PPM Energy
A ScottishPower Company

DEPARTMENT OF WATER RESOURCES
California Energy Resources Scheduling
PO Box 219001
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821
Attn.: Mr. Peter Garris

Re: California Department of Water Resources ("CDWR") Notice to PPM Energy, Inc. ("PPM") dated May 16, 2003

Dear Mr. Garris:

We have received CDWR's above referenced notice to PPM under the Ten Year Power Purchase Agreement ("PPA") dated July 1, 2001. In the notice, under PPA Article 5.4.2, CDWR is electing to provide a fixed daily amount of firm physical gas supply at the Monthly Gas Index Point for that portion of the current Operating Year that: (i) begins effective 7:00 AM on December 1, 2003 and (ii) ends effective at 7:00 AM July 1, 2004 (such portion of the current Operating Year being herein called the "Remaining Current Operating Year"). In the future, CDWR, pursuant to PPA Article 5.4.2, may elect to provide a fixed daily amount of firm physical gas supply at the Monthly Gas Index Point for any future Operating Year, commencing effective at 7:00 AM on July 1st of such Operating Year and ending effective at 7:00 AM on the next succeeding July 1st (any such election by CDWR pursuant to PPA Article 5.4.2 being herein called a "CDWR Election"). This Letter Agreement (the "Letter Agreement") will memorialize CDWR and PPM's (individually, a "Party" and collectively, "Parties") understanding and operational agreement related to Article 5.4 in the PPA. This Letter Agreement becomes effective on the date it is signed by both Parties and its terms will apply to CDWR Elections to supply gas pursuant to Article 5.4 of the PPA commencing with the election for the Remaining Current Operating Year and any future Operating Year for which CDWR makes a CDWR Election. CDWR and PPM hereby agree upon the following operating procedures related to CDWR's firm physical gas supply elections:

Note: references to Articles and capitalized terms apply to their meaning in the PPA, except as additional capitalized terms are described. All times referenced in this Letter Agreement refer to Prevailing Pacific Time.

1. FIRM NATURAL GAS DELIVERY:

   a. CDWR will execute a NAESB (with Canadian Addendum) contract with PPM's affiliate, PacifiCorp Energy Canada, LTD. ("PECL"). The contract will specify a firm natural gas transaction for the Remaining Current Operating Year or, in the case of a future CDWR Election, for the respective Operating Year, where CDWR will deliver and sell to PECL at the Monthly Gas Index point (referred to as "AECO" or "NIT") the Daily Gas Requirement (defined below) plus the associated pipeline fuel requirement. As used herein, "Daily Gas Requirement"

means: (i) through and including June 30, 2004, 34,560 MMBtu/day; and (ii) from and after July 1, 2004, 51,840 MMBtu/day.

b. CDWR will execute a NAESB contract with PPM. The contract will specify a firm natural gas transaction for the Remaining Current Operating Year or, in the case of a future CDWR Election, the respective Operating Year, where PPM will deliver and sell to CDWR at Malin the Excess Quantity (as defined in Section 2.e. below) that exists at the end of any given Gas Flow Day (as defined in Section 2.a below). The price for such Excess Quantity that CDWR will pay to PPM is calculated as follows:

Excess Quantity Price = (1) The Excess Quantity multiplied by the Monthly Gas Index; plus

(2) The pipeline fuel requirement(s) for the Excess Quantity multiplied by the Monthly Gas Index; plus

(3) The applicable Variable Pipeline Charge(s) multiplied by the Excess Quantity.

2. DAILY NOMINATION:

a. As used in this Letter Agreement the day prior to the gas flow day is defined as the Prior Day; the day on which gas flows is the Gas Flow Day; and the day after gas flow is the Subsequent Day. Each Gas Flow Day, Prior Day and Subsequent Day begins at 7:00 AM on such day and ends immediately prior to 7:00 AM on the next day.

b. PPM will submit a Preliminary Daily Pipeline Nomination (natural gas flow schedule) with the pipeline(s) by 9:30 AM on the Prior Day based upon the CDWR Power Schedule quantity[1] in effect as of 7:00 AM on such Prior Day (that is, either the daily pre-schedule if a daily pre-schedule has been provided by CDWR, or the monthly pre-schedule if no daily pre-schedule has been provided by CDWR), PPM shall notify CDWR of the Preliminary Daily Pipeline Nomination for the PPA Fuel Requirement Quantity (as defined in Section 2.e below) as well as the Preliminary Daily Pipeline Nomination for the Excess Quantity (as defined in Section 2.e below) via e-mail, by 8:00 AM.

c. Where CDWR notifies PPM via e-mail prior to 2:00 PM on the Prior Day of a change to the Power Schedule in accordance with the terms of the PPA, PPM shall make a Revised Daily Pipeline Nomination with the pipeline(s) and shall

[1] That is, for any period through and including June 30, 2004, an amount up to 200 MWs, and for any period from and after July 1, 2004, an amount up to 300 MWs.

inform CDWR of the Revised Daily Pipeline Nomination via fax or e-mail by no later than 2:30 PM on the Prior Day.

