

## CONSENT AND AGREEMENT

This CONSENT AND AGREEMENT (“Consent and Agreement”) is entered into as of September 23, 2003 among California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the California Water Code, and not under its powers and responsibilities with respect to the California State Water Resources Development System (the “Consenting Party”), Wells Fargo Bank Minnesota, National Association, a national banking association based in Minneapolis, Minnesota (the “Assignee”), as Trustee under the Indenture (the “Indenture”), to be entered into between Power Receivable Finance LLC, a Delaware limited liability company (the “Assignor”), and the Trustee.

WHEREAS, pursuant to the Purchase and Sale Agreement and Assignment and Assumption Agreement, dated as of July 25, 2003 (the “Purchase and Sale Agreement”), among Allegheny Trading Finance Company (“ATF”), Allegheny Energy Supply Company, LLC (“AESC”), and J. Aron & Company (“J. Aron”), J. Aron agreed, among other things, to purchase and assume from ATF and AESC all of the rights and obligations of ATF and AESC in, under and to the Amended and Restated Master Power Purchase and Sale Agreement (together with the exhibits, schedules, confirmation letters and written supplements thereto), dated as of June 10, 2003, between the Consenting Party and ATF (the “Assigned Agreement”).

WHEREAS, the Assignor is a 100% wholly-owned subsidiary of The Goldman Sachs Group, Inc. (“GS Group”).

WHEREAS, J. Aron has designated the Assignor to, and the Assignor has, assumed all of J. Aron’s obligations under the Assigned Agreement.

WHEREAS, GS Group has guaranteed to the Consenting Party all of the obligations of the Assignor to the Consenting Party under the Assigned Agreement pursuant to the Guaranty, dated as of September 15, 2003 (the “Guaranty”).

WHEREAS, pursuant to the Indenture the Assignor proposes to issue certain Senior Secured Notes and Subordinated Notes (collectively, the “Notes”).

WHEREAS, the Assignor proposes to incur obligations in respect of one or more letters of credit (each, a “Letter of Credit” and, collectively the “Letters of Credit”) to be issued by one or more of credit providers (each, an “LOC Provider” and, collectively, the “LOC Providers”).

WHEREAS, the obligations of the Assignor in respect of the Notes and to the LOC Providers are to be secured under the Indenture by, among other things, an assignment by the Assignor to the Assignee of a security interest in all of the Assignor’s right, title and interest in and to the Assigned Agreement.

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

Section 1. Definitions. Any capitalized term used but not defined herein shall have the meaning specified for such term in the Assigned Agreement.

Section 2. Consent and Agreement. (a) The Consenting Party acknowledges that ATF and AESC have assigned all of their rights and obligations under the Assigned Agreement and agrees to look solely to Assignor (and any successor Permitted Transferee) and GS Group for performance of the Assigned Agreement. The Consenting Party consents to and approves the assignment of the Assigned Agreement pursuant to the Indenture to (i) the Assignee as collateral security for the payment of all amounts payable by the Assignor under the Indenture and to the LOC Providers; (ii) any nominee, transferee or assignee of, or successor to, the Assignee, which nominee, transferee, assignee or successor shall be reasonably satisfactory to the Consenting Party; and (iii) the subsequent transfer of the Assigned Agreement to any person reasonably satisfactory to the Consenting Party in connection with the Assignee's or any permitted successor transferee's exercise of its rights and remedies under the Indenture and related documents following the occurrence of an event of default by the Assignor under the Indenture (any person to whom an assignment may be made pursuant to (ii) or (iii) of this Section 2 being referred to as "Permitted Transferee").

