

Citizens Sunrise Transmission LLC as of 02/13/2023  
Electric TCS and MBR  
TO Tariff

Effective Date: 07/03/2012  
FERC Docket: ER12-00686-000 91  
FERC Order: 138 FERC ¶ 61,129  
02/21/2012

Current Status: Effective

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Title Page, Transmission Owner Tariff (0.0.0) A

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1. **Preamble.** The Participating TO's revenue requirements and applicable rates and charges for transmission access over the ISO Controlled Grid and the terms and conditions for transmission expansion and interconnection are set forth in this TO Tariff and the ISO Tariff. For purposes of this TO Tariff and the ISO Tariff, Citizens Sunrise Transmission is a Non-Load-Serving Participating TO and has no End-Use Customers.
  - 1.1 **Transmission Access for Participating TOs.** Participating TOs are able to participate in the ISO and utilize the entire ISO Controlled Grid to serve their End-Use Customers. The applicable High Voltage Access Charges and Transition Charges shall be paid by Participating TOs to the ISO pursuant to the ISO Tariff. If a Participating TO utilizes the Low Voltage Transmission Facilities of another Participating TO, the Participating TO shall also pay the Low Voltage Access Charge of the other Participating TO.
  - 1.2 **Transmission Access for Wheeling Customers.** Wheeling allows Scheduling Coordinators to deliver Energy through or out of the ISO Controlled Grid to serve a load located outside the transmission or Distribution System of a Participating TO. Wheeling Access Charges shall be paid by Scheduling Coordinators to the ISO pursuant to the ISO Tariff.
  - 1.3 **Transmission Access for End-Users.** End-Users receive transmission service over the ISO Controlled Grid through the Participating TO to whose transmission or distribution facilities the End-User is directly connected. Charges to End-Users for access to the ISO Controlled Grid shall be paid to the applicable Participating TO to whose transmission or distribution facilities the End-User is directly connected.
2. **Effective Date.** This TO Tariff is effective on the date on which the Project is placed into service under the Operational Control of the ISO and shall continue to be effective, as amended from time to time, so long as Citizens Sunrise Transmission is a party to the Transmission Control Agreement.
  - 2.1 **Termination.** This TO Tariff may be terminated by Citizens Sunrise Transmission upon such advance notice and with such authorization as FERC may require.
3. **TO Definitions.** Certain capitalized terms used in this TO Tariff shall have the meanings set out below unless otherwise stated or the context otherwise requires. Capitalized terms used in this TO Tariff and not defined below shall have the meanings set out in the ISO Tariff as it may be amended from time to time.
  - 3.1 **Access Charge.** A charge paid by all UDCs, MSSs, and, in certain cases, Scheduling Coordinators delivering Energy to Gross Load, as set forth in Section 26.1 of the ISO Tariff. The Access Charge includes the High Voltage Access

Charge, the Transition Charge, and the Low Voltage Access Charge, as applicable.

- 3.2 **AGC.** Generation equipment that automatically responds to signals from the ISO's EMS control in real time to control the power output of electric generators within a prescribed area in response to a change in system frequency, tieline loading, or the relation of these to each other, so as to maintain the target system frequency and/or the established interchange with other areas within the predetermined limits.
- 3.3 **Ancillary Services.** Regulation, Spinning Reserve, Non-Spinning Reserve, Voltage Support and Black Start together with such other interconnected operation services as the ISO may develop in cooperation with Market Participants to support the transmission of Energy from generation resources to Loads while maintaining reliable operation of the ISO Controlled Grid in accordance with Good Utility Practice.
- 3.4 **Applicable Reliability Criteria.** The Reliability Standards and reliability criteria established by NERC and WECC, and Local Reliability Criteria, as amended from time to time, including any requirement of the Nuclear Regulatory Commission.
- 3.5 **Available Transfer Capacity.** The available capacity of a given transmission path, in MW after allocation of rights associated with Existing Contracts and Transmission Ownership Rights, to that path's Operating Transfer Capability established consistent with ISO and WECC transmission capacity rating guidelines, as further described in Appendix L to the ISO Tariff.
- 3.6 **Base Transmission Revenue Requirement.** The Transmission Revenue Requirement which does not reflect amounts for the TRBAA.
- 3.7 **Black Start.** The procedure by which a Generating Unit self-starts without an external source of electricity, thereby restoring power to the ISO Controlled Grid following system or local area blackouts.
- 3.8 **Business Day.** Monday through Friday, excluding federal holidays and the day after Thanksgiving Day.
- 3.9 **Citizens Sunrise Transmission LLC ("Citizens Sunrise Transmission").** The Massachusetts limited liability company that is the Participating TO under this TO Tariff.
- 3.10 **Completed Application Date.** The date on which a party submits an Interconnection Application that satisfies the requirements of a Completed Interconnection Application.



- 3.11 Completed Interconnection Application.** An Interconnection Application that satisfies all of the information and other requirements of Section 10.3 of this TO Tariff and, if applicable, the information requirements as specified by the ISO and posted on the ISO Home Page.
- 3.12 Congestion.** A characteristic of the transmission system produced by a binding Constraint to the optimum economic dispatch to meet Demand such that the LMP, exclusive of Marginal Cost of Losses, at different Locations of the transmission system is not equal.
- 3.13 Congestion Management.** The alleviation of Congestion in accordance with applicable ISO Protocols and Good Utility Practice.
- 3.14 Converted Rights.** Those transmission service rights determined in accordance with Section 4.3.1.6 of the ISO Tariff.
- 3.15 CPUC.** The California Public Utilities Commission or its successor.
- 3.16 Demand.** The rates at which Energy is delivered to Load and Scheduling Points by Generation, transmission or distribution facilities. It is the product of voltage and the in-phase component of alternating current measured in units of watts or standard multiples therefore, e.g. 1000 W = 1 kW, 1000 kW= 1 MW, etc.
- 3.17 Direct Assignment Facilities.** Facilities or portions of facilities that are owned by the Participating TO necessary to physically and electrically interconnect a particular party requesting interconnection under this TO Tariff to the ISO Controlled Grid at the point of interconnection. Direct Assignment Facilities shall be specified in the Interconnection Agreement that governs Interconnection service to such party and shall be subject to FERC approval.
- 3.18 Dispatch.** The operating control of an integrated electric system to: i) assign specific Generation Units and other sources of supply to effect the supply to meet the relevant area Demand taken as Load rises or falls; ii) control operations and maintenance of high voltage lines, substations, and equipment, including administration of safety procedures; iii) operate Interconnections; iv) manage Energy transactions with other interconnected Control Areas; and v) curtail Demand.
- 3.19 Distribution System.** The distribution assets of a TO, UDC, or MSS.
- 3.20 Eligible Customer.** (i) Any utility (including any Participating TO, Market Participant or power marketer), Federal power marketing agency, or any person generating Energy for sale or resale; Energy sold or produced by such entity may be Energy produced in the United States, Canada or Mexico; however, such entity is not eligible for transmission service that would be prohibited by

FPA Section 212(h)(2); and (ii) any retail customer taking unbundled transmission service pursuant to a state retail access program or pursuant to a voluntary offer of unbundled retail transmissions service by the Participating TO.

- 3.21 Encumbrance.** A legal restriction or covenant binding on the Participating TO that affects the operation of any transmission lines or associated facilities and which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. Encumbrances shall include Existing Contracts and may include: (1) other local restrictions or covenants meeting the definition of Encumbrance and arising under other arrangements entered into before the ISO Operations Date, if any; and (2) legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the ISO Operations Date.
- 3.22 End-Use Customer or End-User.** A purchaser of electric power that purchases such power to satisfy a Load directly connected to the ISO Controlled Grid or to a Distribution System and who does not resell the power.
- 3.23 Energy.** The electrical energy produced, flowing, or supplied by Generation, transmission, or distribution facilities, being the integral with respect to time of the instantaneous power, measured in units of watt-hours or standard multiples thereof. E.g. 1000 Wh = 1 kW, 1000 kWh = 1 MWh, etc.
- 3.24 Entitlement.** The right of a Participating TO obtained through contract or other means to use another entity's transmission facilities for the transmission of Energy.
- 3.25 Existing Contracts.** Those transmission service agreements or other contracts which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time.
- 3.26 Existing Rights.** Those transmission service rights defined in Section 16.1 of the ISO Tariff.
- 3.27 Expedited Interconnection Agreement.** A contract between a party which has submitted a Request for Expedited Interconnection Procedures and the Participating TO under which the Participating TO agrees to process, on an expedited basis, the Completed Interconnection Application of such party and which sets forth the terms, conditions, and cost responsibilities for such Interconnection.

