

AMENDMENT TO THE AMENDED AND RESTATED AGREEMENT TO FORM THE MONTEREY PENINSULA WATER SUPPLY PROJECT GOVERNANCE COMMITTEE

THIS AMENDMENT ("Amendment"), dated April 30, 2014, supplements and modifies the terms and conditions of that certain **Amended and Restated Agreement to Form The Monterey Peninsula Water Supply Project Governance Committee**, dated November 5, 2013 ("**Agreement**"), by and between the **MONTEREY PENINSULA REGIONAL WATER AUTHORITY ("MPRWA")**, the **MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**, the **COUNTY OF MONTEREY**, and the **CALIFORNIA-AMERICAN WATER COMPANY ("Cal-Am")** (collectively, the "**Parties**"). The Parties agree to amend the Agreement as set forth below.

1. Section II.R., defining the term "Value Engineer," is deleted in its entirety and replaced with the following:

R. Value Engineer. The professional engineer(s) to be retained by MPRWA upon the selection of the Governance Committee to perform a value engineering analysis for the Desalination Project to potentially lower the costs of, or maximize the value of, the Desalination Project to Cal-Am's ratepayers, including matters concerning the cost effectiveness, performance, reliability, quality, safety, durability, effectiveness, or other desirable characteristics of the Desalination Project.

2. Section V.D., Category A, Paragraph 1., concerning the selection of the Value Engineer, is deleted in its entirety and replaced with the following:

1. The Governance Committee shall select, and the MPRWA shall retain, a Value Engineer(s) to facilitate and report on the proposed value engineering for the Desalination Project. In selecting the Value Engineer(s), the Governance Committee shall consider any recommended engineer submitted by any member of the Governance Committee. This matter shall be ripe for decision before Cal-Am accepts the 30% Design from the contractor retained for the design of the Desalination Infrastructure, or at any other time that Cal-Am intends to retain a Value Engineer for any other infrastructure constructed as a component of the Desalination Project. Cal-Am shall reimburse the MPRWA for all payments made by MPRWA to the Value Engineer for expenses reasonably incurred in the Value Engineer's performance of the value engineering services for the Desalination Project up to, but not to exceed, two hundred thousand dollars (\$200,000). Cal-Am shall make such reimbursement payments within 60 days following Cal-Am's receipt of a valid invoice, with supporting documentation, from MPRWA.

3. In Section IX, concerning the term and termination of the Agreement, the first sentence of this section is deleted in its entirety and replaced with the following:

This Agreement shall continue in effect until the earlier of (1) March 8, 2053, or (2) the date that Cal-Am ceases to operate the Desalination Project, the earlier such date to be known as the "Expiration Date."

4. Section X.F., concerning the Parties bearing of costs, is deleted in its entirety and replaced with the following:

Except as expressly set forth in this Agreement, each Party shall bear its own costs relating to the rights and obligations of each Party arising from this Agreement and its participation in the Governance Committee and, therefore, no Party shall be entitled to any reimbursement from another Party as a result of any provision of this Agreement.

5. All provisions of the Agreement other than the provisions expressly amended above are unaltered by this Amendment.

6. This Amendment may be executed in two or more counterparts, each of which shall be deemed and original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first stated above.

California-American Water Company

By: _____
Robert MacLean,
President

Monterey Peninsula Regional Water Authority

By: _____
Chuck Della Sala
President

Agreed as to form:

By: _____
Donald Freeman
General Counsel

Monterey Peninsula Water Management District

By: David Potter
David Potter
Chair

Agreed as to form:

By: David Laredo
David Laredo
General Counsel

County of Monterey

By: _____
Fernando Armenta
Chair of the Board of Supervisors

Agreed as to form:

By: _____
Charles McKee
County Counsel