

**AMENDMENT NO. 1 TO THE
SECOND PHASE AGREEMENT
FOR
FUNDING THE PLANNING AND DEVELOPMENT
ACTIVITIES
OF THE
LODI ENERGY CENTER**

This Amendment No. 1 to the Second Phase Agreement for Funding the Planning and Development Activities of the Lodi Energy Center ("LEC Amendment 1") is dated as of September 26, 2008, and is by and between the Northern California Power Agency, a joint powers agency of the State of California ("NCPA"), those members and non members of NCPA which have executed the Second Phase Agreement for Funding the Planning and Development Activities of the Lodi Energy Center which include the Cities of Azusa, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Santa Clara and Ukiah, the Bay Area Rapid Transit District, the California Department of Water Resources, the Modesto Irrigation District, the Plumas-Sierra Rural Electric Cooperative, the Port of Oakland, the Power and Water Resources Pooling Authority, and such other parties as may be identified in Exhibit C of the Agreement from time to time (collectively, the "Parties"), and

WITNESSETH:

WHEREAS, the Parties have previously entered into a "Second Phase Agreement for Funding the Planning and Development Activities of the Lodi

Energy Center" dated November 29, 2007 ("the Agreement") which became effective on or about March 1, 2008; and

WHEREAS, the Agreement contemplates Lodi Energy Center ("LEC") development efforts divided into Phase 2A and Phase 2B activities as described in Exhibit A of the Agreement, with total approved budget funding of \$25 million consisting of \$16 million and \$9 million allocated to Phase 2A and Phase 2B activities, respectively; and

WHEREAS, the Parties formed the Project Participant Committee ("PPC") on March 6, 2008 and have since that date been conducting Phase 2A Project activities including the preparation of the California Energy Commission ("CEC") Application for Certification ("AFC"), requisite air permit applications, and the procurement of Emissions Reduction Credits ("ERCs"); and

WHEREAS, on June 30, 2008, the PPC directed the LEC Project Manager to commence Phase 2B activities commencing on or about August 1, 2008; and

WHEREAS, the Project Participants are aware that certain critical power equipment, such as the natural gas turbine, steam turbine and heat recovery steam generator components of the power island assembly, require significant lead times for fabrication and delivery, and thus such equipment must be ordered in a timely manner that supports the LEC's scheduled Commercial Operation Date of April 2012; and

WHEREAS, the Project Participants desire to lease, as needed, warehousing and administrative facilities at or proximate to the proposed LEC Project site in order to facilitate the timely preparedness for locating staff and materials ancillary to the planning, design, engineering and ultimate construction of the LEC; and

WHEREAS, the Project Participants are aware of the recent rapid escalation of power generation construction and equipment costs and

consequently desire to control the delivered cost of certain LEC power island equipment by procuring an option or take other actions to secure a known delivered cost for such equipment; and

WHEREAS, the Parties desire to amend the Phase 2B activities listed in the Agreement to provide for leasing needed administrative facilities and work areas to provide adequate space for additional Project staff; and

WHEREAS, the Parties also desire to amend the Phase 2B activities listed in the Agreement to provide for leasing needed warehouse facilities to house and protect LEC equipment, specifically the power island components that must be delivered and stored for several months prior to installation; and

WHEREAS, the Parties desire to amend the Phase 2B activities listed in the Agreement to provide for the ability to take actions that allows for advanced equipment ordering of the critical power island equipment, obtaining more favorable equipment and pricing options, having the option for considering and choosing more advantageous financing methods; these steps (actions) will result in significantly more certainty regarding the timely delivery of the equipment, and in locking-in at an earlier time a lower cost for the LEC equipment; and

WHEREAS, the Project Participants, in order to fund the expected cost to attain the facilities needed for Project staff and Project power island equipment delivery timing and price certainty, desire to increase the funding of the Phase 2B activities authorized by the Agreement budgeted accordingly by up to \$15 million, for a total Phase 2B budget amount of \$24 million (\$9 million currently approved plus the proposed added \$15 million), and thus resulting in a revised combined Phase 2A and 2B total budget of \$40 million (\$16 million for Phase 2A plus the proposed revised Phase 2B amount of \$24 million);

NOW THEREFORE, the Parties hereto agree as follows:

1. The final WHEREAS statement of the Agreement is deleted in its entirety and the following is inserted:

“WHEREAS, initiation of the Phase 2B activities consisting of all remaining Second Phase activities listed in Exhibit A attached hereto, including but not limited to the purchase of any remaining required air pollution emission credits, additional engineering and permitting costs, leasing warehousing and administrative facilities at or proximate to the proposed Project site, and actions to secure critical power island equipment delivery timing and cost certainty, at an estimated additional cost of up to twenty-four million (\$24,000,000) dollars, will not be undertaken by NCPA except upon the Project Members’ further authorization pursuant to the terms of this Agreement, and subject to the withdrawal of any Project Member after the completion of Phase 2A and upon the initiation of Phase 2B.”