- 3.28 Facilities Study Agreement.** An agreement between a Participating TO and either a party requesting Interconnection to the ISO Controlled Grid, Market Participants, Project Sponsor, or identified principal beneficiaries pursuant to which the party requesting such Interconnection, Market Participant, Project Sponsor or identified principal beneficiaries agrees to reimburse the Participating TO for the cost of performing or reviewing a Facilities Study.
- 3.29 Facility or Facilities Study.** An engineering study conducted to determine required modifications to the Participating TO's transmission system, including the estimated cost and scheduled completion date for such modifications, that will be required to provide needed services.
- 3.30 FERC.** The Federal Energy Regulatory Commission, or its successor.
- 3.31 FPA.** The Federal Power Act, 16 U.S.C. § 791a et seq., as it may be amended from time to time.
- 3.32 Generating Unit.** An individual electric generator and its associated plant and apparatus whose electrical output is capable of being separately identified and metered or a Physical Scheduling Plant, that, in either case, is: (a) located within the ISO Control Area; (b) connected to the ISO Controlled Grid, either directly or via interconnected transmission or distribution facilities; and (c) that is capable of producing and delivering net Energy (Energy in excess of a generation stations' internal power requirements).
- 3.33 Generation.** Energy delivered from a Generating Unit.
- 3.34 Good Utility Practice.** Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition.
- 3.35 Gross Load.** For purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly connected to the Distribution System of a Utility Distribution Company or MSS Operator located in a PTO Service Territory. Gross Load shall exclude (1) Load with respect to which the Wheeling Access Charge is payable, (2) Load that is exempt from the Access Charge pursuant to Section 4.1, Appendix I of the ISO Tariff, and the portion of the load of an individual retail customer of a Utility Distribution Company, Small Utility Distribution Company or MSS Operator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customer's site through over-the-fence

arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) secures Standby Service from the Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an Outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed Transmission Revenue Requirements will be provided by each Participating TO to the ISO.

- 3.36 High Voltage Access Charge.** A component of the Access Charge determined by the ISO under Section 26.1 of the ISO Tariff.
- 3.37 High Voltage Transmission Facility.** A transmission facility under the Operational Control of the ISO that is owned by the Participating TO or to which the Participating TO has an Entitlement that may be associated with a Converted Right, which operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.
- 3.38 High Voltage Transmission Revenue Requirement.** The portion of the Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Rights associated with High Voltage Transmission Facilities.
- 3.39 High Voltage Utility-Specific Rate.** The Participating TO's High Voltage Transmission Revenue Requirement divided by the Participating TO's forecast of its Gross Load.
- 3.40 High Voltage Wheeling Access Charge.** The Wheeling Access Charge assessed by the ISO associated with the recovery of the Participating TO's High Voltage Transmission Revenue Requirement in accordance with Section 26.1 of the ISO Tariff.
- 3.41 Independent System Operator ("ISO").** The California Independent System Operator Corporation, a state chartered, nonprofit corporation that controls the transmission facilities of all Participating TOs and dispatches certain Generating Units and Loads.
- 3.42 ISO ADR Procedures.** The procedures for resolution of disputes or differences set out in Section 13 of the ISO Tariff, as amended from time to time.
- 3.43 ISO Controlled Grid.** The system of transmission lines and associated facilities of the Participating TOs that have been placed under the ISO's Operational Control.

- 3.44 ISO Protocols.** The rules, protocols, procedures and standards promulgated by the ISO (as amended from time to time) to be complied with by the ISO Scheduling Coordinators, Participating TOs and all other Market Participants in relation to the operation of the ISO Controlled Grid and the participation in the markets for Energy and Ancillary Services in accordance with the ISO Tariff.
- 3.45 ISO Tariff.** The California Independent System Operator Agreement and Tariff, dated March 31, 1997, as it may be modified from time to time.
- 3.46 Interconnection.** Transmission facilities, other than additions or replacements to existing facilities that: (i) connect one system to another system where the facilities emerge from one and only one substation of the two systems and are functionally separate from the ISO Controlled Grid facilities such that the facilities are, or can be, operated and planned as a single facility; (ii) are identified as retail transmission lines pursuant to contract; or (iii) produce Generation at a single point on the ISO Controlled Grid; provided that such interconnection does not include facilities that, if not owned by the Participating TO, would result in a reduction in the ISO's Operational Control of the Participating TO's portion of the ISO Controlled Grid.
- 3.47 Interconnection Agreement.** A contract between a party requesting Interconnection and the Participating TO that owns the transmission facility with which the requesting party wishes to interconnect.
- 3.48 Interconnection Application.** An application that requests Interconnection to the ISO Controlled Grid.
- 3.49 Interest.** Interest shall be calculated in accordance with the methodology specified for interest on refunds in the regulations of FERC at 18 C.F.R. § 35.19(a)(2)(iii)(2011). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt.
- 3.50 Load.** An end-use device of an End-Use Customer that consumes power. Load should not be confused with Demand, which is the measure of power that a Load receives or requires.
- 3.51 Local Publicly Owned Electric Utility.** A municipality or municipal corporation operating as a public utility furnishing electric service, a municipal district furnishing electric services, or a joint powers authority that includes one or more of these agencies and that owns Generation or transmission facilities, or furnishes electric services over its own or its members' electric Distribution System.

- 3.52 Local Regulatory Authority.** The state or local governmental authority responsible for the regulation or oversight of a utility.
- 3.53 Local Reliability Criteria.** Reliability criteria established by the ISO, unique to the transmission systems of each of the Participating TOs, as they may be updated from time to time.
- 3.54 Low Voltage Access Charge.** The Access Charge applicable under Section 26.1 of the ISO Tariff to recover the Low Voltage Transmission Revenue Requirement of the Participating TO.
- 3.55 Low Voltage Transmission Revenue Requirement.** The portion of the Participating TO's TRR associated with and allocable to the Participating TO's Low Voltage Transmission Facilities and Converted Rights associated with Low Voltage Transmission Facilities.
- 3.56 Low Voltage Wheeling Access Charge.** The Wheeling Access Charge associated with the recovery of the Participating TO's Low Voltage Transmission Revenue Requirement in accordance with Section 26.1 of the ISO Tariff.
- 3.57 Market Participant.** An entity, including a Scheduling Coordinator, who participates in the Energy marketplace through the buying, selling, transmission, or distribution of Energy or Ancillary Services into, out of, or through the ISO Controlled Grid.
- 3.58 Metered Subsystem ("MSS").** A geographically contiguous system, located within a single zone which has been operating as an electric utility for a number of years prior to the ISO Operations Date as a municipal utility, water district, irrigation district, state agency or federal power marketing authority subsumed within the ISO Balancing Authority Area and encompassed by ISO certified revenue quality meters at each interface point with the ISO Controlled Grid and ISO-certified revenue quality meters on all Generating Units or, if aggregated, each individual resource and Participating Load internal to the system, which is operated in accordance with a MSS agreement described in Section 4.9.1 of the ISO Tariff.
- 3.59 NERC.** The North American Electric Reliability Corporation or its successor.
- 3.60 New High Voltage Transmission Facility.** A High Voltage Transmission Facility of the Participating TO that enters service on or after the Transition Date described in Section 4 of Appendix F, Schedule 3 of the ISO Tariff, or a capital addition made on or after the Transition Date described in Section 4.1. of Appendix F, Schedule 3 of the ISO Tariff to a High Voltage Transmission Facility that existed prior to the Transition Date.

