

**JULY 31, 2001 AMENDMENT TO THE
POWER PURCHASE AGREEMENT
BETWEEN
HUMBOLDT BAY MUNICIPAL WATER DISTRICT
AND
PACIFIC GAS AND ELECTRIC COMPANY
(PG&E LOG NO. 19H051)**

THIS AMENDMENT ("Amendment"), dated as of July 31, 2001, is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation and HUMBOLDT BAY MUNICIPAL WATER DISTRICT ("Seller"), a California public agency. PG&E and Seller are sometimes referred to herein individually as "Party" and collectively as the "Parties."

RECITALS

A. On July 26, 1985, Seller (or Seller's predecessor, as applicable) and PG&E entered into a Power Purchase Agreement (as amended, the "PPA"), pursuant to which PG&E purchases electric power from Seller and Seller sells electric power to PG&E.

B. On April 6, 2001, PG&E filed a voluntary petition under chapter 11 of the United States Bankruptcy Code in the San Francisco Division of the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court") (*In re Pacific Gas and Electric Company*, Bankr. Case No. 01-03923).

C. On June 13, 2001, the California Public Utilities Commission (the "Commission") issued Decision ("D.") 01-06-015, which approved as "per se reasonable" certain non-standard PPA energy price modifications if such modifications were entered into before July 15, 2001 (the "Initial Deadline").

D. On July 19, 2001, Commission administrative law judge John S. Wong issued a ruling extending the Initial Deadline until the Commission rules on a petition submitted by the Independent Energy Producers Association in D.01-06-015.

E. Seller notified PG&E of its desire to modify the PPA pursuant to D.01-06-015 after the Initial Deadline.

F. PG&E is willing to agree to Seller's request to modify Seller's PPA to replace the energy pricing term subject to the terms set forth below.

AMENDMENT

In consideration of the mutual promises and covenants contained herein, PG&E and Seller agree to modify the PPA as follows:

1. **FIXED ENERGY PRICE**

Subject to satisfaction of the conditions specified in Section 2 below, beginning August 1, 2001 at 00:00 PST, the energy price term specified in the PPA (PG&E's "full short-run avoided costs" or "full short-run avoided operating costs" as the case may be) shall be replaced for the lesser of the remaining term of the PPA or five years with the applicable energy prices as specified in Attachment A, which is hereby incorporated by reference. No provision of the PPA other than the energy price term is or shall be deemed to be modified, amended, waived or otherwise affected by this Amendment. The Parties agree to reasonably cooperate and contest any challenge in any Commission proceeding that seeks to alter or modify the energy pricing terms set forth in Attachment A, including, but not limited to, any challenge to the reasonableness of PG&E having entered into this Amendment.

2. CONDITIONS ON EFFECTIVENESS OF AMENDMENT

This Amendment shall not become effective unless (1) it has been approved by the Bankruptcy Court; and (2) the Commission issues a decision, in a form satisfactory to PG&E, finding PPA amendments such as this Amendment entered into after the Initial Deadline as "per se reasonable" under the same standards as established in D.01-06-015 for PPA amendments entered into by the Initial Deadline. If both conditions (1) and (2) do not occur by September 13, 2001, this Amendment shall be deemed a nullity.

Seller is a public agency, and according to California law, Seller must subject this Amendment to approval by its Board of Directors. Since time is of the essence under Decision D. 01-06-015, this Amendment has been executed by Seller's General Manager on the understanding that it is subject to Board of Directors approval, which approval shall be considered by no later than September 13, 2001. Immediately upon Board of Directors approval, Seller shall transmit a certified copy of the Board resolution approving of this Amendment to PG&E. If the Board of Directors does not approve this Amendment, this Amendment shall be deemed a nullity.

3. SIGNATURES

IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives.

PACIFIC GAS AND ELECTRIC COMPANY
a California corporation

HUMBOLDT BAY MUNICIPAL WATER
DISTRICT, a California Public Agency

By: [Signature]
Title: DIRECTOR, UEPM
Date: 31 July 2001

By: Carol Rische
Title: GENERAL MANAGER
Date: 7/31/01

Attachment A

Pacific Gas and Electric Company

FIXED ENERGY PRICES FOR QUALIFYING FACILITIES UNDER D. 01-06-015¹

Effective through December 31, 2001

| | Starting Energy Value \$/kwh | 2001 TOU Hours | SRAC TF Base ² | 2001 TOU Factor ³ | 2001 TOU Energy Price ⁴ \$/kwh |
|--|------------------------------|----------------|---------------------------|------------------------------|---|
| | (a) | (b) | (c) | (d) | (e) * a * d |
| Allocation of Annual Fixed Price to Seasons: | | | | | Without Time-of-Use Metering: |
| Period A - Summer | 0.053700 | 4,417 | 0.018748 | 0.879 | 0.047181 |
| Period B - Winter | 0.053700 | 4,343 | 0.023973 | 1.123 | 0.060330 |
| Annual Average | 0.053700 | 8,760 | 0.021336 | | 0.053700 |
| Allocation of Seasonal Prices to TOU Periods: | | | | | With Time-of-Use Metering: |
| Period A - Summer | | | | | |
| Peak | 0.047181 | 774 | | 1.065 | 0.050248 |
| Partial-Peak | 0.047181 | 903 | | 1.022 | 0.048219 |
| Off-Peak | 0.047181 | 2,003 | | 0.985 | 0.046455 |
| Super Off-Peak | 0.047181 | 737 | | 0.946 | 0.044633 |
| Period B - Winter | | | | | |
| Peak | - | - | | - | - |
| Partial-Peak | 0.060330 | 1,612 | | 1.032 | 0.062261 |
| Off-Peak | 0.060330 | 2,008 | | 0.992 | 0.059866 |
| Super Off-Peak | 0.060330 | 723 | | 0.950 | 0.057314 |

1. These energy prices are derived solely for purposes of implementing the five-year fixed energy price (5.37 cents/kwh) option in CPUC Decision (D.) 01-06-015. These prices will be reallocated annually using appropriate TOU calendar hours.
2. SRAC TF Base values reflect the seasonal allocation factors currently specified in PG&E's SRAC Transition Formula, as adopted by the CPUC in D.96-12-028. Seasonal values reflect the Base SRAC energy prices adopted in D.96-12-028. The annual average value shown derives from weighting the seasonal values by TOU period hours.
3. TOU factors allocate the fixed annual energy price for seasons, and seasonal values for time-of-use periods. Seasonal TOU factors are derived from the ratio of the seasonal SRAC TF Base values to the average annual value shown. Intra-seasonal TOU factors are as adopted in D.96-12-028 (as corrected in CPUC D.97-01-027). Off-peak period values are calculated using seasonal period hours for the applicable year, per the following:

| | |
|--|---|
| <u>Period A (May 1 - October 31)</u> [(Total Summer hours - (1.065 * Summer Peak hours) - (1.022 * Summer Partial Peak hours) - (0.946 * Summer Super Off-Peak hours)) / Summer Off-Peak hours] | <u>Period B (November 1 - April 30)</u> [(Total Winter hours - (1.032 * Winter Partial-Peak hours) - (0.950 * Winter Super Off-Peak hours)) / Winter Off-Peak hours] |
|--|---|

4. TOU energy price is the product of the starting energy value and the TOU factor. Energy prices shown do not include applicable line loss adjustments. Line loss adjustments will be determined in accordance with CPUC D.01-01-007.