(b) The Assignee (and any successor Permitted Transferee) shall have no rights with respect to the Assigned Agreement until the transfer thereof to Assignee or a successor Permitted Transferee except for the Assignee's rights set forth in Sections 4 and 6 that shall arise as of the date of this Consent and Agreement. The Assignee's (and any successor Permitted Transferee's) rights hereunder following transfer of the Assigned Agreement to Assignee or a successor Permitted Transferee shall be subject to the conditions that (i) the Assignee, including any successor Permitted Transferee, shall have assumed in writing all of the duties and obligations of the Assignor under the Assigned Agreement arising on or after the date of such assumption, (ii) no default shall have occurred and be continuing under the Assigned Agreement except for (x) any such default which has been cured or is in the process of being cured within the applicable cure period in accordance with Section 4 and (y) any such default of the Consenting Party, and (iii) any successor transferee shall be a Permitted Transferee. The Assignee shall not be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, nor shall the assignment thereof give rise to any duties or obligations whatsoever on the part of the Assignee owing to the Consenting Party except that, insofar as the Assignee exercises any of its rights under the Assigned Agreement or makes any claims with respect to any payments, deliveries or other obligations under the Assigned Agreement, the terms and conditions of the Assigned Agreement, otherwise applicable in respect of such rights being exercised or such claims being made shall apply to the Assignee and require the Assignee's performance of such related obligations to the same extent as they would otherwise apply to the Assignor; provided, however, that Assignee or a successor Permitted Transferee shall have no rights with respect to the Assigned Agreement until the transfer thereof to Assignee or a successor Permitted Transferee (except for the Assignee's rights set forth in Sections 4 and 6 hereof that shall arise as of the date of this Consent and Agreement) and shall not exercise any rights or make any claims under the Assigned Agreement following transfer of the Assigned Agreement to Assignee or a successor Permitted Transferee until Assignee shall have complied with this Section 2(b); provided, further, however, that neither any exercise of any rights nor any making

of any claims by the Assignee or any Permitted Transferee to or of the Assignee shall prejudice the rights of the Consenting Party against the Assignor in respect of any obligations or liabilities of the Assignor under the Assigned Agreement (or any offsets or claims of the Consenting Party against the Assignor thereunder) occurring prior to the time such Person shall have acquired and assumed the rights and obligations of the Assignor thereunder.

(c) The collateral assignment by Assignor pursuant to this Consent and Agreement shall not release Assignor of any liability that Assignor may have to the Consenting Party under or with respect to the Assigned Agreement.

Section 3. No Current Defaults; Other Representations. The Consenting Party hereby represents and warrants to Assignee that as of the date hereof (a) each of the Assigned Agreement and this Consent and Agreement is in full force and effect and, except as set forth on Schedule A hereto, there are no amendments, modifications or supplements to the Assigned Agreement, either oral or written; (b) the Consenting Party has the requisite power and authority to execute and deliver the Assigned Agreement and this Consent and Agreement and to perform its obligations hereunder and thereunder; (c) the Assigned Agreement and the Consent and Agreement have been duly authorized, executed, and delivered by the Consenting Party and each constitutes the legal, valid and binding obligation of the Consenting Party, enforceable in accordance with its terms except as enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or by general principles of equity, including the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in proceeding in equity or at law, or by principles of public policy; (d) the execution and delivery of the Assigned Agreement and the Consent and Agreement by the Consenting Party and the performance of the transactions contemplated herein and therein by the Consenting Party do not and will not (i) result in the violation by the Consenting Party of any provision of the California Constitution or any law, statute, rule or regulation, (ii) result in a default by the Consenting Party under, or any breach by the Consenting Party of, any indenture, mortgage, deed of trust, loan agreement or other evidence of indebtedness, or any agreement or instrument to which the Consenting Party is a party or by which the Consenting Party or its assets or properties are bound, or (iii) result in the violation by the Consenting Party of any judgment, order, writ, injunction or decree of any court or governmental agency or body binding upon the Consenting Party or any of its assets or properties; (e) no consent, waiver, approval, authorization or order of, or registration, filing or qualification with or declaration to ("Approvals"), any governmental agency or body is required of the Consenting Party in connection with the execution and delivery or the performance of this Consent and Agreement, the Agreements or the transactions contemplated therein, other than those Approvals already obtained or made by the Consenting Party and such obtained Approvals are in full force and effect; (f) except as set forth on Schedule B attached hereto, there is no litigation, action, suit, investigation or proceeding pending or threatened against or affecting the Consenting Party before or by any court, administrative or regulatory agency, governmental authority, body or agency, or arbitrator which (i) could reasonably be expected to have a material adverse effect on the ability of the Consenting Party to perform its obligations under the Assigned Agreement or this Consent and Agreement, or (ii) questions the

