

**SECOND AMENDMENT TO CONTRACT
AND SUPPLEMENTAL AGREEMENT FOR WATER SUPPLIED FROM THE
MIOCENE CANAL**

This Second Amendment (“Second Amendment”) to the April 21, 1927, Contract for water supplied from the Miocene Canal (“Contract”) and the Contract’s June 5, 1953 Supplemental Agreement (“Supplement”), is entered into as of April 1, 2009 (the “Effective Date”) by Pacific Gas and Electric Company (“PG&E), a California corporation, and California Water Service Company (“Cal Water”), a California corporation.

WHEREAS the Contract provides that from and after May 1, 1952, the price for water delivered under the Contract will be “such price as may from time to time be established therefore by the Railroad Commission of the State of California,” now the Public Utilities Commission of the State of California (the “CPUC or Commission”);

WHEREAS the price for water delivered under the First Amendment To Contract and Supplemental Agreement For Water Supplied From the Miocene Canal, which is One Hundred and Fifty-two Thousand Four Hundred Dollars (\$152,400) per year, payable in monthly installments of \$12,700.00 (the “First Amendment Price”), was approved in CPUC Decision (“D.”) 08-09-004; and

WHEREAS the parties desire to establish a price for the water delivered hereafter under the Contract and Supplement;

NOW, THEREFORE, the parties agree:

1. For water delivered under the Contract and Supplement beginning April 1, 2009, the price will be the First Amendment Price. On March 31, 2010, and annually thereafter on March 31 or the first business day after March 31 if that date falls on a Saturday, Sunday or Holiday, the First Amendment Price, including any adjustments previously made under this clause, will be adjusted up or down by the change in the All Items Consumer Price Index for All Urban

Consumers U.S. Macro – 30 Year Baseline (CPI-U) published by the United States Bureau of Labor Statistics. Each Payment shall be made on or before thirty (30) days after the end of the month in which water is delivered.

2. PG&E agrees to repair and place back in service the Coal Canyon Penstock by December 31, 2010, subject to a mutually agreed extension of this deadline.

3. Cal Water agrees to repair the Powers Canal by December 31, 2010, subject to a mutually agreed extension of this deadline.

4. Any increase in available water that is attributable to the parties' repairs to the Coal Canyon Penstock and the Powers canal will be designated Conservation Water and made available for sale or transfer by the Parties. Cal Water agrees to take reasonable steps to ensure that the amount of Conservation Water available from the entire length of the Powers Canal can be determined.

5. Revenue from the sale and/or transfer of Conservation Water up to \$100,000 per year will be divided between the parties in the ratio of 70% to PG&E and 30% to Cal Water. Revenue from the sale and/or transfer of Conservation water in excess of \$100,000 per year will be divided between the parties equally.

6. Nothing in this Second Amendment shall be deemed to enlarge or diminish the obligations of the parties under the terms of the Contract, its Supplement, and the First Amendment except as expressly set forth in this Second Amendment.

IN WITNESS WHEREOF, the parties, through their duly authorized representatives, have executed this Second Amendment on the day and year set forth above.

PACIFIC GAS AND ELECTRIC COMPANY

By: _____/s/_____

Joseph F. O’Flanagan
Director, State Regulation, Generation Business Unit
Pacific Gas and Electric Company

CALIFORNIA WATER SERVICE COMPANY

By: _____/s/ Thomas Smegal_____

Thomas Smegal
Vice President, Regulatory Matters/ Corporate Relations
California Water Service Company