- 3.61 New Participating TO.** A Participating TO that is not an Original Participating TO.
- 3.62 Non-Load-Serving Participating TO.** A Participating TO that does not serve Load.
- 3.63 Non-Participating TO.** A TO that is not a party to the TCA or, for the purpose of Section 16.1 of the ISO Tariff, the holder of transmission service rights under an Existing Contract that is not a Participating TO.
- 3.64 Non-Spinning Reserve.** The portion of off-line generating capacity that is capable of being synchronized and ramping to a specified load in ten minutes (or load that is capable of being interrupted in ten minutes) and that is capable of running (or being interrupted) for at least two hours.
- 3.65 Operational Control.** The rights of the ISO under the Transmission Control Agreement and the ISO Tariff to direct Participating TOs how to operate their transmission lines and facilities and other electric plant affecting the reliability of those lines and facilities for the purpose of affording comparable nondiscriminatory transmission access and meeting Applicable Reliability Criteria.
- 3.66 Original Participating TO.** A Participating TO that was a Participating TO as of January 1, 2000. The Original Participating TOs are Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.
- 3.67 Participating TO (“PTO”).** A party to the TCA whose application under Section 2.2 of the TCA has been accepted and who has placed its transmission assets and/or Entitlements under the ISO’s Operational Control in accordance with the TCA. A PTO may be an Original Participating TO or a New Participating TO. For the purposes of this Tariff, the Participating TO is Citizens Sunrise Transmission.
- 3.68 Participation Agreement.** An agreement between a Participating TO and a Project Sponsor that specifies the terms and conditions under which the Participating TO will construct a transmission addition or upgrade on behalf of the Project Sponsor.
- 3.69 Physical Scheduling Plant.** A group of two or more related Generating Units each of which is individually capable of producing Energy, but which either by physical necessity or operational design must be operated as if they were a single Generating Unit and any Generating Unit or Units containing related multiple generating components which meet one or more of the following criteria: (i) multiple generating components are related by a common flow of fuel which cannot be interrupted without substantial loss of efficiency of the

combined output of all components; (ii) the Energy production from one component necessarily causes Energy production from other components; (iii) the operational arrangement of related multiple generating components determines the overall physical efficiency of the combined output of all components; (iv) the level of coordination required to schedule individual generating components would cause the ISO to incur scheduling costs far in excess of the benefits of having scheduled such individual components separately; or (v) metered output is available only for the combined output of related multiple generation components and separate generating component metering is either impractical or economically inefficient.

- 3.70 Project.** Citizens 50% interest in the segment of San Diego Gas & Electric Company's 500 kV Sunrise Powerlink Project transmission line located in Imperial County, California between the Imperial Valley Substation and the border between San Diego County and Imperial County ("Border-East Line") as that interest is defined in the Development Coordination Agreement dated as of March 11, 2009 and the Transfer Capability Lease dated as of [Date] attached hereto as Appendices I and II, respectively. For avoidance of doubt, the Border-East Line includes only the 500 kV transmission line and not any transmission facilities that may operate at a lower voltage, or any substation facilities.
- 3.71 Project Proponent.** A Market Participant or group of Market Participants that (i) advocates a transmission addition or upgrade; (ii) is unwilling to pay the full cost of the proposed transmission addition or upgrade, and thus is not a Project Sponsor; and (iii) initiates proceedings under the ISO &DR Procedures to determine the need for the proposed transmission addition or upgrade.
- 3.72 Project Sponsor.** A Market Participant or group of Market Participants or a Participating TO that proposes the construction of a transmission addition or upgrade in accordance with Section 24 of the ISO Tariff.
- 3.73 Regional Transmission Group ("RTG").** A voluntary organization approved by FERC and composed of transmission owners, transmission users, and other entities, organized to efficiently coordinate the planning, expansion, and use of transmission on a regional and inter-regional basis.
- 3.74 Regulation.** The service provided either by Generating Units certified by the ISO as equipped and capable of responding to the ISO's direct digital control (AGC) signals, or by System Resources that have been certified by the ISO as capable of delivering such service to the ISO Balancing Authority Area, in an upward and downward direction to match, on a Real Time basis, Demand and resources, consistent with established NERC and WSCC reliability standards, including any requirements of the Nuclear Regulatory Commission. Regulation is used to control the Power output of electric generators within a prescribed area in response to a change in system frequency, tieline loading, or the relation



of these to each other so as to maintain the target system frequency and/or the established interchange with other Balancing Authority Areas within the predetermined Regulation Limits. Regulation includes both the increase of output by a Generating unit or System Resource (Regulation Up) and the decrease in output by a Generating unit or System Resource (Regulation Down). Regulation Up and Regulation Down are distinct capacity products, with separately stated requirements and ASMPs in each Settlement Period.

- 3.75 Regulatory Authority.** In the case of Citizens Sunrise Transmission, the FERC.
- 3.76 Reliability Criteria.** Pre-established criteria that are to be followed in order to maintain desired performance of the ISO Controlled Grid under contingency or steady state conditions.
- 3.77 Reliability Upgrade.** The transmission facilities other than Direct Assignment Facilities beyond the first point of Interconnection necessary to interconnect a New Facility or wholesale Load safely and reliably to the ISO Controlled Grid, which would not have been necessary but for the Interconnection of a New Facility or wholesale Load, including network upgrades necessary to remedy short circuit or stability problems resulting from the Interconnection of the new Facility or wholesale Load to the ISO Controlled Grid. Reliability Upgrades also include, consistent with WSCC practice, the facilities necessary to mitigate any adverse impact a New Facility's or wholesale Load's Interconnection may have on a path's WSCC path rating. Reliability Upgrades shall be specified in the Interconnection Agreement that governs Interconnection service and shall be subject to FERC approval.
- 3.78 Requests for Expedited Interconnection Procedures.** A written request by which an applicant for Interconnection can request expedited processing of its Interconnection Application.
- 3.79 Scheduling Coordinator.** An entity certified by the ISO for the purpose of undertaking the functions specified in Section 4.5 of the ISO Tariff.
- 3.80 Scheduling Point.** A location at which the ISO Controlled Grid or a transmission facility owned by a Transmission Ownership Right holder is connected, by a group of transmission paths for which a physical, non-simultaneous transmission capacity rating has been established for Congestion Management, to transmission facilities that are outside the ISO's Operational Control.
- 3.81 Spinning Reserve.** The portion of unloaded synchronized generating capacity, that is immediately responsive to system frequency and that is capable of being loaded in ten minutes, and that is capable of running for at least two hours.

- 3.82 System Impact Study.** An engineering study conducted to determine whether a request for Interconnection to the ISO Controlled Grid would require new transmission additions, upgrades, or other mitigation measures.
- 3.83 System Impact Study Agreement.** An agreement between a Participating TO and an entity that has requested Interconnection to the Participating TO's transmission system pursuant to which the entity requesting Interconnection agrees to reimburse the Participating TO for the cost of performing or reviewing a System Impact Study.
- 3.84 TO Tariff.** This Transmission Owner Tariff, as it may be amended or superseded.
- 3.85 Transition Charge.** A component of the Access Charge determined by the ISO and assessed by the Participating TO along with the High Voltage Access Charge in accordance with Section 5.7 of Appendix F, Schedule 3 of the ISO Tariff.
- 3.86 Transmission Control Agreement ("TCA").** The agreement between the ISO and Participating TOs establishing the terms and conditions under which TOs will become Participating TOs and how the ISO and each Participating TO will discharge its respective duties and responsibilities, as may be modified from time to time.
- 3.87 Transmission Owner ("TO").** An entity owning transmission facilities or having firm contractual rights to use transmission facilities.
- 3.88 Transmission Revenue Balancing Account Adjustment ("TRBAA").** A mechanism established by the Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Section 6 and 8 of Appendix F, Schedule 3 of the ISO Tariff, flow through to ISO Tariff and TO Tariff transmission customers.
- 3.89 Transmission Revenue Credit.** The proceeds received from the ISO (other than for the recovery of the Participating TO's High Voltage and Low Voltage Transmission Revenue Requirement through the High Voltage and Low Voltage Transmission Access Charges) and charges imposed by the ISO that are received and paid by the Participating TO in its role as Participating TO, as defined in the ISO Tariff.
- 3.90 Transmission Revenue Requirement ("TRR").** The total annual authorized revenue requirement associated with transmission facilities and Entitlements turned over to the Operational Control of the ISO by the Participating TO. The costs of any transmission facility turned over to the Operational Control of the ISO shall be fully included in the Participating TO's TRR. The TRR includes

the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and is shown in Appendix III.

