

APPENDIX A

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

This First Amendment (“First 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, 2008 (the “Effective Date”) by Pacific Gas and Electric Company (“PG&E”), a California corporation, and California Water Service Company (“CWS”), 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 “Commission”); and

WHEREAS the Supplement price for water delivered under the Contract and Supplement is Thirty-two Thousand Four Hundred Dollars (\$32,400) per annum, payable monthly (the “Old Price”); and

WHEREAS the parties desire to establish a new price for the water delivered under the Contract and Supplement for up to one year; and

WHEREAS the parties will engage in further negotiations and investigations during this one-year period regarding water volumes, pricing and marketing of the water supplied under the Contract and Supplement;

NOW, THEREFORE, the parties agree:

1. For water delivered under the Contract and Supplement beginning, April 1, 2008, through March 31, 2009, the price will be One Hundred and Fifty-two Thousand Four Hundred Dollars (\$152,400) per year, payable in monthly installments of \$12,700.00 (the “New Price”).

Each payment shall be made on or before thirty (30) days after the end of the month in which water is delivered.

2. This First Amendment shall continue in effect until April 1, 2009, or such earlier date as may result from its termination by either party.

3. The New Price is subject to the approval of the Commission. Cal Water will make the payments as set forth in paragraph 1 above, subject to refund by PG&E of the difference between the New Price and the Old Price if the Commission disapproves the New Price.

4. During the term of this First Amendment the parties will conduct, at PG&E's expense, an engineering study of water flows through the Buyer's Powers Canal. Thirty (30) days following delivery of written study results to Buyer and Seller, each shall individually, in its sole and unfettered discretion, decide whether the results justify continuation of this First Amendment.

5. If the parties elect to continue with negotiations after receipt and evaluation of the engineering study, either party may at any time thereafter terminate such negotiations and this First Amendment for convenience and without cause.

6. If this First Amendment is terminated by either party, payments for water delivered after the effective date of such termination shall be at the Old Price.

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

8. The New Price cannot be used as evidence of the fair and reasonable price under the Contract and the Supplement in this proceeding or any other proceeding between the parties.

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

PACIFIC GAS AND ELECTRIC COMPANY

By: 
Joseph F. O'Flanagan
Director, State Regulation
Pacific Gas and Electric Company

CALIFORNIA WATER SERVICE COMPANY

By: 
Francis S. Ferraro
Vice President
California Water Service Company