d. Where CDWR notifies PPM of a change in the Power Schedule under Section 2 c. the Revised Daily Pipeline Nomination becomes the Final Daily Pipeline Nomination for the Gas Flow Day. Otherwise, the Preliminary Daily Pipeline Nomination made under Section 2.b. becomes the Final Daily Pipeline Nomination for the Gas Flow Day. The Final Daily Pipeline Nomination becomes the PPA Fuel Requirement Quantity (as defined in 2.e below) for the Gas Flow Day. The power schedule that pertains to any Final Daily Pipeline Nomination is herein called the "Confirmed Power Schedule."

e. PPM will then allocate the natural gas quantity (that is, the applicable Daily Gas Requirement) between the PPA Fuel Requirement Quantity (that is, the amount of natural gas that would be required for generation of the power required under the applicable Power Schedule @ 7200 heat rate) and the remaining Excess Quantity (that is, the portion of such Daily Gas Requirement in excess of the amount that would be required for generation of the power required under the applicable Power Schedule @ 7200 heat rate). PPM will retain the PPA Fuel Requirement Quantity for its own account and will deliver an amount equal to any Excess Quantity to CDWR's Malin Market Center.

f. PPA Article 6.2.2 (b) provisions (related to credit for Daily Index less three cents) are not applicable during any period in which CDWR is providing a physical gas supply under PPA Article 5.4 (as said Article is modified by this Letter Agreement).

3. IMBALANCES:

a. On any given Gas Flow Day, should:

(i) the actual PPA Fuel Requirement Quantity, as calculated on the basis of the actual power schedule for such Gas Flow Day, as such power schedule may have been revised by CDWR subsequent to the establishment of the Confirmed Power Schedule for such Gas Flow Day;

be different from:

(ii) the PPA Fuel Requirement Quantity, as calculated on the basis of the Confirmed Power Schedule for such Gas Flow Day;

an Imbalance is created. PPM will inform CDWR of the Imbalance quantity for a given Gas Flow Day by 7:30 AM of the Subsequent Day following completion of such Gas Flow Day.

b. As a result of any Imbalance occurring under Section 3.a.:

(i) PPM shall, before 8:00 AM on the Subsequent Day, make an Imbalance Nomination for such Subsequent Day (delivering or receiving additional natural gas in an amount equal to the previous Gas Flow Day's Imbalance) to or from CDWR's Malin Market Center to eliminate the previous Gas Flow Day's Imbalance; and

(ii) CDWR, by 8:00 AM on such Subsequent Day, shall make an Imbalance Nomination (delivering or receiving additional natural gas in an amount equal to the previous Gas Flow Day's Imbalance) to or from CDWR's Malin Market Center corresponding to the Imbalance Nomination made by PPM pursuant to Section 3.b.(i) above so as to facilitate the elimination of the previous Gas Flow Day's Imbalance.

In the event that PPM and CDWR make the Imbalance Nominations in accordance with this Section 3.b., PPM will assess, and CDWR will pay to PPM, the following: (1) an imbalance charge equal to $0.10 per MMBtu (the "Imbalance Charge"), calculated as $0.10 times the amount of the MMBtu Imbalance); and (2) any other applicable charges provided for under PPA Articles 5.4.2.4 and 6.2.4 (but not including any imbalance charges or related pipeline penalties under such Articles). PPM and CDWR acknowledge and agree that to the extent that CDWR makes the required nominations at its Malin Market Center to facilitate PPM's Imbalance Nomination the Imbalance Charges and other applicable charges provided for in 3.b. (1) and (2) above are in lieu of, and not in addition to, any imbalance charges or related pipeline penalties or charges that PPM would otherwise be entitled to pass through to or assess against CDWR under the PPA during any period in which CDWR has elected to deliver a firm physical gas supply pursuant to PPA Article 5.4.2. In the event that, for any reason, CDWR fails to make the corresponding Imbalance Nomination required by Section 3.b.(ii) above, CDWR shall pay to PPM any imbalance charges or related pipeline penalties or charges incurred by PPM.

c. If a change to the Power Schedule and corresponding Daily Pipeline Nomination (natural gas) occurs pursuant to PPA Article 6.3.1 (Seller's Right Not to Deliver due to Forced Outages or Scheduled Maintenance), PPM shall deliver the resulting Excess Quantity for purchase by CDWR at CDWR's Malin Market Center pursuant to 1.b. above; provided, however, that in no event shall PPM deliver such Excess Quantity prior to the next available timely cycle. No Imbalance Charges or penalties will be assessed against or passed on to CDWR in connection with such resulting Excess Quantity.

d. If a change to the Power Schedule and corresponding Daily Pipeline Nomination (natural gas) occurs pursuant to PPA Article 6.3.2 (Seller's Right Not to Deliver For Any Reasons Other Than Forced Outages or Scheduled Maintenance), PPM shall offer the resulting Excess Quantity to CDWR for purchase at the time that it provides CDWR with notice required pursuant to Article 6.3.2 ("First Offer"). In accordance with such First Offer and CDWR shall have the right but not the obligation to purchase such Excess Quantity pursuant to 1.b. above. In order to

exercise its right to purchase the Excess Quantity under this Section 3.d, CDWR must notify PPM via fax or e-mail by 6:30 AM on the day following the date when the First Offer was made. If CDWR fails to timely purchase the Excess Quantity in accordance with this Section 3.d, PPM shall retain the Excess Quantity for its own account. In the event that PPM exercises its Seller's Right Not to Deliver pursuant to Article 6.3.2 of the PPA, no Imbalance Charges or penalties be assessed against or passed on to CDWR in connection with the resulting Excess Quantity.