- 3.91 Transmission System Rights (“TSRs”).** TSRs represent Citizens Sunrise Transmission’s exclusive transmission entitlement on the Project. Citizens Sunrise Transmission, as the holder of the TSRs, is entitled to all associated rights as are available under the ISO Tariff and Protocols. The use of this definition does not limit Citizens Sunrise Transmission from seeking any additional revenues or rights that are authorized by FERC due to a beneficial increase in the ISO controlled grid capacity resulting from the Project.
- 3.92 Uncontrollable Force.** Any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of the ISO or Market Participant, as the case may be, which could not be avoided through the exercise of Good Utility Practice.
- 3.93 Utility Distribution Company (“UDC”).** An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and/or that provides regulated retail electric service to End-Users.
- 3.94 Voltage Support.** Services provided by Generating Units or other equipment such- as shunt capacitors, static var compensators, or synchronous condensers that are required to maintain established grid voltage criteria. This service is required under normal or system emergency conditions.
- 3.95 Western Electricity Coordinating Council (“WECC”).** The Western Electricity Coordinating Council or its successor.
- 3.96 Wheeling Access Charge.** The charge assessed by the ISO that is paid by a Scheduling Coordinator for Wheeling in accordance with Section 26.1.4.1 of the ISO Tariff. Wheeling Access Charges shall not apply for Wheeling under a bundled non-economy Energy coordination agreement of a Participating TO executed prior to July 9, 1996. The Wheeling Access Charge consists of a High Voltage Wheeling Access Charge and, if applicable, a Low Voltage Wheeling Access Charge.
- 3.97 Wheeling Out.** Except for Existing Rights exercised under an Existing Contract in accordance with Section 16.1 of the ISO Tariff, the use of the ISO Controlled Grid for the transmission of Energy from a Generating Unit located within the ISO Controlled Grid to serve a Load located outside the transmission and Distribution System of a Participating TO.
- 3.98 Wheeling Through.** Except for Existing Rights exercised under an Existing Contract in accordance with Section 16.1 of the ISO Tariff, the use of the ISO

Controlled Grid for the transmission of Energy from a resource located outside the ISO Controlled Grid to serve a Load located outside the transmission and Distribution System of a Participating TO.

- 3.99 Wheeling.** Wheeling Out or Wheeling Through.
- 3.100 Wholesale Customer.** A person wishing to purchase Energy and Ancillary Services at a Bulk Supply Point or a Scheduling Point for resale.
- 4. Eligibility.** Transmission service over a Participating TO's system shall be provided only to Eligible Customers.
- 5. Access Charges and Transmission Rates.** The applicable Access Charges are provided in the ISO Tariff.
- 5.1 Low Voltage Access Charge.** The Low Voltage Access Charge shall be determined in accordance with the ISO Tariff. As Citizens Sunrise Transmission is a Non-Load-Serving Participant TO, the ISO shall charge for and collect the Low Voltage Access Charge on Citizens Sunrise Transmission's behalf pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13 of the ISO Tariff from the Participating TO to whose facilities Citizens Sunrise Transmission's Low Voltage Transmission Facilities are directly connected. The rate for Citizens Sunrise Transmission's Low Voltage Access Charge Shall be Citizens Sunrise Transmission's Low Voltage Transmission Revenue Requirement divided by the forecasted Gross Load of the Participating TO that is the Low Voltage Access Charge customer. The Low Voltage Access Charge customer shall pay the ISO a Low Voltage Access Charge equal to the product of Citizens Sunrise Transmission's Low Voltage Access Charge rate and the actual Gross Load of the Participating TO that is the Low Voltage Access Charge Customer.
- 5.2 Wheeling Access Charge.** The Wheeling Access Charge shall be determined in accordance with the ISO Tariff. The Wheeling Access Charge assessed by the ISO consists of a High Voltage Wheeling Access Charge and, if applicable, a Low Voltage Wheeling Access Charge. The High Voltage Wheeling Access Charge is set forth in the ISO Tariff.
- 5.3 Transmission Revenue Requirement.** As set forth in the ISO Tariff, the Transmission Revenue Requirement for each Participating TO is used to develop the Access Charges set forth in the ISO Tariff and is used by the ISO to calculate the disbursement of Wheeling revenues among Participating TOs. Wheeling revenues are disbursed by the ISO to Participating TOs pursuant to Section 26.1.4.3 of the ISO Tariff. Citizens Sunrise Transmission's TRR is set forth in Appendix III.
- 5.4 Transmission System Rights.** Citizens Sunrise Transmission owns the TSRs with respect to the Project.

**5.5 Transmission Revenue Balancing Account Adjustment.** The Participating TO shall maintain a Transmission Revenue Balancing Account with an annual Transmission Revenue Balancing Account Adjustment (“TRBAA”) that will ensure that all Transmission Revenue Credits and adjustments for any over-or under-recovery of its annual Transmission Revenue Requirement, if any, specified in Sections 6, 8 and 13 of Appendix F, Schedule 3 of the ISO Tariff, flow through to transmission customers. The TRBAA used to calculate the High Voltage Revenue Requirement shall include other adjustments specified in Appendix F, Schedule 3, Sections 6, 8 and 13 of the ISO Tariff.

The TRBAA shall be equal to:

$$\text{TRBAA} = \text{Cr} + \text{Cf} + \text{I}$$

Where:

Cr = The principal balance in the Transmission Revenue Balancing Account (“TRBA”) recorded in FERC Account No. 254 as of September 30 of the year prior to commencement of the January billing cycle. This balance represents the unamortized balance in the TRBA from the previous period and the difference in the amount of revenues or expenditures from Transmission Revenue Credits and any over- or under-recovery of its annual Transmission Revenue Requirement and the amount of such revenues or expenditures that has been refunded to or collected from customers through operation of the TRBAA;

Cf = The forecast of Transmission Revenue Credits, if any, for the following calendar year;

I = The interest balance for the TRBA, which shall be calculated using the interest rate pursuant to Section 35.19(a) of FERC’s regulations under the Federal Power Act (18 CFR Section 35.19(a)). Interest shall be calculated based on the average TRBA principal balance each month, compounded quarterly; and

The Citizens Sunrise Transmission TRBAA, calculated in accordance with the ISO Tariff and approved by the FERC, is stated in Appendix III.

- 6. Ancillary Services - Applicability and Charges.** Ancillary Services are needed to maintain reliability within the ISO Controlled Grid. If any Ancillary Services are required, Citizens Sunrise Transmission will not provide such services directly to the transmission customer and the transmission customer will be required to meet any such requirement in accordance with the ISO Tariff.
- 7. Billing and Payment.**

- 7.1 The ISO, in accordance with the ISO Tariff, shall pay the Participating TO, among other things, all applicable Access Charge revenues and Wheeling revenues in connection with the Project.
- 7.2 Users of Citizens Sunrise Transmission's High and Low Voltage Transmission Facilities and Entitlements placed under the ISO's Operational Control shall pay to the ISO all applicable charges in accordance with the ISO Tariff.

## **8. Obligation to Interconnect or Construct Transmission Expansions and Facility Upgrades**

**8.1 Participating TO Obligation to Interconnect.** The Participating TO shall, at the request of a third party, interconnect its system to the wholesale generation or Load of such third party, or modify an existing wholesale Interconnection. Interconnections under this TO Tariff shall be available to entities eligible to request Interconnection consistent with the provisions of Section 210(a) of the FPA. The procedures for Interconnection of wholesale generation to the ISO Controlled Grid shall be governed by the ISO Tariff.

**8.1.1 Interconnection to Transmission System.** Interconnection must be consistent with Good Utility Practice, in conformance with all Applicable Reliability Criteria, all applicable statutes, regulations, and ISO reliability criteria for the ISO Controlled Grid. The Participating TO will not accommodate the Interconnection if doing so would impair systems reliability, or would otherwise impair the ability of the Participating TO to honor its Encumbrances existing as of the time an entity submits its Interconnection Application. The Participating TO shall identify any such adverse effect on its Encumbrances in the System Impact Study performed pursuant to Section 10.7. To the extent the Participating TO determines that the Interconnection will have an adverse effect on Encumbrances, the party requesting Interconnection shall mitigate such adverse effect.

**8.1.2 Costs Associated with Interconnection.** Each party requesting Interconnection shall pay the costs of planning, installing, owning, operating, and maintaining any Direct Assignment Facilities and, if applicable, any Reliability Upgrades required to provide the requested Interconnection. In addition, such party shall implement all existing operating procedures necessary to safely and reliability interconnect such party's generation or wholesale load to the facilities of the Participating TO and to ensure the ISO Controlled Grid's conformance with the ISO Grid Planning Criteria, and shall bear all costs of implementing such operating procedures. Any additional costs associated with accommodating the Interconnection shall be allocated in accordance with the cost responsibility methodology set forth in the ISO Tariff for transmission expansions or upgrades.