validity, binding effect or enforceability of the Assigned Agreement or this Consent and Agreement, any action taken or to be taken pursuant hereto or thereto or any of the transactions contemplated hereby or thereby; (g) the Consenting Party has not assigned, transferred, pledged or hypothecated the Assigned Agreement or any interest therein except for a transfer, sale, pledge, encumbrance or assignment of a security interest solely to a bond trustee as security for payment of bonds issued by the Consenting Party; (h) the Consenting Party has no knowledge of any default by the ATF, AESC or the Assignor in any respect in the performance of any provision of the Assigned Agreement or an event or condition which would, with the giving of notice or lapse of time or both, constitute a default under the Assigned Agreement; and (i) none of ATF's, AESC's or the Assignor's rights under the Assigned Agreement have been expressly waived in writing by the Consenting Party.

Section 4. Notice of Assignor's Default and Termination.(a) Notwithstanding anything to the contrary contained in the Assigned Agreement or in this Consent and Agreement, for so long as any Notes or other obligations are outstanding under the Indenture or any obligation is owed to an LOC Provider and until the same have been terminated or satisfied in full, as the case may be, the Consenting Party shall not exercise any right it may have under the Assigned Agreement, at law or in equity, to cancel, suspend or terminate the Assigned Agreement or any of its obligations under the Assigned Agreement, other than as the result of any default or other action or omission of the Assignor; provided that the Consenting Party shall not, except as provided in the Assigned Agreement, exercise any such right that may arise as a result of a default or other act or omission of the Assignor, without giving a copy of a notice of default to the Assignee or the Permitted Transferee, simultaneously with delivering such notice to Assignor under Section 5.1 of the Assigned Agreement such notice to be coupled with an opportunity to cure any such default, action or omission, if such default, act or omission is capable of cure, within thirty (30) days after the last day of the cure period available to the Assignor in the Assigned Agreement (except with respect to payment defaults, which cure must be made within ten (10) days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to payment defaults), such cure period to commence upon receipt of notice by the Assignee; provided that the aggregate cure period available to the Assignee under this Section 4, together with the cure period available to the Assignor in the Assigned Agreement, shall not exceed one hundred eighty (180) days (or, in the case of payment defaults, 15 days after notice is given to the Assignee or the Permitted Transferee).

(b) Such notice of default, act or omission shall be in writing and shall be deemed to have been given (i) when presented personally to the Assignee at the address indicated below (or such other address as the Assignee may have specified by written notice delivered in accordance herewith), (ii) one (1) business day after being deposited for overnight delivery with a nationally recognized overnight courier service or such later date as demonstrated by a bona fide receipt therefor at the address indicated below (or such other address as the Assignee may have specified by written notice delivered in accordance herewith), (iii) when received by the Assignee, if deposited in a regularly maintained receptacle for the United States Postal Service, postage prepaid, registered or certified mail, return receipt requested, addressed to the Assignee at the address indicated below (or such other address as the Assignee may have specified by written notice delivered in accordance herewith) or (iv) when transmitted by telecopy to the number specified below and the receipt thereof

is confirmed telephonically by the recipient, provided that such telecopy is then promptly followed by a copy of such notice delivered by a method specified in clauses (i), (ii) or (iii) immediately above.