4. PRICE: For deliveries of natural gas at NIT under the firm natural gas transaction in the NAESB contract between CDWR and PECL, the Parties will use the Monthly Gas Index, i.e. PECL will purchase the gas at the Monthly Gas Index from CDWR

   a. For deliveries of the Excess Quantity of natural gas at Malin under the firm natural gas transaction in the NAESB contract between CDWR and PPM, the Parties will use the Monthly Gas Index, i.e. PPM will sell the gas to CDWR at the Monthly Gas Index.

   b. For natural gas quantities associated with a Power Schedule and PPA Fuel Requirement, PPM will use the Monthly Gas Index for calculation of the Monthly Fuel Charge, i.e. PPM will charge CDWR at the Monthly Gas Index, with the Monthly Fuel Charge to be calculated a provided in Section 4.c below.

   c. The provisions of PPA Section 5.4.2.2 shall not be applicable and in lieu thereof the following provisions shall apply: The Monthly Fuel Charge shall be calculated as follows:

      Monthly Fuel Charge = the sum (expressed in dollars) of:

      (1) The PPA Fuel Requirement Quantity multiplied by the Monthly Gas Index; plus

      (2) The pipeline fuel requirement(s) for the PPA Fuel Requirement Quantity multiplied by the Monthly Gas Index; plus

      (3) The applicable Variable Pipeline Charge(s) multiplied by the PPA Fuel Requirement Quantity.

   d. PPM will use the Monthly Gas Index in Heat Rate Surcharge calculations.

   e. For pipeline fuel quantities, the Parties will use the Monthly Gas Index.

5. PIPELINE FUEL AND VARIABLE PIPELINE CHARGES:

   a. Prior to the beginning of each Month and upon receiving fuel rates from pipelines, PPM will calculate a pipeline fuel quantity for deliveries from NIT to Malin and will inform CDWR as to the daily pipeline fuel requirement for each Month no

later than five (5) business days prior to the next month of gas delivery. This quantity will be added to the Daily Gas Requirement quantity to be delivered by CDWR in its sale to PECL at NIT.

b. PPM will calculate a charge for pipeline fuel requirement on the entire Daily Gas Requirement delivered quantity by using actual pipeline fuel rates in accordance with the applicable tariff for natural gas transportation from NIT to Medford Lateral and/or Malin. This charge will be included in the Monthly Fuel Charge as provided in Section 4.c. of this Letter Agreement, and will also be included in the Excess Quantity Price as provided in Section 1.b. of this Letter Agreement.

c. PPM will charge a Variable Pipeline Charge on the entire Daily Gas Requirement delivered quantity using current tariff pipeline variable rates for natural gas transportation from NIT to Medford Lateral and/or Malin. This charge will be included in the Monthly Fuel Charge as provided in Section 4.c of this Letter Agreement, and will also be included in the Excess Quantity Price as provided in Section 1.b. of this Letter Agreement.

6. ALTERNATE DELIVERY RIGHTS:

a. PPM retains all Alternate Delivery Rights under PPA Article 3.4.

b. In the event that PPM exercises its rights under PPA Article 3.4, it will displace PPA Fuel Requirement physical gas deliveries and retain those gas quantities for its own account. Whenever PPM exercises its right under PPA Article 3.4 and retains gas quantities for its own account, CDWR shall not be liable for any resulting Imbalances.

c. PPM manages its pipeline capacity rights and natural gas purchases and sales in commingled streams at various pipeline pooling points. Thus, no specific pipeline capacity or natural gas quantities are committed by PPM in fulfilling its obligations under this transaction.

This Letter Agreement, made effective as of the date it is signed by the Parties, constitutes the entire understanding and operational agreement between the Parties on CDWR Elections. This Letter Agreement shall remain in effect for the term of the PPA and its terms and conditions shall apply to all CDWR Elections. Notwithstanding the foregoing, the Parties shall cooperate in making modifications to this Letter Agreement that are necessary as a result of any regulatory changes affecting pipeline transportation of natural gas or any changes in the tariff or operating rules and regulations of the pipeline. Further, the Parties may mutually agree to amend this Letter Agreement for any reason. Except as expressly modified by this Letter Agreement, the PPA remains in full force and effect. If there is any inconsistency between the PPA and this Letter Agreement, this Letter Agreement shall control.

PPM ENERGY, INC.(formerly PACIFICORP POWER MARKETING, INC.)
An Oregon Corporation

By: Donald J. Winch

Its: VICE PRESIDENT

Date: 11/4/03

PPM
Contract Administration
DAF

STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES
An agency of the State of California, separate and apart from its powers and responsibilities with respect to the State Water Resources Development System

By: [illegible]

Its: DEPUTY DIRECTOR

Date: 11/10/03

Exhibit A

CDWR PPM Invoice Reconcilliation - November 2003 - Sample

Assumptions

Monthy Index Gas Price	$ 4.0000
Pipeline Fuel Percentage	4.0000%
Variable Pipeline Charges	$ 0.0173
Number of days in Month	30