**8.1.3 Interconnection Agreement.** Pursuant to Section 10.4, 10.7.1, or 10.9.1, a party requesting an Interconnection shall request in writing that the Participating TO tender to such part an Interconnection Agreement that will be filed with FERC, or the Local Regulatory Authority, in the case of a Local Publicly Owned Electric Utility. The Interconnection Agreement will include, without limitation, cost responsibilities and payment provisions for any engineering, equipment, and construction, ownership, operation and maintenance costs for any Direct Assignment Facilities, any Reliability Upgrades, any Delivery Upgrades, if applicable, and for any other mitigation measures. For an Interconnection request to remain a Completed Interconnection Application, the party requesting the Interconnection shall execute the Interconnection Agreement and return it to the Participating TO within thirty (30) Business Days of receipt. Alternatively, if an Eligible Customer requesting the Interconnection requests the Participating TO to file an unexecuted Interconnection Agreement and commits to abide by the terms, conditions, and cost assignments determined to be just and reasonable under the ISO ADR Procedures, including any determination by FERC or on appeal of a FERC determination in accordance with that process, the Participating TO shall promptly file an unexecuted Interconnection Agreement. Provided, however, that if the ISO ADR Procedures concerns whether the requesting entity is an Eligible Customer, the Participating TO shall not be obligated to file an unexecuted interconnection Agreement or commence construction of the Interconnection facilities or incur other costs under the Interconnection Agreement until a final order determining the just and reasonable rates, terms, and conditions for such Interconnection Agreement has been issued by the applicable court or regulatory authority. The Interconnection Agreement will set forth a payment schedule that enables the Participating TO to recover its costs. If the applicant elects not to execute the Interconnection Agreement and does not request the Participating TO to file an unexecuted Interconnection Agreement, its Completed Interconnection Agreement shall be deemed withdrawn, and the applicant shall reimburse to the Participating TO all costs reasonably incurred in processing the application not covered by any System Impact Study Agreement or Facilities Study Agreement. To maintain its queue position, the applicant must timely comply with the Interconnection requirements of Section 5.76 of the ISO Tariff and Sections 8.1 and 10 of this TO Tariff. If the applicant fails to timely comply with such Interconnection requirements, such applicant shall pay the reasonable costs of revising the System Impact Studies for other applicants that have established a new queue position due to the applicant either withdrawing its Interconnection Application or because its queue position has been modified pursuant to the queuing provisions in Section 25 of the ISO Tariff.

**8.1.4 Due Diligence to Construct.** The Participating TO shall use due diligence to construct, within a reasonable time, any Direct Assignment Facilities and any Reliability Upgrades that it is obligated to construct pursuant to this TO Tariff and Section 24 of the ISO Tariff. The Participating TO's obligation to build will be subject to: (1) its ability, after making a good faith effort, to obtain any necessary approvals and property rights under applicable federal, state, and local laws; (2) the presence of a cost recovery mechanism with cost responsibility assigned to accordance with the ISO Tariff or applicable FERC precedent; and (3) a signed Interconnection Agreement or a signed Expedited Interconnection Agreement, or, by mutual agreement of the parties, FERC acceptance for filing of an unexecuted Interconnection Agreement.

**8.1.5 Energization.** The Participating TO shall not be obligated to energize, nor shall the applicant or wholesale load be entitled to have its interconnection to the ISO Controlled Grid energized, unless and until an Interconnection Agreement has been executed, or filed at FERC pursuant to Section 8.1.3, and become effective and such applicant or wholesale load has demonstrated to the ISO's reasonable satisfaction that it has complied with all of the requirements of the ISO Tariff and the requirements of this TO Tariff.

**8.1.6 Coordination with ISO on Interconnection Requests.** The Participating TO shall coordinate with the ISO, pursuant to the provisions of the TCA, in developing interconnection standards and guidelines for processing interconnection request under this TO Tariff.

**8.2 Participating TO Obligation to Construct Transmission Expansions or Facility Upgrades.** The Participating TO shall be obligated to: (1) perform System Impact or Facility Studies where the Project Sponsor or the ISO agrees to pay the study cost and specifies the project objectives to be achieved, and (2) build transmission additions and facility upgrades where the Participating TO is obligated to construct or expand facilities in accordance with and subject to the limitations under Section 24 of the ISO Tariff' and this TO Tariff.

**8.2.1 Obligation to Construct.** A Participating TO shall not be obligated to construct or expand transmission facilities or system upgrades unless and until the conditions stated in Section 9.2.1 hereof have been satisfied.

**8.3 Request for FERC Deference Regarding Need Determination.** It is intended that FERC grant substantial deference to the factual determinations of the ISO, (including the ISO's ADR Procedures), the CPUC, WECC, or RTG coordinated



planning processes as to the need for or construction of a facility, the need for full cost recovery, and the allocation of costs.

## **9. Expansion Process**

**9.1 Determination of Facilities.** A Participating TO shall perform a Facilities Study in accordance with the Section where (1) the Participating TO is obligated to construct or expand facilities in accordance with Section 24 of the ISO Tariff and this TO Tariff; (2) a Market Participant agrees to pay the costs of the Facilities Study and specifies the project objectives to be achieved in terms of increase capacity or reduce congestion; or (3) the Participating TO is required to perform a Facilities Study pursuant to the ISO Tariff.

### **9.1.1 Payment of Facilities Study's Cost.**

**9.1.1.1 Market Participant to Pay for Facilities Study.** Where a Market Participant requests a Facilities Study and the need for the transmission addition or upgrade has not been established in accordance with the procedures established herein and the ISO Tariff, the Market Participant shall pay the cost of the Facilities Study.

**9.1.1.2 Project Sponsor or Project Proponent to Pay for Facility Study.** Where the facilities to be added or upgraded have been determined to be needed in accordance with the procedures established herein, the Project Sponsor, Project Proponent, or the ISO requesting the study shall pay in advance the reasonable cost of the Facilities Study. When the Participating TO is the Project Sponsor in accordance with the ISO Tariff, the costs of the Facilities Study shall be recovered through its Access Charges and transmission rates.

**9.1.1.3 Principal Beneficiaries to Pay for Facilities Study.** Where the facilities to be added or upgraded have been determined to be needed and the principal beneficiaries have been identified by the ISO or ISO ADR Procedures in accordance with the ISO Tariff the Project Sponsor and the identified principal beneficiaries shall pay the reasonable cost of the Facilities Study, in such proportions as may be agreed, or, failing agreement, as determined in accordance with the ISO ADR Procedures.

**9.1.2 Payment Procedure.** Where a Facilities Study is being conducted pursuant to this TO Tariff, the Participating TO shall, within thirty days of the receipt of all reasonably required information, tender to the Market Participant, Project Sponsor, Project Proponent, ISO, or identified principal beneficiaries, as the case may be, a Facilities Study Agreement

that defines the scope, content, assumptions, and terms of reference for such study, the estimated time required to complete it, and such other provisions as the parties may reasonably require and pursuant to which such Market Participant, Project Sponsor, Project Proponent, the ISO, or identified principal beneficiaries agree to reimburse the Participating TO the reasonable cost of performing the required Facilities Study. If the Market Participant, Project Sponsor, Project Proponent, the ISO, or identified principal beneficiaries, as the case may be, agree to the terms of the Facilities Study Agreement, they shall execute the Facilities Study Agreement and return it to the Participating TO within ten Business Days. Alternatively, if the Market Participant, Project Sponsor, Project Proponent, the ISO, or identified principal beneficiaries, as the case may be, request the Participating TO to proceed with the Facilities Study and commit to abide by the terms, conditions, and cost assignments ultimately determined under the ISO ADR Procedures, including any determination by FERC or appeal of a FERC determination in accordance with that process, the Participating TO shall promptly proceed with the Facilities Study, and the parties shall submit the disputed terms for resolution under the ISO's ADR Procedures.

**9.1.3 Facilities Study Procedures.** Upon receipt of an executed Facilities Study Agreement or alternative request to proceed as provided for in Section 9.1.2, a copy of which has been provided to the ISO by the party requesting the Facilities Study, the Participating TO will use due diligence to complete the required Facilities Study within a sixty (60) day period. If the Participating TO is unable to complete the Facilities Study in the allotted time period, the Participating TO shall notify the Market Participant and provide an estimate of the time needed to reach a final determination along with an explanation of the reasons that additional time is required to complete the study. If additional time is required, the Participating TO will use best efforts to complete the study within 10 months, provided adequate information is provided by all the parties.