Notice to Assignee:  
Wells Fargo Bank Minnesota  
Sixth Street and Marquette Avenue  
MAC N9311-161  
Minneapolis, MN 55479  
Attention: Corporate Trust, Services/Asset-Backed Administration

Except to the extent that automatic cancellation, suspension or termination occurs pursuant to the terms of the Assigned Agreement, no cancellation, suspension or termination of the Assigned Agreement by the Consenting Party, or any of the other actions taken by the Consenting Party under the Assigned Agreement, shall be binding upon the Assignee without such notice and the opportunity to cure during the applicable extended cure periods specified in this Section 4. If the Assignee fails to cure or rectify the effect of a default, action or omission within the extended cure periods specified in this Section 4, the Consenting Party shall have all its rights and remedies with respect to such default, action or omission as set forth in the Assigned Agreement.

Section 5. No Amendments Without Consent. The Consenting Party shall not amend the Assigned Agreement without the Assignee's prior written consent, which consent shall not be unreasonably withheld.

Section 6. Payments to Collection Account. Notwithstanding anything to the contrary contained in the Assigned Agreement or in this Consent and Agreement, the Consenting Party hereby agrees that, so long as any Notes or other obligations are outstanding under the Indenture or any amounts shall be payable to an LOC Provider and until the same have been terminated or satisfied in full, as the case may be, all payments to be made by the Consenting Party pursuant to the Assigned Agreement shall be made in lawful money of the United States of America, by check or in immediately available funds. The Assignor hereby directs the Consenting Party to make, and the Consenting Party hereby agrees to make, all such payments (after giving effect to all netting and offset provisions, if any, and all conditions precedent to such payments set forth in the Assigned Agreement) pursuant to the Assigned Agreement directly to the Assignee, for deposit into the account as the Assignee may from time to time specify in writing to the Consenting Party.

Section 7. Protection of Assignee. Subject to the provisions of Section 2(b) and to the extent permitted by applicable law, in the event that the Assigned Agreement is rejected under Title 11, United States Code, or other similar Federal or state statute and such rejection is approved by the appropriate court or is otherwise effective pursuant to such statute, and in such case the Assignee shall have arranged for the curing of any default, action or omission under the Assigned Agreement susceptible of being cured by the Assignee or by a Permitted Transferee at any judicial or non judicial sale and shall use reasonable efforts to mitigate or remediate any default, action or

omission under the Assigned Agreement not susceptible of being cured by the Permitted Transferee, then the Consenting Party shall, within thirty (30) days after receipt by the Consenting Party of the latter of (a) of written request therefor, which request shall be made not more than thirty (30) days after the Assignee's receipt of notice of the event described above and (b) of such information as the Consenting Party may reasonably request regarding the Permitted Transferee, including, but not limited to, information regarding the creditworthiness, identity, business practice, experience in the generation business, of such Permitted Transferee, execute and deliver an agreement to the Assignee or Permitted Transferee for the remainder of the term of the Assigned Agreement, and with substantially the same terms as are contained in the Assigned Agreement. References in this Consent and Agreement to "Assigned Agreement" shall be deemed also to refer to such new agreement. Such new agreement shall not be effective unless and until such defaults under the Assigned Agreement have been cured, except for any defaults that are not capable of being cured. Furthermore, such new agreement shall provide that an Event of Default shall not include any determination by any court or regulatory authority exercising competent jurisdiction that such new agreement is not a Priority Long Term Power Contract as the result of any action brought by any person other than the State of California or any agency thereof, including the CPUC.

