a circumstance that is not within the reasonable control of, or the result of negligence of, the party, and which the party cannot overcome by the exercise of due diligence. (pg. Master-3,4) Includes weather conditions (including high wind speeds) which prevent the safe and continuous construction or operation of the project. (pg. R3-14) Does not include the inability of either party to economically use or sell the product, or the loss of Seller's supply. (pg. Master-4) Does not include transmission curtailments, unless contracted for firm transmission and curtailment is due to Force Majeure as defined in that contract. (pg. Master-4) Does not include any action taken by DWR in its governmental capacity, or the State of California or any agency thereof, if Buyer is the claiming party. (pg. Master-25)
Performance Risk	Performance Penalties and Incentives	<p><i>Construction</i></p> <ul style="list-style-type: none"> Buyer can terminate the agreement with respect to any portion of the project that does not reach commercial operation by June 1, 2002. (pg. R3-5) <p><i>Operations</i></p> <ul style="list-style-type: none"> If Seller fails to deliver energy scheduled (and failure is not an Excused Outage) under this agreement, then Seller pays Buyer the difference between the cost to Buyer to purchase replacement energy and the Contract Price. (pg. Master-9, R3-1) If Buyer fails to receive energy scheduled under this agreement, then Buyer pays Seller the difference between the Contract Price and the amount the Seller was able to sell the energy for. (pg. Master-9) If no energy is generated and delivered for a period of six months for reasons other than weather related conditions, Buyer may terminate without Termination Payment. (pg. R3-5)
Default Risk	Definition of Default	<ul style="list-style-type: none"> A party becomes bankrupt: Definition of "bankrupt" includes any entity that is generally unable to pay its debts as they fall

		<p>due. (pg. Master-2)</p> <ul style="list-style-type: none"> Failure to perform any material covenant (that is not fixed within 10 days), except for delivering energy (has its own remedies, given under Performance Penalties) (pg. Master-10, R3-15)
Default Risk	Consequences of Default	<ul style="list-style-type: none"> Non-defaulting party has right to suspend performance, and seek remedies available at law. (pg. Master-13) Non-defaulting party has right to terminate and get Termination Payment (difference between the present value of this contract and a replacement contract) (pg. R3-15)
Default Risk	Key Credit Requirements	<p>Seller or Seller's guarantor required to have an investment grade credit rating, or else Seller required to provide Buyer with a security interest in the facility and collateral assignment of contracts. (pg. R3-6)</p>
Environmental Risk		<p>Seller retains rights to the renewable attributes and any emission reduction credits related to the plant. (pg. R3-5)</p>
Regulatory / Legislative Risk		<ul style="list-style-type: none"> If any provision of the contract is rendered unlawful by any applicable court or regulatory agency or because of statutory change, then the Parties will use their best efforts to reform the Agreement in order to give effect to the original intention of the Parties. (pg. Master-23) DWR agrees not to assert any immunity it may have as a state agency in any lawsuit filed against it. (pg. R3-17)