## **9.2 Obligation to Build.**

**9.2.1 Due Diligence to Construct.** Subject to Section 9.3.3 of this TO Tariff, the Participating TO shall use due diligence to construct, within a reasonable time, additions or upgrades to its transmission system that it is obligated to construct pursuant to the ISO Tariff and this TO Tariff. Alternatively, if a Market Participant requests the Participating TO to file an unexecuted Participation Agreement and commits to abide by the terms, conditions, and cost assignments determined to be just and reasonable under the ISO ADR Procedures, including any determination by FERC or on appeal of a FERC determination in accordance with that process, the Participating TO shall promptly file an unexecuted Participation Agreement. Provided, however, that if the ISO ADR

Procedures concerns whether the requesting entity is an Eligible Customer, the Participating TO shall not be obligated to file an unexecuted Participation Agreement or alternatively, if a Market Participant requests the Participating TO to file an unexecuted Participation Agreement and commits to abide by the terms, conditions, and cost assignments determined to be just and reasonable under the ISO ADR Procedures, including any determination by FERC or on appeal of a FERC determination in accordance with that process, the Participating TO shall promptly file an unexecuted Participation Agreement. Provided, however, that if the ISO ADR Procedures concerns whether the requesting entity is an Eligible Customer, the Participating TO shall not be obligated to file an unexecuted Participation Agreement, commence construction of the additions or upgrades or incur other costs under the Participation Agreement until a final order determining the just and reasonable rates, terms, and conditions for such Participation Agreement has been issued by the applicable court or regulatory authority. The Participating TO's obligation to build will be subject to: 1) its ability, after making a good faith effort, to obtain the necessary approvals and property rights under applicable federal, state, and local laws; 2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with the ISO Tariff; and 3) a signed Participation Agreement. The Participating TO will not construct or expand its existing or planned transmission system, if doing so would impair system reliability as determined through systems analysis based on the Applicable Reliability Criteria.

**9.2.2 Delay in Construction or Expansion.** If any event occurs that will materially affect the time for completion of new facilities, or the ability to complete them, the Participating TO shall promptly notify: (1) the Project Sponsor with regard to facilities determined to be needed; (2) the Parties to the Participation Agreement with regard to facilities determined to be needed pursuant to the ISO Tariff where principal beneficiaries were identified; and (3) the ISO. In such circumstances, the Participating TO shall, within thirty days of notifying such Project Sponsor, Parties to the Participation Agreement, and the ISO of such delays, convene a technical meeting with such Project Sponsor, Parties to the Participation Agreement, and the ISO to discuss the circumstances which have arisen and evaluate any options available. The Participating TO also shall make available to such Project Sponsor, Parties to the Participation Agreement, and the ISO, as the case may be, studies and work papers related to the cause and extent of the delay and the Participating TO's ability to complete the new facilities, including all information that is in the possession of the Participating TO that is circumstances which have arisen and evaluate any options available. The Participating TO also shall make available to such Project Sponsor, Parties to the Participation Agreement, and the ISO, as the case may be, studies and work papers related to the cause and extent of the delay and the Participating TO's ability to complete the new facilities,

including all information that is in the possession of the Participating TO that is reasonably needed to evaluate the alternatives.

**9.2.2.1 Alternatives to the Original Facility Additions.** If the review process of Section 9.2.2 determines that one or more alternatives exist to the originally planned construction project, the Participating TO shall present such alternatives for consideration to the Project Sponsor, Parties to the Participation Agreement, and the ISO, as the case may be. If upon review of any alternatives, such Project Sponsor, the ISO, or Parties to the Participation Agreement wish to evaluate or to proceed with one of the alternative additions or upgrades, such Project Sponsor, the ISO, or Parties to the Participation Agreement may request that the Participating TO prepare a revised Facility Study pursuant to Sections 9.1.1, 9.1.2, and 9.1.3 of this TO Tariff. In the event the Participating TO concludes that no reasonable alternative exists to the originally planned addition or upgrade and the Project Sponsor or Parties to the Participation Agreement or the ISO disagree, the dispute shall be resolved pursuant to the ISO ADR Procedure.

**9.2.2.2 Refund Obligation for Unfinished Facility Additions.** If the Participating TO and the Project Sponsor, the ISO, or Parties to the Participation Agreement, as the case may be, mutually agree that no other reasonable alternatives exist, the obligation to construct the requested additions or upgrades shall terminate and any deposit not yet applied toward the expended project costs shall be returned with interest pursuant to FERC Regulation 35.19(a)(2)(iii). However, the Project Sponsor and any identified principal beneficiaries, as the case may be, shall be responsible for all costs prudently incurred by the Participating TO through the time the construction was suspended.

### **9.3 Provisions Relating To Transmission Construction On the System Of Other TOs.**

**9.3.1 Responsibility for Third Party Additions.** A Participating TO shall not be responsible for making arrangements for any engineering, permitting, and construction of transmission or distribution facilities on the system(s) of any other entity or for obtaining any regulatory approval for such facilities. The Participating TO will undertake reasonable efforts through the coordinated planning process to assist in making such arrangements, including, without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

**9.3.2 Coordination of Third-Party System Additions.** Where transmission additions or upgrades being built pursuant to the ISO Tariff require

additions or upgrades on other systems, to the extent consistent with Section 9.3.3 of this TO Tariff, the Participating TO shall coordinate construction on its own system with the construction required by others. The Participating TO, after consultation with the ISO, the Project Sponsor, and Parties to the Participation Agreement, as the case may be, may defer construction if the new transmission facilities on another system cannot be completed in a timely manner. The Participating TO shall notify such Project Sponsor, Parties to the Participation Agreement, and the ISO, in writing of the basis for any decision to defer construction and the specific problems which must be resolved before it will initiate or resume construction of the new facilities. Within forty Business Days of receiving written notification by the Participating TO of its intent to defer construction pursuant to this section, such Project Sponsor, Parties to the Participation Agreement, or the ISO may challenge the decision in accordance with the ISO ADR Procedure.

## **11. Uncontrollable Forces and Indemnification**

- 11.1 Procedures to Follow of Uncontrollable Force Occurs.** In the event of the occurrence of an Uncontrollable Force which prevents a Party from performing any of its obligations under this TO Tariff, such Party shall (i) immediately notify the other Parties in writing of the occurrence of such Uncontrollable Force, (ii) not be entitled to suspend performance in any greater or longer duration that is required by the Uncontrollable Force, (iii) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance hereunder, (iv) keep the other Parties apprised of such efforts on a continual basis and (v) provide written notice of the resumption of performance hereunder. Notwithstanding any of the foregoing, the settlement of any strike, lockout, or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the Party to this TO Tariff involved in such strike, lockout, or labor dispute, and the requirement that a Party must use its best efforts to remedy the cause of the Uncontrollable Force and mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts, or labor disputes. No Party will be considered in default as to any obligation under this TO Tariff if prevented from fulfilling the obligation due to the occurrence of an Uncontrollable Force.
- 11.2 Indemnification.** A Market Participant shall at all times indemnify, defend, and save the Participating TO harmless from any and all damages, losses, claims, (including claims and actions relating to injury or to death of any person or damage to property), demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the Participating TO's performance of its obligations under this TO Tariff on behalf of a Market Participant, except in cases of negligence or intentional wrongdoing by the Participating TO.

**12. Regulatory Filings.** Nothing contained herein shall be construed as affecting, in any way, the right of any electric utility (as defined by the Federal Power Act) Participating TO furnishing services in accordance with this TO Tariff, or any tariff and rate schedule which results from or incorporates this TO Tariff, unilaterally to make application to FERC as it deems necessary and appropriate to recover its Transmission Revenue Requirements, or for a change in its rates, including changes in rate methodology, or for a change in designation of transmission facilities to be placed under the ISO's control, in each case under Section 205 of the FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder. Nothing contained herein shall be construed as affecting in any way the ability of any Eligible Customer receiving services in accordance with this TO Tariff to exercise its rights under the Federal Power Act and pursuant to the FERC's rules and regulations promulgated thereunder.

**12.1 Open Access.** For purposes of the Stranded Cost Recovery available under Order Nos. 888 and 888-A, this Tariff, combined with the ISO Tariff and wholesale distribution access tariff, if any, shall be considered an open access tariff under FERC Order Nos. 888 and 888-A.

**13. Creditworthiness**

**13.1 UDCs, MSSs, and Scheduling Coordinators Using the Participating TO's Low Voltage Transmission Facilities.** For the purpose of determining the ability of a UDC, MSS, and Scheduling Coordinator to meet its obligations related to service using the Participating TO's Low Voltage Transmission Facilities hereunder, where the Participating TO is collecting the Low Voltage Access Charge directly from each UDC, MSS and Scheduling Coordinator, the Participating TO may require reasonable credit review procedures for the UDC, MSS, or Scheduling Coordinator. This review shall be made in accordance with standard commercial practices. In addition, the Participating TO may require the UDC, MSS, or Scheduling Coordinator to provide and maintain in effect during the term of the service, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under this TO Tariff, or an alternative form of security proposed by the UDC, MSS, or Scheduling Coordinator and acceptable to the Participating TO, and consistent with commercial practices established by the Uniform Commercial Code, that protect the Participating TO against the risk of non-payment.

**13.2 End-Users.** Creditworthiness rules applicable to End-Users shall be pursuant to the then-current rules of the applicable Local Regulatory Authority.

