

Amendment to Tax Certificate and Agreement

\$28,005,000

**California Consumer Power and Conservation
Financing Authority
Energy Efficiency Master Trust Revenue Bonds
Series 2003A**

This Amendment to Tax Certificate and Agreement is being executed pursuant to Section 9.6 of that certain Tax Certificate and Agreement, defined below, between the California Consumer Power and Conservation Financing Authority (the "Authority"), an authority and public instrumentality of the State of California (the "State"), and the California Energy Resources Conservation and Development Commission (the "Energy Commission").

Recitals

WHEREAS, the Authority and the Energy Commission previously determined to provide funds, through the issuance of the Authority's aggregate principal amount of \$28,005,000 California Consumer Power and Conservation Financing Authority Energy Efficiency Master Trust Revenue Bonds, Series 2003A (the "Bonds"), to make a loan to the Energy Commission to provide such funds to the Energy Commission to enable it to make or finance loans to certain borrowers (each a "Borrower Loan" and collectively the "Borrower Loans") to carry out the Energy Commission's energy efficiency program (the "Program"); and

WHEREAS, the Bonds were issued on April 10, 2003, pursuant to, among other things, a Bond Indenture, dated as of April 1, 2003 (the "2003A Bond Indenture"), by and between the Authority and the Treasurer of the State of California; and

WHEREAS, the proceeds of the Bonds were loaned to the Energy Commission pursuant to a Secured Loan Agreement, dated as of April 1, 2003 (the "2003A Secured Loan Agreement"), by and between the Authority and the Energy Commission; and

WHEREAS, in connection with the issuance of the Bonds, the Authority and the Energy Commission executed a Tax Certificate and Agreement, dated as of April 10, 2003 (the "Tax Agreement"), which set forth certain facts and circumstances underlying the issuance of the Bonds and the accomplishment of the purposes thereof, including the Program, as well as the reasonable expectations of the Authority and the Energy Commission, all in support of the opinion of Bond Counsel as to the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and

WHEREAS, Section 2.4 of the Tax Agreement, entitled "Program Loan Account," provides in part as follows:

All amounts disbursed to Borrowers under the Bond-Funded Loans will be effected on a "reimbursement" basis, meaning that a Borrower must have expended moneys on property constituting a capital expenditure and permitted under the Program and then have submitted to the Energy Commission (a) documentation providing an adequate description of the property for which reimbursement is being sought in order to enable the Energy Commission to evaluate and determine whether such property qualifies for loan financing under its program, and (b) evidence that payment of the expenditure with respect to such property has been duly made by such Borrower. The Energy Commission will review such expenditure and determine whether and in

what amount proceeds of the Bonds may be disbursed to the Borrower. No amounts will be disbursed to a Borrower prior to the expenditure being made by the Borrower.

WHEREAS, the Authority and the Energy Commission have determined that the Energy Commission requires greater flexibility in the financing of loans to borrowers to include, among other things, direct payment to vendors, all within the intended spirit of the Energy Commission's program and the constraints of federal tax law as applied to the Bonds; and

WHEREAS, Section 9.6 of the Tax Agreement, entitled "Amendment," provides that the Tax Agreement may be amended, changed, modified and/or supplemented only if the concurring written consent of the Authority and the Energy Commission and a written opinion of Sidley Austin Brown & Wood LLP or other bond counsel is obtained to the effect that such amendment, change, modification and/or supplement will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

WHEREAS, such opinion of Sidley Austin Brown & Wood LLP has been provided concurrently with the execution of this Amendment; and

WHEREAS, the Authority and the Energy Commission have determined to amend the Tax Agreement to provide for the aforementioned flexibility in financing Borrower Loans in furtherance of the Program;

NOW, THEREFORE, IN FURTHERANCE OF THE AFOREMENTIONED PURPOSES, THE TAX AGREEMENT IS HEREBY AMENDED AS FOLLOWS:

Section 1. Section 2.4 of the Tax Agreement is amended to read as follows:

Section 2.4. Program Loan Account. The proceeds of the Bonds to be used to finance costs of Project will be held in the Program Loan Account pending their use. Eligible Projects are to be funded by the Energy Commission under one of the bases hereinafter described. The Borrowers of Bond proceeds will not be entitled to any earnings received from investments of amounts held in the Program Loan Account. All amounts disbursed to Borrowers under the Bond-Funded Loans will be effected either (1) on a "reimbursement" basis, (2) on a "direct-pay" basis, or (3) on such other basis approved by Bond Counsel after consultation by the Energy Commission with Bond Counsel regarding such other basis. The term "reimbursement basis" shall mean that a Borrower must have expended moneys on property constituting a capital expenditure and permitted under the Program and then have submitted to the Energy Commission (a) documentation providing an adequate description of the property for which reimbursement is being sought in order to enable the Energy Commission to evaluate and determine whether such property qualifies for loan financing under its program, and (b) evidence that payment of the expenditure with respect to such property has been duly made by such Borrower. To the extent proceeds of the Bonds are intended to be disbursed to a Borrower on a reimbursement basis, no proceeds of the Bonds will be so disbursed prior to the expenditure being made by the Borrower. The term "direct-pay" basis shall mean that the Energy Commission and the Borrower shall have entered into an arrangement, including but not limited to an assignment arrangement, that entails the payment of vendor invoices directly from proceeds of the Bonds and the accounting by the Energy Commission and the Borrower of such payment as a draw on such Borrower's Bond-funded Loan. In all cases, prior to disbursements of proceeds of the Bonds to fund Bond-Funded Loans, the Energy Commission will review the proposed expenditure and determine whether and in what amount proceeds of the Bonds may be disbursed to the Borrower, through any one of the above-stated methods.

Section 2. Section 2.7 of the Tax Agreement is amended by deleting the sentence "For each draw of proceeds of the Bonds made to fund any portion of any Loan, the Energy Commission shall

ensure that each invoice submitted by any Borrower is reviewed and that no money is disbursed under such Loan for any purpose other than an actual capital expenditure previously paid by such Borrower." and by substituting in its place the sentence "For each draw of proceeds of the Bonds made to fund any portion of any Loan, the Energy Commission shall ensure that each invoice submitted by any Borrower is reviewed and that no money is disbursed under such Loan for any purpose other than an actual capital expenditure that is either (a) paid by such Borrower prior to the time a request by such Borrower for moneys under such Loan is made to the Energy Commission, (b) paid directly to a vendor by or on behalf of the Energy Commission on a direct-pay basis (as defined in Section 2.4 of this Agreement), or (c) otherwise paid by or on behalf of the Energy Commission or the Borrower pursuant to a methodology that has been approved by Bond Counsel in accordance with clause (3) of Section 2.4 of this Agreement.

Section 3. Section 8.3 of the Tax Agreement is amended by striking the phrase "since Borrower will only request such disbursements on a 'reimbursement' basis, as described in Section 2.4," from said section.

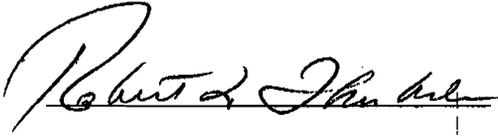
Section 4. With respect to the "Form of Borrower's Tax Certificate," which is attached to the Tax Agreement as Exhibit D thereto, Section 4 thereof, entitled "Expenses Paid in Reimbursement Only," shall be renamed "Permitted Bases for Paying Expenses," and the text of said Section 4 shall be amended to read as follows: "All proceeds of the Loan drawn by the Borrower shall either (1) be used to reimburse the Borrower for costs of the Project paid by the Borrower (a) in anticipation of receiving such proceeds, (b) prior to the date of requisition for such draw, and (c) after the date of approval of the Commission resolution authorizing payment from proceeds of the Bonds or the Energy Conservation Assistance Account, (2) reflect a direct payment by or on behalf of the Commission to the Borrower's vendor in accordance with an arrangement approved, established and implemented by the Commission with respect to such Borrower, or (3) reflect an alternative arrangement that has been approved by Bond Counsel with respect to the Bonds and communicated in writing by the Commission to the Borrower.

Section 5. The amendments to the Tax Agreement made herein are to be effective with respect to all Bond-Funded Loans originated on and after April 10, 2003, the date of issuance of the Bonds.

Section 6. Capitalized terms not otherwise defined herein are to have the respective meanings ascribed to them under the Tax Agreement.

IN WITNESS WHEREOF, the Authority and the Energy Commission have each caused this Amendment to Tax Certificate and Agreement to be executed in their respective names by a duly authorized officer, each as of this September 25, 2003.

