

FIRST AMENDMENT
TO THE POWER PURCHASE AGREEMENT
BETWEEN
SANTA CLARA VALLEY WATER DISTRICT
AND
PACIFIC GAS AND ELECTRIC COMPANY
(LOG NO. 08H013)

Recitals

A. Santa Clara Valley Water District ("Seller") on April 16, 1985, and Pacific Gas and Electric Company (PG&E"), on April 17, 1985, executed a Power Purchase Agreement (the "PPA") for the purchase of energy and firm capacity from Seller's 800 kw (nameplate rating) hydroelectric facility located at Anderson Dam, near Morgan Hill, Santa Clara County, California (the "Facility").

B. The Facility made its initial energy deliveries on December 1, 1988, and has since regularly produced power for sale to PG&E.

C. At the time of execution of the PPA, Seller selected a firm capacity commitment of 500 kw but during the first 10 years of operation did not complete the firm capacity demonstration test as required by the PPA prior to commencement of firm capacity payments and thus has not received such capacity payments under the PPA.

D. Seller has been paid fixed forecasted energy prices pursuant to Table B-1 of PPA Appendix B and throughout its fixed price period (as fixed price period is defined in Appendix A, Section A-1, of the PPA) which period began with initial energy deliveries on December 1, 1988, and which period the Parties acknowledge expired on November 30, 1998.

E. Seller and PG&E have agreed to amend the PPA to delete the term that currently provides for payment of up to the 500 kw of firm capacity and to substitute in its stead a provision that provides for payment for up to 500 kw of as-delivered capacity pursuant to the terms set forth in Appendix D of the PPA, As-Delivered Capacity Payment Option 1.

Agreement

THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, effective December 1, 1998, Seller and PG&E hereby agree to amend the PPA (the "First Amendment") as follows:

1. Article 5, CAPACITY ELECTION AND CAPACITY PRICE, on page 10, line 7 through 25 shall be amended as follows:

The provisions on page 10, lines 13 through 25 are deleted from the PPA and lines 13 through 19 shall have no further force or effect. In their place the following term is hereby substituted:

“ X As-delivered capacity with payment determined in accordance with As-Delivered Capacity Payment Option 1 set forth in Appendix D. Such as-delivered capacity payments shall not exceed 500 kw.”

2. Article 12, TERM OF AGREEMENT, on page 13, line 19 through page 14, line 2 shall be amended as follows:

The provisions on page 13, line 21 through page 14, line 2 are deleted. In their place the following term is hereby substituted.

“This Agreement shall be binding upon execution and remain in effect thereafter for 30 years commencing on the date of initial energy deliveries, December 1, 1988, and terminating on November 30, 2018.”

3. Seller acknowledges that PG&E's administration of capacity payments, or lack thereof, prior to the effective date of this First Amendment were proper and correct. Seller hereby waives any claim for payment for capacity delivered prior to the effective date of this First Amendment. By this waiver, Seller expressly waives all rights under California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Seller, being aware of such code section, hereby expressly waives any rights it may have thereunder, as well as under any other statutes or common law principles of similar effect.

In WITNESS WHEREOF, Seller and PG&E have caused this First Amendment to be executed by their duly authorized representatives.

SANTA CLARA VALLEY
WATER DISTRICT

PACIFIC GAS AND ELECTRIC
COMPANY

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____