**14. Disputes.** Except as limited below or as otherwise limited by law, the ISO ADR procedures shall apply to all disputes between parties which arise under this TO Tariff or under or in respect of the proposed terms and conditions of a Facilities Study Agreement, System Impact Study Agreement or Expedited Service Agreement. The ISO ADR Procedures set forth in Section 13 of the ISO Tariff shall not apply to disputes as to whether rates and charges set forth in this TO Tariff (other than charges for studies) are just and reasonable under the FPA.

15. [Reserved]

16. Miscellaneous.

**16.1 Notices.** Any notice, demand, or request in accordance with this TO Tariff, unless otherwise provided in this TO Tariff, shall be in writing and shall be deemed properly served, given, or made: (i) upon delivery if delivered in person, (ii) five days after deposit in the mail if sent by first class United States mail, postage prepaid, (iii) upon receipt of confirmation by return electronic facsimile if sent by facsimile, or (iv) upon Party at the address set forth in Appendix IV. Any Party may at any time, by notice to the other Parties, change the designation or address of the person specified in Appendix IV to receive notice on its behalf. Any notice of a routine character in connection with service under this TO Tariff or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this TO Tariff.

**16.2 Waiver.** Any waiver at any time by any Party of its rights with respect to any default under this TO Tariff, or with respect to any other matter arising in connection with this TO Tariff, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this TO Tariff. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not constitute or be deemed a waiver.

**16.3 Confidentiality.**

**16.3.1 Maintaining Confidentiality If Not for Public Disclosure.** The Participating TO shall maintain the confidentiality of all of the documents, data, and information provided to it by any other Party that such Party may designate as confidential, provided, however, that the information will not be held confidential by the receiving Party if (1) the designating Party is required to provide such information for public disclosure pursuant to this TO Tariff or applicable regulatory requirements, or (2) the information becomes available to the public on a non-confidential basis (other than from the receiving Party).

**16.3.2 Disclosure of Confidential Information.** Notwithstanding anything in this Section 16.3.2 to the contrary, if any Party is required by applicable laws or regulations, or in the course of administrative or judicial proceedings, to disclose information that is otherwise required to be maintained in confidence pursuant to this Section 16.3.2, the Party may disclose such information; provided, however, that as soon as such Party learns of the disclosure requirement and prior to making such disclosure, such Party shall notify the affected Party or Parties of the requirement and the terms thereof. The affected Party or Parties may, at their sole discretion and own costs, direct any challenge to or defense against the disclosure requirement and the disclosing Party shall cooperate with

such affected Party or Parties to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. The disclosing Party shall cooperate with the affected Parties to obtain proprietary or confidential treatment of confidential information by the person to whom such information is disclosed prior to any such disclosure.

- 16.4 TO Tariff Supersedes Existing Tariffs.** This TO Tariff, together with the ISO Tariff and wholesale distribution access tariff if any, supersedes any pre-existing open access transmission tariff of the Participating TO.
- 16.5 Titles.** The captions and headings in this TO Tariff are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms, and conditions of this TO Tariff.
- 16.6 Severability.** If any term, covenant, or condition of this TO Tariff or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this TO Tariff and their application shall not be affected thereby but shall remain in force and effect. The Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination, unless a court or governmental agency of competent jurisdiction holds that such provisions are not severable from all other provisions of this TO Tariff.
- 16.7 Preservation of Obligations.** Upon termination of this TO Tariff, all unsatisfied obligations of each Party shall be preserved until satisfied.
- 16.8 Governing Law.** This TO Tariff shall be interpreted, governed by, and construed under the laws of the State of California, without regard to the principles of conflict of laws thereof, or the laws of the United States, as applicable, as if executed and to be performed wholly within the State of California.
- 16.9 Appendices Incorporated.** The several appendices to this TO Tariff, as may be revised from time to time, are attached to this TO Tariff and are incorporated by reference as if fully set forth herein.
- 16.10 Conflict With ISO Tariff.** If a Market Participant identifies a conflict between the TO Tariff and the ISO Tariff, the Participating TO and the Market Participant shall make good-faith efforts to resolve the conflict. If the parties are unable to informally resolve that conflict, the Parties may use the ISO ADR Procedures to resolve it as set forth in Section 14 of this Tariff.



- 16.11 Conflicting Operating Instructions.** In the event a Market Participant receives conflicting operating instructions from the ISO and one or more Participating TO(s), if human safety would not knowingly be neither jeopardized nor electric facilities subject to damage while the Market Participant seeks to reconcile the conflict with the appropriate ISO and Participating TO employees before acting, the Market Participant should attempt a reconciliation. Otherwise, the Market Participant shall adhere to ISO Tariff provision 4.2 and follow the ISO's instructions. In no event shall a Market Participant be required to follow operating instructions from the ISO if following those instructions would knowingly jeopardize human safety.
- 16.12 Conflict With Transfer Capability Lease.** For so long as either the Development Coordination Agreement dated as of March 11, 2009 or the Transfer Capability Lease dated as of [Date] (attached hereto as Appendices I and II, respectively) is in full force and effect, Sections 8, 9, and 10 of this TO Tariff shall be superseded by the corresponding sections of the TO Tariff of San Diego Gas & Electric.

**DEVELOPMENT AND COORDINATION AGREEMENT**

**BY AND BETWEEN**

**SAN DIEGO GAS & ELECTRIC COMPANY,**

**AND**

**CITIZENS ENERGY CORPORATION**

**DATED AS OF MAY 11, 2009**

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Exhibit 2.2B Example of SDG&E Representative Rate

## DEVELOPMENT AND COORDINATION AGREEMENT

This DEVELOPMENT AND COORDINATION AGREEMENT (“DCA”) is made and entered into as of May 11, 2009 (the “Effective Date”), by and between San Diego Gas & Electric Company, a California corporation (“SDG&E”), and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens”). Each of SDG&E and Citizens shall be referred to herein individually as a “Party” and collectively as the “Parties.”

### RECITALS

WHEREAS, SDG&E has been developing a transmission project known as the Sunrise Powerlink Project to connect the Imperial Valley Substation to its transmission system at a central location in its service territory (as more fully defined herein, the “Project”);

WHEREAS, SDG&E, Citizens, and the Imperial Irrigation District, an irrigation district organized under the laws of the state of California (“IID”), executed a Memorandum of Agreement on March 16, 2006, as amended by a letter agreement executed on June 20, 2006 (as amended, supplemented, or restated from time to time, the “MOA”), to provide for the coordinated development by IID, SDG&E and Citizens of portions of the Project;

WHEREAS, in a letter from Stella Mendoza, President of the IID Board of Directors, to Michael Niggli, Chief Operating Officer of SDG&E, dated November 14, 2007, and in a letter from Stella Mendoza, President of the IID Board of Directors, to Joseph Kennedy, Chairman and President of Citizens, dated November 15, 2007, IID informed the Parties that it was terminating its participation under the MOA;

WHEREAS, subject to certain conditions specified herein, the Parties desire to continue the coordinated development of the Project in a manner consistent with the original intent of the MOA but in the absence of IID whereby SDG&E will develop, design, permit, engineer, procure, construct and own the Project, and Citizens will have an option to lease certain interests or entitlements in the Project.

NOW THEREFORE, and in consideration of the foregoing, and of the mutual promises, covenants and conditions set forth herein, and other good and valuable consideration, the Parties hereto, intending to be legally bound by the terms and conditions set forth in this DCA, hereby agree, subject to the terms and conditions of this DCA, as follows:

### ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION

Section 1.1 Definitions. As used in this DCA, the following terms shall have the following meanings unless otherwise stated or the context otherwise requires:

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control of such Person. For purposes of this definition, “control”, when used with respect to any Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“AFUDC” refers to an Allowance for Funds Used During Construction, recognizing the cost to SDG&E of financing the development, design, permitting, engineering, procurement, and construction of the Project.

“Applicable Reliability Standard” means reliability standards established by the Western Electricity Coordinating Council and reliability standards approved by FERC under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system.

“BLM” means the Bureau of Land Management, an agency within the United States Department of the Interior.

“Border Demarcation” means a demarcation point on the Project where the Transfer Capability interests of the Parties change, which point shall be the border between San Diego County and Imperial County, as generally depicted in Schedule 1.1.

“Border-East Line” means the proposed 500 kV transmission line that extends east of the Border Demarcation up to, but not including, the Imperial Valley Substation, as generally depicted in Schedule 1.1. For the avoidance of doubt, the Border-East Line shall include only the 500 kV transmission line and shall not include any transmission facilities that may operate at a lower voltage, or any substation facilities.