Section 8. Acknowledgment of Assignee's Obligations and Rights. The Assignee has no obligation hereunder to extend credit to the Consenting Party at any time for any purpose solely as a result of execution and delivery of this Consent and Agreement. The Assignee shall have no obligation to the Consenting Party, and, except as otherwise set forth in this Consent and Agreement, the Consenting Party shall have no obligation to the Assignee, under the Assigned Agreement until such time as the Assignee notifies the Consenting Party in writing of the Assignee's election to assume, or cause a Permitted Transferee to assume, the Assignor's obligations under the Assigned Agreement as contemplated in Section 2 of this Consent and Agreement. If the Assignor defaults in the performance of any of its covenants in the Indenture or any obligation to an LOC Provider, the Assignee shall have the right, inter alia, to (a) declare all amounts due to the holders of the Notes and the Assignee under the Indenture or to the LOC Provider immediately due and payable, (b) sell or otherwise transfer its interest in the Assigned Agreement to a Permitted Transferee and any Permitted Transferee at such sale shall succeed to the Assignee's rights hereunder, provided that such Permitted Transferee shall cure any defaults by the Assignor under the Assigned Agreement, and assume, or cause an assignee or designee to assume, and continue to perform the Assignor's obligations under the Assigned Agreement, and (c) provided that it or any Permitted Transferee thereof agrees to be bound by the terms and conditions of the Assigned Agreement as contemplated in Section 2(b) of this Consent and Agreement, exercise all rights of the Assignor under the Assigned Agreement in accordance with the terms thereof. Without limiting the generality of the foregoing, if an event of default occurs and is continuing under the Indenture or in respect of any Letter of Credit, the Assignee or any of its Permitted Transferees shall (provided that it or any Permitted Transferees agrees to be bound by the terms and conditions of the Assignment Agreement as contemplated in Section 2(b) of this Consent and Agreement), upon notice thereof to the Consenting Party, have the full right and power to enforce directly against the Consenting Party all obligations of the Consenting Party under the Assigned Agreement and otherwise to exercise all remedies of the Assignor thereunder, and to make all demands and give all notices and make all

requests required or permitted to be made by the Assignor under the Assigned Agreement and the Consenting Party shall have no liability to the Assignor for acting in response to demands and requests of the Assignee. The Assignee or any of its Permitted Transferee shall have the right, but not the obligation, to perform any act, duty or obligation required of the Assignor under the Assigned Agreement at any time prior to any assumption pursuant to Section 2(b) of this Consent and Agreement, but nothing herein shall require the Assignee or any of its Permitted Transferee to cure any default, action or omission of the Assignor under the Assigned Agreement or to perform any act, duty or obligation of the Assignor under the Assigned Agreement prior to any such assumption pursuant to Section 2(b) of this Consent and Agreement.

Section 9. Legal Opinion. Upon the request of the Assignee, the Consenting Party shall deliver a legal opinion relating to the Assigned Agreement and this Consent and Agreement, which opinion shall be substantially in form attached hereto as Exhibit 1. The Consenting Party shall only be required to provide one opinion during the term of this Agreement.

Section 10. Binding Upon Successors. All agreements, covenants, conditions and provisions of this Consent and Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of each of the parties hereto.

Section 11. Captions. The captions or headings at the beginning of each Section of this Consent and Agreement are for convenience only and are not a part of this Consent and Agreement.

Section 12. Governing Law. This Consent and Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of law.

Section 13. Amendment. This Consent and Agreement may be modified, amended or rescinded only by writing expressly referring to this Consent and Agreement and signed by all the parties hereto.

Section 14. Assignment of Claims. If the Assignee makes any payment to the Consenting Party pursuant to this Consent and Agreement or the Assigned Agreement originally required to be made by the Assignor, the Consenting Party shall, within ten (10) days after receipt of written request therefor, execute and deliver to the Assignee an assignment of the Consenting Party's claims against the Assignor for such payment in form and substance reasonably satisfactory to the Consenting Party and the Assignee.

Section 15. Severability. Every provision of this Consent and Agreement is intended to be severable. If any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the other terms and provisions hereof, which terms and

provisions shall remain binding and enforceable, and to the extent possible all of such other provisions shall remain in full force and effect.

Section 16. Counterparts. This Consent and Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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IN WITNESS WHEREOF, each of the Consenting Party, Assignee and Assignor has duly executed this Consent and Agreement as of the date first above written.

CALIFORNIA DEPARTMENT OF WATER RESOURCES acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80270 of the California Water Code, and not under its powers and responsibilities with respect to the California State Water Resources Development System

By: \_\_\_\_\_  
Name:  
Title:

POWER RECEIVABLE FINANCE, LLC

By: \_\_\_\_\_  
Name:  
Title:

Accepted and Agreed: Wells Fargo Bank Minnesota, National Association, as Trustee

By: \_\_\_\_\_  
Name:  
Title: