

Morgan Stanley Capital Group Inc.
1585 Broadway, 4th Floor
New York, NY 10036

July 10, 2003

Department of Water Resources,
State of California
Attn: Mr. Peter Garris
Fax: 916-574-2569

MS Reference: 626471
Trade Date: July 10, 2003

This Confirmation confirms the terms of Morgan Stanley Capital Group Inc.'s ("MSCG") sale of firm energy to the Department of Water Resources, State of California, ("CDWR") and is entered into as of the Trade Date set forth above to become effective upon the "Effective Date" as defined in the 2003 Master, as defined below. MSCG and Counterparty are sometimes referred to individually as a "Party" or collectively as the "Parties." On and after the Effective Date, this Confirmation shall amend and restate, in its entirety, that Confirmation between the Parties with a Trade Date of February 14, 2001 (MS Reference number e135503) (the "2001A Transaction") except that the 2001A Transaction shall continue to govern the terms of deliveries made prior to the beginning of the Amended Delivery Period, as set forth below.

Purchaser: CDWR

Seller: MSCG

Amended

Delivery Period: From the Effective Date through December 31, 2005

Delivery: Monday through Sunday, HE 0100 through HE 2400 Pacific Prevailing Time, including NERC holidays.

Contract Quantity: For the period from the Effective Date to December 31, 2003 the Contract Quantity shall be 40 MW hours of CAISO Firm Energy per hour; and

For the period January 1, 2004 to December 31, 2005, the Contract Quantity shall be 35 MW hours of CAISO Firm Energy per hour.

Delivery Point(s): SOUTH PATH 15, SC to SC transfer within the congestion zone.

Energy Price: \$81.00 per MWhr

CAISO Firm Energy: "California Independent System Operation (CAISO) Firm Energy" means a product under which the Seller shall sell and the Buyer shall purchase a quantity of energy equal to the hourly quantity without Ancillary Services (as defined in the CAISO Tariff) that is or will be scheduled as a schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the CAISO, as amended from time to time, the

“Tariff”, for which the only excuse for failure to deliver or receive is an “Uncontrollable Force” (as defined in the Tariff) called by the CAISO in accordance with the terms in the Tariff.

Scheduling: All scheduling to be completed within CAISO guidelines.

Special Conditions: The parties agree to notify each other as soon as possible of any interruption or curtailment affecting this transaction.

Morgan Stanley Real-Time Communications and Scheduling:

212-761-8748 Office
212-761-0292 Fax

This Confirmation Letter memorializes a verbal agreement between the Parties and becomes by reference part of and subject to the terms and conditions of the Amended and Restated Master Power Purchase and Sale Agreement entered into by the Parties on [July __, 2003] (the “2003 Master”).

If we do not receive your acceptance of this Confirmation or any objections thereto within three (3) business days from the time you receive this Confirmation, this Confirmation will be deemed accepted and binding upon you.

Please confirm that the terms stated herein accurately reflect the agreement reached between CDWR and MSCG by returning an executed copy of this Confirmation Letter. (Fax: 212-761-0292)

Morgan Stanley Capital Group Inc.

Department of Water Resources,
State of California

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____