A. CDWR Sample Invoice To PPM- Fuel Supply

	Contract Daily Quantity	Contract Monthly Quantity	Contract Monthly Bill
Commodity	34,560	1,036,800	$ 4,147,200.00
Pipeline Losses	1,382	41,472	$ 165,888.00
Total Payable by PECL to CDWR	**35,942**	**1,078,272**	**$ 4,313,088.00**

B. PPM Power Invoice (Gas Component) - PPA Fuel Requirement Quantity

Fuel Supply	Actual	Actual	Actual
Commodity	33,408	1,002,240	$ 4,008,960.00
Pipeline Losses	1,336	40,090	$ 160,358.40
Total Fuel Charges	**34,744**	**1,042,330**	**$ 4,169,318.40**
Variable Pipeline Charges	**33,408**	**1,002,240**	**$ 17,338.75**
Total Payable by CDWR to PPM under PPA			**$ 4,186,657.15**

C. PPM Gas Invoice - Malin Delivery

Fuel Supply			
Commodity	1,152	34,560	$ 138,240.00
Pipeline Losses	46	1,382	$ 5,529.60
Total Fuel Charges	**1,198**	**35,942**	**$ 143,769.60**
Variable Pipeline Charges	**1,152**	**34,560**	**$ 597.89**
Total Payable by CDWR to PPM for Gas Deliveries to Malin			**$ 144,367.49**

Total Gas Bill Payable by CDWR to PPM **$ 4,331,024.64**
(Commodity+ Pipeline Losses + Variable Pipeline O&M)

CDWR Sample Invoice

Invoice Date: _____
Due Date: _____

PacifiCorp Energy Canada, Ltd
Suite 3250
450 – 1st Street S.W.
Calgary, AB T2P 5H1

Attn: (A/P Contact)
Phone: _____
Fax: _____

Customer # _____
Invoice # _____

Natural Gas Delivery for the Month of _November_ **2003:**

Fuel Supply

PIPELINE	METER	DESCRIPTION	STAT	Daily QUANTITY	DAYS	Monthly Quantity	AVG.PRICE	AMT.DUE
TCPL AB	NIT	Nova Inventory Transfer	Nom	34,560 MMBTU	30	1,036,800	$4.000 USD[1]	$4,147,200.00
TCPL AB	NIT	Pipeline Losses (4.00 %)	Nom	1,382 MMBTU	30	41,472	$4.000 USD[1]	$ 165,888.00
Total Fuel Supply								**$4,313,088.00**

Total Amount Due to CDWR **$4,313,088.00**

[1] AECO NIT: CGPR Monthly Canadian and US Natural Gas Price Summary Page 11, Line 7A

Exhibit C

Calculation of Monthly Fuel Charge #REF!

Data:

Monthly Firm Schedule	200 MW	(=1,440 MMBtu/hr @ Contract Heat Rate)		
Contract Heat Rate			7200 Btu/Kwh	
Monthly Gas Index			4.000	Gas Price
Pipeline Loss Percentage			4.0000%	Losses
Variable Pipeline Charges			$0.017300 US/Dth	Variable pipeline O&M

Calculation of MMBtu's tied to Monthly Gas Index:

1,440 MMBtu/hr * 24 Hours * 30 Days — 1,036,800 MMBtu

1,036,800 MMBtu

Calculation of Adjustment to Monthly Preschedule:

Total Daily MMBtu :	0 MWh @	7200 Btu/Kwh			
Total Hourly MMBtu :	4,800 MWh @	7200 Btu/Kwh	Credit Gas Usage	0 MMBtu	Total MW not used by CDWR
	4,800 MWh		Credit Gas Usage	-34,560 MMBtu	Total MW not used by CDWR
				1,002,240 MMBtu	

HEAT RATE SURCHARGE

Total MMBtu used:	0 MWh @	500 Btu/Kwh	0 MMBtu	
Total MMBtu used:	0 MWh @	700 Btu/Kwh	0 MMBtu	
Total MMBtu used:	0 MWh @	1400 Btu/Kwh	0 MMBtu	
Total MMBtu for Surcharge				0.0 MMBtu

Calculation of Monthly Fuel Charge associated with Monthly Gas Index:

Cost	1,036,800 MMBtu * (	$4.000 US/Dth *	4.0000%	)+ $0.01730 US/Dth	$ 4,331,024.64
Daily Adjustment (see Gas Worksheet)					$ (144,367.49)
					$ 4,186,657.15

Calculation of Monthly Fuel Charge associated with Heat Rate Surcharge:

0.0 MMBtu — $ -

Gas Imbalance Charges

0 MMBtu * $ 0.10 — $ -

Total Monthly Fuel Charge — $ 4,186,657.15

Total Monthly Fuel Charge (Excluding HR Surcharge and Gas Imbalance Charges) — $ 4,186,657.15

Exhibit C -Cont

	Contract Heat Rate	Daily HR Surcharge (MMBTU)	Hourly HR Surcharge (MMBTU)	Daily Quantity Adjustment (MW)	Daily Quantity Adjustment (MMBtu)	Hourly Quantity Adjustment (MW)	Hourly Quantity Adjustment (MMBtu)	Monthly Index	Daily (Credit/Debit)	Hourly (Credit/Debit)	Combined Daily & Hourly (Credit/Debit)	Daily Heat Rate Surcharge	Hourly Heat Rate Surcharge	Combined Heat Rate Surcharge	Total (Credit/Debit)
11/1/2003	7200	0	0	0	0	-2400	-17280	$ 4.000	$ -	$ (72,183.74)	$ (72,183.74)	$ -	$ -	$ -	$ (72,183.74)
11/2/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/3/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/4/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/5/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/6/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/7/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/8/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/9/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/10/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/11/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/12/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/13/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/14/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/15/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/16/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/17/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/18/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/19/2003	7200	0	0	0	0	-2400	-17280	$ 4.000	$ -	$ (72,183.74)	$ (72,183.74)	$ -	$ -	$ -	$ (72,183.74)
11/20/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/21/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/22/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/23/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/24/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/25/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/26/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/27/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/28/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/29/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11/30/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12/1/2003	7200	0	0	0	0	0	0	$ 4.000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total		0	0	0	0	-4800	-34560		$ -	$ (144,367.49)	$ (144,367.49)	$ -	$ -	$ -	$ (144,367.49)

CDWR Gas Imbalance Example
Exhibit C-Cont

	Pre-Scheduled Power	Nominated Gas	Hourly Power	Contract Gas Usage	Hourly Imbalance	Cummulative Daily Imbalanc	Total Daily Imbalance
11/1/03 7:00 HE7	200	1,440	100	720	720	720	
11/1/03 8:00 HE8	200	1,440	100	720	720	1,440	
11/1/03 9:00 HE9	200	1,440	100	720	720	2,160	
11/1/03 10:00 HE10	200	1,440	100	720	720	2,880	
11/1/03 11:00 HE11	200	1,440	100	720	720	3,600	
11/1/03 12:00 HE12	200	1,440	100	720	720	4,320	
11/1/03 13:00 HE13	200	1,440	100	720	720	5,040	
11/1/03 14:00 HE14	200	1,440	100	720	720	5,760	
11/1/03 15:00 HE15	200	1,440	100	720	720	6,480	
11/1/03 16:00 HE16	200	1,440	100	720	720	7,200	
11/1/03 17:00 HE17	200	1,440	100	720	720	7,920	
11/1/03 18:00 HE18	200	1,440	100	720	720	8,640	
11/1/03 19:00 HE19	200	1,440	100	720	720	9,360	
11/1/03 20:00 HE20	200	1,440	100	720	720	10,080	
11/1/03 21:00 HE21	200	1,440	100	720	720	10,800	
11/1/03 22:00 HE22	200	1,440	100	720	720	11,520	
11/1/03 23:00 HE23	200	1,440	100	720	720	12,240	
11/2/03 0:00 HE24	200	1,440	100	720	720	12,960	
11/2/03 1:00 HE1	200	1,440	100	720	720	13,680	
11/2/03 2:00 HE2	200	1,440	100	720	720	14,400	
11/2/03 3:00 HE3	200	1,440	100	720	720	15,120	
11/2/03 4:00 HE4	200	1,440	100	720	720	15,840	
11/2/03 5:00 HE5	200	1,440	100	720	720	16,560	
11/2/03 6:00 HE6	200	1,440	100	720	720	17,280	17,280

Exhibit D

PPM Energy
A ScottishPower Company

Invoice Date:
Due Date:

California Department of Water Resources
PO Box 219001
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821

ATTN: (A/P Contact)
Phone:
Fax:

Customer #:
Invoice #:

SUMMARY INVOICE

Natural Gas MALIN Delivery for the month of : November-03

Fuel Supply

Pipeline	Meter	Description		Term	Total Volume		Avg Price	Units		Amt Due
TCPL AB	NIT	Nova Inventory Transfer		see detail	34,560	$	4.000	USD/mmbtu	$	138,240.00
TCPL AB	NIT	Pipeline Losses	4.000%	see detail	1,382	$	4.000	USD/mmbtu	$	5,529.60
Total Fuel Supply					35,942	$	4.0000		$	143,769.60

Gas Transportation

Pipeline	Meter	Description	Term	Total Volume		Avg Price	Units		Amt Due
TCPL/PG&E GT	NIT/MALIN	Variable transport charges	see detail	34,560	$	0.0173	USD/mmbtu	$	597.89
Total Gas Transportation								$	597.89

Total Amount Due to PPM $ 144,367.49

Exhibit D-Cont

PPM Energy
A ScottishPower Company

Invoice Date:
Due Date:

California Department of Water Resources
PO Box 219001
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821

ATTN: (A/P Contact)
Phone:
Fax:

Customer #:
Invoice #:

DETAIL INVOICE

Natural Gas MALIN Delivery for the month of : November-03

Fuel Supply

Day	Quantity MWH	Quantity MMBtu	Avg Price	Amt Due
1	2,400	17,280	$ 4.000	$ 69,120.00
2		-		$ -
3		-		$ -
4		-		$ -
5		-		$ -
6		-		$ -
7		-		$ -
8		-		$ -
9		-		$ -
10		-		$ -
11		-		$ -
12		-		$ -
13		-		$ -
14		-		$ -
15		-		$ -
16		-		$ -
17		-		$ -
18		-		$ -
19	2,400	17,280	$ 4.000	$ 69,120.00
20		-		$ -
21		-		$ -
22		-		$ -
23		-		$ -
24		-		$ -
25		-		$ -
26		-		$ -
27		-		$ -
28		-		$ -
29		-		$ -
30		-		$ -
31		-		$ -
Total:	**4,800**	**34,560**	**$ 4.000**	**$ 138,240.00**

Final Draft

DEPARTMENT OF WATER RESOURCES
California Energy Resources Scheduling
PO Box 219001
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821
Attn.: Mr. Peter Garris

Re: California Department of Water Resources ("CDWR") Notice to PPM Energy, Inc. ("PPM") dated May 16, 2003

Dear Mr. ~~Patel~~ Pete:

We have received CDWR's above referenced notice to PPM under the Ten Year Power Purchase Agreement ("PPA") dated July 1, 2001. In the notice, under PPA Article 5.4.2, CDWR is electing to provide a fixed daily amount of firm physical gas supply at the Monthly Gas Index Point for that portion of the current Operating Year that: (i) begins effective 7:00 AM on December 1, 2003 and (ii) ends effective at 7:00 AM July 1, 2004 (such portion of the current Operating Year being herein called the "Remaining Current Operating Year"). In the future, CDWR, pursuant to PPA Article 5.4.2, may elect to provide a fixed daily amount of firm physical gas supply at the Monthly Gas Index Point for any future Operating Year, commencing effective at 7:00 AM on July 1st of such Operating Year and ending effective at 7:00 AM on the next succeeding July 1st (any such election by CDWR pursuant to PPA Article 5.4.2 being herein called a "CDWR Election"). This Letter Agreement (the "Letter Agreement") will memorialize CDWR and PPM's (individually, a "Party" and collectively, "Parties") understanding and operational agreement related to Article 5.4 in the PPA. This Letter Agreement becomes effective on the date it is signed by both Parties and its terms will apply to CDWR Elections to supply gas pursuant to Article 5.4 of the PPA commencing with the election for the Remaining Current Operating Year and any future Operating Year for which CDWR makes a CDWR Election. CDWR and PPM hereby agree upon the following operating procedures related to CDWR's firm physical gas supply elections:

Note: references to Articles and capitalized terms apply to their meaning in the PPA, except as additional capitalized terms are described. All times referenced in this Letter Agreement refer to Prevailing Pacific Time.

1. FIRM NATURAL GAS DELIVERY:

   a. CDWR will execute a NAESB (with Canadian Addendum) contract with PPM's affiliate, PacifiCorp Energy Canada, LTD. ("PECL"). The contract will specify a firm natural gas transaction for the Remaining Current Operating Year or, in the case of a future CDWR Election, for the respective Operating Year, where CDWR will deliver and sell to PECL at the Monthly Gas Index point (referred to as "AECO" or "NIT") the Daily Gas Requirement (defined below) plus the associated pipeline fuel requirement. As used herein, "Daily Gas Requirement"

means: (i) through and including June 30, 2004, 34,560 MMBtu/day; and (ii) from and after July 1, 2004, 51,840 MMBtu/day.

b. CDWR will execute a NAESB contract with PPM. The contract will specify a firm natural gas transaction for the Remaining Current Operating Year or, in the case of a future CDWR Election, the respective Operating Year, where PPM will deliver and sell to CDWR at Malin the Excess Quantity (as defined in Section 2.e. below) that exists at the end of any given Gas Flow Day (as defined in Section 2.a below). The price for such Excess Quantity that CDWR will pay to PPM is calculated as follows:

Excess Quantity Price = (1) The Excess Quantity multiplied by the Monthly Gas Index; plus

(2) The pipeline fuel requirement(s) for the Excess Quantity multiplied by the Monthly Gas Index; plus

(3) The applicable Variable Pipeline Charge(s) multiplied by the Excess Quantity.

2. DAILY NOMINATION:

a. As used in this Letter Agreement the day prior to the gas flow day is defined as the Prior Day; the day on which gas flows is the Gas Flow Day; and the day after gas flow is the Subsequent Day. Each Gas Flow Day, Prior Day and Subsequent Day begins at 7:00 AM on such day and ends immediately prior to 7:00 AM on the next day.

b. PPM will submit a Preliminary Daily Pipeline Nomination (natural gas flow schedule) with the pipeline(s) by 9:30 AM on the Prior Day based upon the CDWR Power Schedule quantity[1] in effect as of 7:00 AM on such Prior Day (that is, either the daily pre-schedule if a daily pre-schedule has been provided by CDWR, or the monthly pre-schedule if no daily pre-schedule has been provided by CDWR), PPM shall notify CDWR of the Preliminary Daily Pipeline Nomination for the PPA Fuel Requirement Quantity (as defined in Section 2.e below) as well as the Preliminary Daily Pipeline Nomination for the Excess Quantity (as defined in Section 2.e below) via e-mail, by 8:00 AM.

c. Where CDWR notifies PPM via e-mail prior to 2:00 PM on the Prior Day of a change to the Power Schedule in accordance with the terms of the PPA, PPM shall make a Revised Daily Pipeline Nomination with the pipeline(s) and shall

[1] That is, for any period through and including June 30, 2004, an amount up to 200 MWs, and for any period from and after July 1, 2004, an amount up to 300 MWs.

inform CDWR of the Revised Daily Pipeline Nomination via fax or e-mail by no later than 2:30 PM on the Prior Day.