California Energy Commission

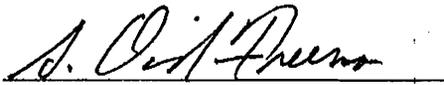


Robert Therkelsen, Executive Director

10/17/03

Date

California Consumer Power & Conservation Financing Authority



David Freeman, Chair

10.23.03

Date

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October 29, 2003

**California Consumer Power and Conservation
Financing Authority
Sacramento, California**

**California Energy Resources Conservation and
Development Commission
Sacramento, California**

Re:

\$28,005,000
**California Consumer Power and Conservation
Financing Authority**
**Energy Efficiency Master Trust Revenue Bonds
Series 2003A**

Ladies and Gentlemen:

We acted as bond counsel in connection with the issuance by the California Power and Conservation Financing Authority (the "Authority") of its \$28,005,000 aggregate principal amount of Energy Efficiency Master Trust Revenue Bonds, Series 2003A (the "Bonds"). The Bonds were issued on April 10, 2003, pursuant, to among other things, a Bond Indenture, dated as of April 1, 2003 (the "Bond Indenture"), by and between the Authority and the Treasurer of the State of California, as trustee. The proceeds derived from the sale of the Bonds were used to make a loan to the California Energy Resources Conservation and Development Commission Energy Commission (the "Energy Commission"), to be used by the Energy Commission to make loans to various public entity borrowers for the purpose of financing energy efficiency projects in furtherance of the Energy Commission's energy efficiency loan program (the "Program"). On the date of issuance of the Bonds, the Authority and the Energy Commission executed a Tax Certificate and Agreement, dated as of such date (the "Tax Agreement"), which set forth certain facts and circumstances underlying the issuance of the Bonds and the accomplishment of the purposes thereof, including the Program, as well as the reasonable expectations of the Authority and the Energy Commission. Based in part on the representations set forth in the Tax Agreement and in part on other investigation and analysis we conducted preceding the issuance of the Bonds, we rendered an opinion on the date of issuance of the Bonds that, subject to certain conditions, limitations and assumptions, the interest on the Bonds is excluded from gross income for federal income tax purposes.

The Tax Agreement, among other things, sets out the manner in which loans may be made by the Energy Commission to ultimate borrowers of the proceeds of the Bonds. Attached as Exhibit D to the Tax Agreement is a form of Borrower's Tax Certificate (the "Borrower Tax Certificate"), which must be executed by any entity seeking to borrow proceeds of the Bonds. We understand from the Energy

California Consumer Power and Conservation
Financing Authority
California Energy Resources Conservation and
Development Commission
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Commission that the Energy Commission now wishes to expand the ways in which loans may be made to ultimate borrowers of proceeds of the Bonds. To that end, the Authority and the Commission have executed an Amendment to Tax Certificate and Agreement (the "Amendment"), dated as of September 25, 2003, which amends portions of the Tax Agreement, including the Borrower Tax Certificate attached to the Tax Agreement. We understand from the Energy Commission that it is intended by the Energy Commission that the Borrower Tax Certificate, as amended in accordance with the Amendment, would be used, on and after the effective date thereof, as the operative tax document that the Energy Commission will require all potential borrowers of proceeds of the Bonds to execute as a condition to the borrowing of such proceeds by such borrower.

Section 9.6 of the Tax Agreement, entitled "Amendment," provides that the Tax Agreement may be amended, changed, modified and/or supplemented only if the concurring written consent of the Authority and the Energy Commission and a written opinion of Sidley Austin Brown & Wood LLP or other bond counsel is obtained to the effect that such amendment, change, modification and/or supplement will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The execution of the Amendment constitutes the concurring written consent of the Authority and the Energy Commission to the modifications intended to be made effective by the Amendment.

We have reviewed various documents pertaining to the issuance of the Bonds, including the Indenture, the Secured Loan Agreement and the Tax Agreement, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents.

Based on and subject to the foregoing, we are of the opinion that the execution of the Amendment by the Authority and the Commission will not, by itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

In rendering the opinion set forth herein, we have not obtained, verified or reviewed any information concerning any use of proceeds of the Bonds or property financed therewith, or any event or action that might have occurred subsequent to the issuance of the Bonds and that might affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes. Accordingly, no opinion is expressed as to the exclusion from gross income for federal income tax purposes of the interest on the Bonds and, except as set forth herein with respect to the execution of the Amendment, no opinion is expressed as to whether any action taken after the original issuance of the Bonds has adversely affected the exclusion of interest on the Bonds from gross income for federal income tax purposes. Further, we have not addressed, nor are we opining on, any collateral federal income tax consequences of the investment in, or the receipt of interest on, the Bonds.

This opinion is being rendered solely for your benefit and may not be relied on by anyone else without our prior written consent.

Respectfully submitted,

Sidley Austin Brown & Wood LLP