

**BLACKLINED
AMENDMENT NO. 1
TO THE
PARTICIPATING GENERATOR AGREEMENT**

THIS AMENDMENT is dated this ____ day of April, 1998 and is entered into, by and between:

(1) Texaco Exploration and Production Inc., a Delaware Corporation, ("Texaco");

and

(2) California Independent System Operator Corporation, a California nonprofit public benefit Corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "ISO").

Texaco and the ISO are hereinafter referred to as the "Amending Parties."

Whereas:

- A. The Amending Parties entered into that certain Participating Generator Agreement (the "Principal Agreement").
- B. By orders issued on December 17, 1997, and February 25, 1998, the Federal Energy Regulatory Commission required that the Participating Generator Agreement be amended.

NOW THEREFORE, THE AMENDING PARTIES AGREE as follows:

- 1) **Effective Date.** This Amendment shall be effective as of the effective date of the Principal Agreement and shall remain in full force and effect until the termination of the Principal Agreement.

- 2) Amendment to the Principal Agreement. The Principal Agreement shall be amended as set out below:
- a) Recital C is amended as follows:
 - C. The Participating Generator wishes to be able to Schedule Energy and to submit Adjustment Bids, Supplemental Energy bids and bids for Ancillary Services to the ISO through a Scheduling Coordinator and, therefore, wishes to undertake to the ISO that it will comply with the applicable provisions of the ISO Tariff ~~and the ISO Protocols~~.
 - b) Recital D is amended as follows:
 - D. The Parties are entering into this Agreement in order to establish the terms and conditions on which the ISO and the Participating Generator will discharge their respective duties and responsibilities under the ISO Tariff ~~and the ISO Protocols~~.
 - c) Section 1.1 is amended as follows:
 - 1.1 Master Definitions Supplement. ~~Unless the context otherwise requires a~~All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.
 - d) Section 1.3(a) is amended as follows:
 - (a) ~~unless the context otherwise requires,~~ if there is any inconsistency between this Agreement and the ISO Tariff ~~or any applicable ISO Protocol~~, the ISO Tariff ~~or applicable ISO Protocol~~ will prevail to the extent of the inconsistency;
 - e) Section 2.1 is amended as follows:
 - 2.1 ISO Responsibility. The Participating Generator acknowledges that the ISO is responsible for the efficient use and reliable operation of the ISO Controlled Grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Electric Reliability Council and further acknowledges that the ISO may not be able to satisfy fully these responsibilities if the Participating

Generator fails to fully comply with all of its obligations under this Agreement, and the ISO Tariff ~~and the ISO Protocols~~.

f) Section 3.2.1 is amended as follows:

3.2.1 Termination by ISO. Subject to Section 5.2, the ISO may terminate this Agreement by giving written notice of termination in the event that the Participating Generator commits any default under this Agreement, and/or the ISO Tariff ~~and/or the ISO Protocols~~ which, if capable of being remedied, is not remedied within thirty (30) days after the ISO has given, to the Participating Generator, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement ~~Section 15 of the ISO Tariff~~. With respect to aAny notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC. This Agreement shall terminate upon acceptance by FERC of such a notice of termination. must also be filed at the FERC. Pending acceptance the FERC of such termination, the operation of the terms of this Agreement and of the ISO Tariff shall be suspended.

g) Section 3.2.2 is amended as follows:

3.2.2 Termination by Participating Generator. In the event that a Participating Generator no longer wishes to schedule Energy or provide Ancillary Services through a Scheduling Coordinator over the ISO Controlled Grid, it may terminate this Agreement, on giving the ISO ninety (90) days written notice. With respect to aAny notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC. This Agreement shall terminate upon acceptance by FERC of such a notice of termination. must also be filed at the FERC. Pending acceptance by the FERC of such termination, the operation of the terms of this Agreement and of the ISO Tariff shall be suspended.

h) Section 4.2 is amended as follows:

4.2 Agreement Subject to ISO Tariff ~~and the ISO Tariff~~. The Parties will comply with all provisions of the ISO Tariff, (including Sections 2.3.2 and 5) and all applicable provisions of the ISO Protocols. This Agreement shall be subject to the ISO

Tariff ~~and the ISO Protocols~~ which shall be deemed to be incorporated herein.

i) Section 4.3.1 is amended as follows:

4.3.1 Submission of Bids. When the Participating Generator submits a bid for Ancillary Services, it will, by the operation of this Section 4.3.1, warrant to the ISO that it has the capability to provide that service in accordance with the ISO Tariff ~~and ISO Protocols~~ and that it will comply with ISO Dispatch instructions for the provision of the service in accordance with the ISO ~~Protocols~~ Tariff.

j) Section 5.2 is amended as follows:

5.2 Corrective Measures. If the Participating Generator fails to meet or maintain the requirements set forth in this Agreement, ~~and/or the ISO Tariff or the ISO Protocols~~, the ISO shall be permitted to take any of the measures, contained or referenced in the ISO ~~Protocols~~ Tariff, which the ISO deems to be necessary to correct the situation.

k) Section 8.2 is amended as follows:

8.2 The Participating Generator represents that all necessary approvals, permits, licenses, easements, rights of way or access to install, own and operate its Generating Units have been ~~or will be~~ obtained, prior to ~~the ISO Operations date execution of this Agreement~~, by the Participating Generator.

l) A new Article X is added:

ARTICLE X
UNCONTROLLABLE FORCES

10.1 Uncontrollable Forces Tariff Provisions. Section 15 of the ISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 15 of the ISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the ISO Tariff shall be read as references to this Agreement.

- m) Article X is renumbered as Article XI, and Section numbers within such Article XI are renumbered accordingly.

IN WITNESS WHEREOF, the Amending Parties have caused this Amendment No. 1 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Texaco Exploration and Production Inc.

By: _____

Name: _____

Title: _____