d. Where CDWR notifies PPM of a change in the Power Schedule under Section 2 c. the Revised Daily Pipeline Nomination becomes the Final Daily Pipeline Nomination for the Gas Flow Day. Otherwise, the Preliminary Daily Pipeline Nomination made under Section 2.b. becomes the Final Daily Pipeline Nomination for the Gas Flow Day. The Final Daily Pipeline Nomination becomes the PPA Fuel Requirement Quantity (as defined in 2.e below) for the Gas Flow Day. The power schedule that pertains to any Final Daily Pipeline Nomination is herein called the "Confirmed Power Schedule."

e. PPM will then allocate the natural gas quantity (that is, the applicable Daily Gas Requirement) between the PPA Fuel Requirement Quantity (that is, the amount of natural gas that would be required for generation of the power required under the applicable Power Schedule @ 7200 heat rate) and the remaining Excess Quantity (that is, the portion of such Daily Gas Requirement in excess of the amount that would be required for generation of the power required under the applicable Power Schedule @ 7200 heat rate). PPM will retain the PPA Fuel Requirement Quantity for its own account and will deliver an amount equal to any Excess Quantity to CDWR's Malin Market Center.

f. PPA Article 6.2.2 (b) provisions (related to credit for Daily Index less three cents) are not applicable during any period in which CDWR is providing a physical gas supply under PPA Article 5.4 (as said Article is modified by this Letter Agreement).

3. IMBALANCES:

a. On any given Gas Flow Day, should:

(i) the actual PPA Fuel Requirement Quantity, as calculated on the basis of the actual power schedule for such Gas Flow Day, as such power schedule may have been revised by CDWR subsequent to the establishment of the Confirmed Power Schedule for such Gas Flow Day;

be different from:

(ii) the PPA Fuel Requirement Quantity, as calculated on the basis of the Confirmed Power Schedule for such Gas Flow Day;

an Imbalance is created. PPM will inform CDWR of the Imbalance quantity for a given Gas Flow Day by 7:30 AM of the Subsequent Day following completion of such Gas Flow Day.

b. As a result of any Imbalance occurring under Section 3.a.:

(i) PPM shall, before 8:00 AM on the Subsequent Day, make an Imbalance Nomination for such Subsequent Day (delivering or receiving additional natural gas in an amount equal to the previous Gas Flow Day's Imbalance) to or from CDWR's Malin Market Center to eliminate the previous Gas Flow Day's Imbalance; and

(ii) CDWR, by 8:00 AM on such Subsequent Day, shall make an Imbalance Nomination (delivering or receiving additional natural gas in an amount equal to the previous Gas Flow Day's Imbalance) to or from CDWR's Malin Market Center corresponding to the Imbalance Nomination made by PPM pursuant to Section 3.b.(i) above so as to facilitate the elimination of the previous Gas Flow Day's Imbalance.

In the event that PPM and CDWR make the Imbalance Nominations in accordance with this Section 3.b., PPM will assess, and CDWR will pay to PPM, the following: (1) an imbalance charge equal to $0.10 per MMBtu (the "Imbalance Charge"), calculated as $0.10 times the amount of the MMBtu Imbalance); and (2) any other applicable charges provided for under PPA Articles 5.4.2.4 and 6.2.4 (but not including any imbalance charges or related pipeline penalties under such Articles). PPM and CDWR acknowledge and agree that to the extent that CDWR makes the required nominations at its Malin Market Center to facilitate PPM's Imbalance Nomination the Imbalance Charges and other applicable charges provided for in 3.b. (1) and (2) above are in lieu of, and not in addition to, any imbalance charges or related pipeline penalties or charges that PPM would otherwise be entitled to pass through to or assess against CDWR under the PPA during any period in which CDWR has elected to deliver a firm physical gas supply pursuant to PPA Article 5.4.2. In the event that, for any reason, CDWR fails to make the corresponding Imbalance Nomination required by Section 3.b.(ii) above, CDWR shall pay to PPM any imbalance charges or related pipeline penalties or charges incurred by PPM.

c. If a change to the Power Schedule and corresponding Daily Pipeline Nomination (natural gas) occurs pursuant to PPA Article 6.3.1 (Seller's Right Not to Deliver due to Forced Outages or Scheduled Maintenance), PPM shall deliver the resulting Excess Quantity for purchase by CDWR at CDWR's Malin Market Center pursuant to 1.b. above; provided, however, that in no event shall PPM deliver such Excess Quantity prior to the next available timely cycle. No Imbalance Charges or penalties will be assessed against or passed on to CDWR in connection with such resulting Excess Quantity.

d. If a change to the Power Schedule and corresponding Daily Pipeline Nomination (natural gas) occurs pursuant to PPA Article 6.3.2 (Seller's Right Not to Deliver For Any Reasons Other Than Forced Outages or Scheduled Maintenance), PPM shall offer the resulting Excess Quantity to CDWR for purchase at the time that it provides CDWR with notice required pursuant to Article 6.3.2 ("First Offer"). In accordance with such First Offer and CDWR shall have the right but not the obligation to purchase such Excess Quantity pursuant to 1.b. above. In order to

exercise its right to purchase the Excess Quantity under this Section 3.d, CDWR must notify PPM via fax or e-mail by 6:30 AM on the day following the date when the First Offer was made. If CDWR fails to timely purchase the Excess Quantity in accordance with this Section 3.d, PPM shall retain the Excess Quantity for its own account. In the event that PPM exercises its Seller's Right Not to Deliver pursuant to Article 6.3.2 of the PPA, no Imbalance Charges or penalties be assessed against or passed on to CDWR in connection with the resulting Excess Quantity.