2. Section 1.(c) of the Agreement is deleted in its entirety and the following is inserted:

“(c) Upon the Project Members’ authorization, provided pursuant to Section 3 of this Agreement, to undertake Phase 2B activities, NCPA shall conduct such additional work as may be necessary, including to secure a CEC Order approving an Application For Certification of the Lodi Energy Center, to obtain any further required air emission reduction credits (“ERCs”), to secure the timely delivery and cost certainty of critical

power island equipment, and to lease needed warehouse and administrative facilities at or proximate to the proposed Project site, to be determined and agreed to by the PPC. Such activities shall be performed at an estimated cost of up to twenty-four million (\$24,000,000) dollars. The Parties anticipate that Phase 2A and Phase 2B activities will be completed by the end of 2009 at a combined total cost not to exceed forty million (\$40,000,000) dollars.”

3. Insert the following at the end of the third paragraph of Section 4. of the Agreement:

Any Project related assets, which includes the procured option for power island equipment and the lease of warehouse and administrative facilities, purchased or acquired as authorized by Section 1(c) of this Agreement but not utilized shall be sold by NCPA pursuant to the PPC’s decisions and procedures and the proceeds distributed proportionately among the Project Members.

4. Exhibit A of the Agreement is deleted in its entirety and the following is inserted:

Exhibit A, LEC Amendment No. 1

PHASE 2A ACTIVITIES INCLUDE

- Finalize Phase 2 Project Participant Agreement
- Achieve Phase 2 Agreement execution by all Participants
- Establish Project Participant Committee
- Establish Project Development support and reporting infrastructure
- Establish Project Parameters (duct firing, future expandability, etc.)
- Investigate, appraise and attain necessary land and land rights from the City of Lodi
- Perform environmental assessments
- Submit application to CEC
- Purchase or secure options for Project ERCs

Phase 2A are activities anticipated to be completed by end of 2008.

PHASE 2B ACTIVITIES INCLUDE

- Complete CEC process
- Exercise ERC options or fully secure any remaining necessary ERCs
- Develop Phase III and /or PPA agreements for Project commitment and financing
- Develop Project Operations Agreement
- Develop Project fuel supply arrangements
- Commence Project detailed engineering and design
- Secure critical power Island equipment delivery timing and pricing through advance ordering or other arrangements
- Lease of needed warehouse and administrative facilities at or proximate to the Project site
- Execute Project Phase III and or PPA agreements
- Release bid for construction (Q1 2010)
- Commence construction (Q2 2010)

Phase 2B are activities anticipated to be completed by end of 2009

5. Invoicing for LEC Amendment No. 1 Budgeted Amounts

The Project Manager and the NCPA CFO shall recommend an invoicing schedule to the Project Participants for the additional funding requirements associated with PPC approved actions to secure the critical power island Project equipment delivery timing and pricing certainty, and to lease any needed warehouse and administrative facilities as agreed to by the PPC at or proximate to the proposed Project site contemplated by this LEC Amendment No. 1. The PPC shall duly develop, approve and authorize an invoicing schedule to collect required LEC Amendment No. 1 funds from Project Participants.

6. Remainder of the Agreement

All other terms and conditions of the Agreement remain in full force and effect.

7. Effective Date of LEC Amendment No. 1

The Effective Date of this LEC Amendment No. 1 shall be the next calendar day after formal approval by the governing bodies of all Project Members, subject to the special terms in Section 22 of the Agreement that apply to CDWR.

IN WITNESS WHEREOF, each Project Member has executed this LEC Amendment No. 1 to the Agreement with the approval of its governing body, and NCPA has executed this Agreement in accordance with the authorization of its Commission.

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

BAY AREA RAPID TRANSIT

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

CITY OF BIGGS

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

CITY OF GRIDLEY

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

CITY OF HEALDSBURG

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

CITY OF LODI

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By

Date: _____

CITY OF LOMPOC

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

PLUMAS-SIERRA RURAL ELECTRIC
COOPERATIVE

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

PORT OF OAKLAND

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

CITY OF SANTA CLARA

Approved as to Legal Form

By: _____

By: _____

Date: _____

MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

CITY OF UKIAH

Approved as to Legal Form

By: _____

By: _____

Date: _____

NON-MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

MODESTO IRRIGATION DISTRICT

Approved as to Legal Form

By: _____

By: _____

Date: _____

NON-MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

POWER AND WATER RESOURCES
POOLING AUTHORITY

Approved as to Legal Form

By: _____

By: _____

Date: _____

NON-MEMBERS OF THE NORTHERN CALIFORNIA POWER AGENCY:

NORTHERN CALIFORNIA
POWER AGENCY

Approved as to Legal Form

By: _____

By: _____

Date: _____

STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES with
respect to its powers and responsibilities for the State Water Resources Development
System

By: _____

Raphael A. Torres, Deputy Director

Date: _____

Approved as to form and legal sufficiency

By: _____

David A. Sandino, Chief Counsel

Date: _____