

AMENDMENT NO. 1 TO AGREEMENT WITH RAFTELIS FINANCIAL
CONSULTANTS FOR 2006 WATER AND WASTEWATER RATE STUDY

This Amendment No. 1 to the Agreement with Raftelis Financial Consultants for the 2006 Water and Wastewater Rate Study dated March 7, 2006 (the "Agreement"), by and between the City of Redlands ("City") and SCEC ("Consultant") is made and entered into this 17th day of October, 2006.

RECITALS

WHEREAS, it is the desire of City and Consultant to amend their existing Agreement for the 2006 Water and Wastewater Rate Study, dated March 7, 2006 to change the scope of services to be provided by Consultant;

NOW, THEREFORE, the Agreement for the 2006 Water and Wastewater Rate Study between City and Consultant is hereby amended as follows:

Section 1. Attachment "A" of the Agreement is hereby amended and a new attachment to the Agreement identifying the following additional services shall read as follows:

Task 1. Scenario Analysis – Meter Replacements, Capital Improvements
The City is reviewing options to do Automatic Water Metering versus an aggressive program of regular meter replacements versus normal meter replacements. RFC will update the model to provide these scenarios for easy analysis.

In addition the City is reviewing the scheduling of capital projects to minimize impacts on its customers. RFC is working with the City to review these scenarios so that rate impacts will be acceptable to customers.

Task 2. Pricing Objectives
RFC will provide the City with an exercise that will help focus on the pricing objectives. RFC will provide the exercise so that UAC members can determine which factors are most important to them and then decide on an appropriate rate structure that meets those pricing objectives. RFC will summarize the results for presentations to the UAC.

Task 3. Model Features
RFC will provide several updates with graphical interface to assist the City with scenario analysis so that UAC members and staff can make quick decisions on rate adjustments. These features include spin buttons for revenue adjustment, reserve adjustments and debt so that scenarios can be analyzed at the click of a button and the results displayed in graphical format.

Task 4. Model Update
The models have been in use for three cycles of rate adjustments and need to be cleaned to remove inactive data and past years which are not relevant anymore. This will involve update of each of the worksheets in the model and all the references in the current figures, to ensure that the models continue to function appropriately.

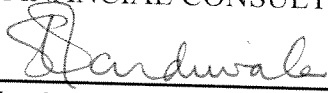
Section 2. Attachment "C" of the Agreement is hereby amended and a new attachment to the Agreement identifying the following additional engineering services shall read as follows:

Task 1 - \$4,000
Task 2 - \$2,000
Task 3 - \$2,000
Task 4 - \$15,000

Section 3. Full Force and Effect. All other remaining sections of the Agreement remain in full force and effect.

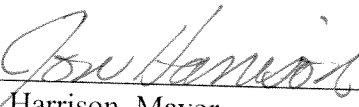
IN WITNESS WHEREOF, the parties have executed this Amendment, to be effective as set forth herein.

RAFTELIS FINANCIAL CONSULTANTS



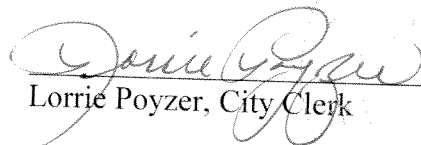
Sudhir Pardiwala, Vice-President

CITY OF REDLANDS



Jon Harrison, Mayor

ATTEST:



Lorrie Poyzer, City Clerk