4. PRICE: For deliveries of natural gas at NIT under the firm natural gas transaction in the NAESB contract between CDWR and PECL, the Parties will use the Monthly Gas Index, i.e. PECL will purchase the gas at the Monthly Gas Index from CDWR

a. For deliveries of the Excess Quantity of natural gas at Malin under the firm natural gas transaction in the NAESB contract between CDWR and PPM, the Parties will use the Monthly Gas Index, i.e. PPM will sell the gas to CDWR at the Monthly Gas Index.

b. For natural gas quantities associated with a Power Schedule and PPA Fuel Requirement, PPM will use the Monthly Gas Index for calculation of the Monthly Fuel Charge, i.e. PPM will charge CDWR at the Monthly Gas Index, with the Monthly Fuel Charge to be calculated a provided in Section 4.c below.

c. The provisions of PPA Section 5.4.2.2 shall not be applicable and in lieu thereof the following provisions shall apply: The Monthly Fuel Charge shall be calculated as follows:

Monthly Fuel Charge = the sum (expressed in dollars) of:

(1) The PPA Fuel Requirement Quantity multiplied by the Monthly Gas Index; plus

(2) The pipeline fuel requirement(s) for the PPA Fuel Requirement Quantity multiplied by the Monthly Gas Index; plus

(3) The applicable Variable Pipeline Charge(s) multiplied by the PPA Fuel Requirement Quantity.

d. PPM will use the Monthly Gas Index in Heat Rate Surcharge calculations.

e. For pipeline fuel quantities, the Parties will use the Monthly Gas Index.

5. PIPELINE FUEL AND VARIABLE PIPELINE CHARGES:

a. Prior to the beginning of each Month and upon receiving fuel rates from pipelines, PPM will calculate a pipeline fuel quantity for deliveries from NIT to Malin and will inform CDWR as to the daily pipeline fuel requirement for each Month no

later than five (5) business days prior to the next month of gas delivery. This quantity will be added to the Daily Gas Requirement quantity to be delivered by CDWR in its sale to PECL at NIT.

b. PPM will calculate a charge for pipeline fuel requirement on the entire Daily Gas Requirement delivered quantity by using actual pipeline fuel rates in accordance with the applicable tariff for natural gas transportation from NIT to Medford Lateral and/or Malin. This charge will be included in the Monthly Fuel Charge as provided in Section 4.c. of this Letter Agreement, and will also be included in the Excess Quantity Price as provided in Section 1.b. of this Letter Agreement.

c. PPM will charge a Variable Pipeline Charge on the entire Daily Gas Requirement delivered quantity using current tariff pipeline variable rates for natural gas transportation from NIT to Medford Lateral and/or Malin. This charge will be included in the Monthly Fuel Charge as provided in Section 4.c of this Letter Agreement, and will also be included in the Excess Quantity Price as provided in Section 1.b. of this Letter Agreement.

6. ALTERNATE DELIVERY RIGHTS:

a. PPM retains all Alternate Delivery Rights under PPA Article 3.4.

b. In the event that PPM exercises its rights under PPA Article 3.4, it will displace PPA Fuel Requirement physical gas deliveries and retain those gas quantities for its own account. Whenever PPM exercises its right under PPA Article 3.4 and retains gas quantities for its own account, CDWR shall not be liable for any resulting Imbalances.

c. PPM manages its pipeline capacity rights and natural gas purchases and sales in commingled streams at various pipeline pooling points. Thus, no specific pipeline capacity or natural gas quantities are committed by PPM in fulfilling its obligations under this transaction.

This Letter Agreement, made effective as of the date it is signed by the Parties, constitutes the entire understanding and operational agreement between the Parties on CDWR Elections. This Letter Agreement shall remain in effect for the term of the PPA and its terms and conditions shall apply to all CDWR Elections. Notwithstanding the foregoing, the Parties shall cooperate in making modifications to this Letter Agreement that are necessary as a result of any regulatory changes affecting pipeline transportation of natural gas or any changes in the tariff or operating rules and regulations of the pipeline. Further, the Parties may mutually agree to amend this Letter Agreement for any reason. Except as expressly modified by this Letter Agreement, the PPA remains in full force and effect. If there is any inconsistency between the PPA and this Letter Agreement, this Letter Agreement shall control.

PPM ENERGY, INC.(formerly PACIFICORP POWER MARKETING, INC.)
An Oregon Corporation

Exhibit A

INVOICE CALCULATION EXAMPLES

Hawkins, Delafield & Wood

1121 L Street, Suite 502
Sacramento, CA 95814

Main Telephone No: (916) 326-5200
Fax No: (916) 326-5663

FAX TRANSMITTAL

From: Marilyn Munoz	Sender's Telephone Number: (916) 326-5205
Date: 10/30/03	Number of Pages (including cover): 10
Subject: PPM Letter Agreement	
If you do not receive all pages please call (916) 326-5200	

TO	COMPANY	FAX NUMBER
Tom McGivney	CERS	574-0301

Message:

Sign-off Sheet and final draft of PPM Letter Agreement. Call me if you have any questions. Thanks.

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