“Border-West Facilities” means the proposed 500kV and 230kV transmission lines and associated facilities extending west of the Border Demarcation, including without limitation, a proposed 500/230 kV substation located in the east-central portion of SDG&E’s electrical system and all down-stream 230 kV improvements to one or more existing SDG&E substations and related transmission facilities and any transmission facilities that may operate at a lower voltage, as generally depicted in Schedule 1.1.

“Business Day” means any day except Saturday, Sunday or a weekday on which commercial banks in New York City, New York or San Diego, California are required or authorized to be closed.

“CAISO” means the California Independent System Operator Corporation if SDG&E is a member of the California Independent System Operator Corporation, or the successor regional transmission entity, if any, that has Operational Control over SDG&E’s transmission system and provides transmission service under rates, terms and conditions regulated by FERC pursuant to Section 205 of the Federal Power Act if SDG&E is no longer a member of the California Independent System Operator Corporation, or SDG&E if SDG&E is no longer a member of the California Independent System Operator Corporation or any such successor regional transmission entity.

“CAISO Agreements” means the electric tariff at any time filed with FERC by the CAISO and any other applicable CAISO agreements, tariffs, manuals, protocols or rules setting forth the rights and obligations of Persons with respect to the CAISO controlled grid, or any successor electric tariff at any time filed with FERC setting forth the rights and obligations of Persons with respect to SDG&E’s transmission system.

“CAISO Eligible Customer” means an “Eligible Customer” as defined in the CAISO Agreements or any other successor customer who is eligible to obtain transmission service pursuant to the CAISO Agreements.

“CEQA” means the California Environmental Quality Act.

“Citizens” has the meaning set forth in the introductory paragraph hereto.

“Coastal Commission” means the California Coastal Commission.

“Commercial Operation Date” and “COD” means the date on which the Project begins commercial operation.

“Control Area” means an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (i) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (ii) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

“CPCN Application” means the August 4, 2006 amended application to the CPUC for the certificate of public convenience and necessity for the Project (including the “Proponent’s Environmental Assessment”) and all schedules, exhibits, attachments and appendices thereto filed on August 4, 2006.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project,” and all attachments thereto, issued by the CPUC on December 24, 2008.

“CPUC” means the California Public Utilities Commission.

“DCA” has the meaning set forth in the introductory paragraph hereto.

“Effective Date” has the meaning set forth in the introductory paragraph hereto.

“Event of Default” has the meaning set forth in Section 9.1 (Events of Default) hereof.

“FERC” means the Federal Energy Regulatory Commission.

“Final EIR/EIS” means the Final Environmental Impact Report/Environmental Impact Statement, prepared jointly by the CPUC and the BLM, as certified by the CPUC and defined in the CPCN Decision.

“Force Majeure” means an event or circumstance that prevents one Party from performing its obligations hereunder, which event or circumstance was not foreseen as of the date this DCA is entered into, which is not within the control of or the result of the negligence of



the affected Party, and which, by the exercise of due diligence, the Party is unable to mitigate or avoid or cause to be avoided, including but not limited to (but only to the extent that the following examples satisfy such definition) (a) acts of God, such as droughts, floods, earthquakes, and pestilence, (b) fires, explosions, and accidents, (c) war (declared or undeclared), riots, insurrection, rebellion, acts of the public enemy, acts of terrorism and sabotage, blockades, and embargoes, (d) storms and other climatic and weather conditions that are abnormally severe for the period of time when, and the area where, such storms or conditions occur, including typhoons, hurricanes, tornadoes and lightning, (e) strikes or other labor disturbances, (f) changes in permits from Governmental Authorities or the conditions imposed thereunder or the failure to renew such permits not due to the failure of the affected Party to timely submit applications, and (g) the enactment, adoption, promulgation, modification, or repeal after the date hereof of any applicable law. Notwithstanding the foregoing, under no circumstance shall an event of Force Majeure be based on: (i) changes in market conditions or the economic health of a Party, (ii) the failure to timely seek, modify, amend or extend permits, approvals, or other required action from any Governmental Authority, (iii) any action or inaction by the board of directors of a Party to the extent that such Party is seeking to excuse its failure to perform as an event of Force Majeure; and/or (iv) any failure to make payments.

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not limited to the optimum practice, method, or act to the exclusion of all others, but rather to the acceptable practices, methods, or acts generally accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

“Governmental Authority” means any federal, state, local, territorial or municipal government and any department, commission, board, bureau, agency, instrumentality, judicial or administrative body thereof.

“IID” has the meaning set forth in the recitals hereto.

“Imperial Valley Substation” means the 500/230 kV substation, including those modifications necessary to connect the Border-East Line to the existing 500 kV bus, located southwest of El Centro, California, as generally depicted in Schedule 1.1, and currently owned by IID and SDG&E as tenants in common pursuant to, and in proportion to the allocation set out in, that certain California Transmission System Participation Agreement, dated May 1, 1983, as amended, modified, or supplemented from time to time, between SDG&E and IID.

“MOA” has the meaning set forth in the recitals hereto.

“NEPA” means the National Environmental Policy Act.

“Operational Control” means the rights of the Control Area operator to direct the operation of transmission facilities and other electric plant in the Control Area affecting the

reliability of those facilities for the purpose of affording comparable, non-discriminatory transmission access and meeting Applicable Reliability Standards.

“Option” has the meaning set forth in Section 4.2 (Option) hereof.

“Parties” and “Party” have the meanings set forth in the introductory paragraph hereto.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority.

“Project” means the Sunrise Powerlink Project and more specifically the “Environmentally Superior Southern Route” identified in the Final EIR/EIS and modified by the CPCN Decision, and reasonable alterations thereto, as generally depicted in Schedule 1.1. For purposes hereof, the Project is divided into the following components: the Border-West Facilities, the Border-East Line, and the Imperial Valley Substation, as generally depicted in Schedule 1.1.

“Project Schedule” means the schedule for development and construction of the Project as developed by SDG&E, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions).

“PTO” means a Participating Transmission Owner as defined in the CAISO Agreements.

“Required Citizens Regulatory Approvals” means approvals from each Governmental Authority with authority over Citizens’ leasehold interests or entitlements in the Project, including FERC, necessary for Citizens to exercise its Option, or to lease and finance its leasehold interest in the Project, other than those approvals that would not have a material adverse effect on the exercise of the Option, leasing or financing of Citizens’ leasehold interest in the Project if not obtained.

“Required Regulatory Approvals” means the Required Citizens Regulatory Approvals, and the Required SDG&E Regulatory Approvals.

“Required SDG&E Regulatory Approvals” means approvals from each Governmental Authority with authority over the Project, including the CPUC, the BLM, FERC and the Coastal Commission, necessary for SDG&E to consummate the transactions contemplated hereunder, or to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance the Project, other than (i) those approvals that are not required prior to the start of construction of the Project, are not subject to the discretionary action of the applicable agency, and otherwise can be obtained in the ordinary course of business, and (ii) those approvals that would not have a material adverse effect on the development, design, engineering, procurement, construction, commissioning, ownership, operation, maintenance or financing of the Project if not obtained.

“SDG&E” has the meaning set forth in the introductory paragraph hereto.

“Target Closing Date” means, as of the Effective Date, May 30, 2012, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCA, but in no event on or after the Commercial Operation Date.

“Target COD” means the target Commercial Operation Date, which as of the Effective Date is June 2012, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCA.

“Target Construction Date” means, as of the Effective Date, June 2010, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCA.

“Term” has the meaning set forth in Section 2.1 (Term) hereof.

“Transfer Capability” means the amount of power (in mega-watts) that can be transferred over part, or all, of the Project in a reliable manner while meeting all of a specific set of defined pre-contingency and post-contingency system conditions in accordance with Western Electricity Coordinating Council standards. The holder of Transfer Capability under the Operational Control of the CAISO, for the benefit of and made available to CAISO Eligible Customers, is entitled to all associated rights and revenues from use of the Transfer Capability of the Project as may be subsequently defined by the CAISO Agreements.

“Transfer Capability Lease” has the meaning set forth in Section 2.2 (Subsequent Agreements) hereof.

“Useful Life of the Project” means the period during which the Project can provide or is capable of providing transmission service.

Section 1.2 Rules of Interpretation. Unless otherwise provided herein or the context otherwise requires, and to the extent consistent with the Parties’ original intent hereunder: (a) words denoting the singular include the plural and vice versa; (b) words denoting a gender include both genders; (c) references to a particular part, clause, section, paragraph, article, party, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or a party, exhibit, schedule or other attachment to the document in which the reference is contained; (d) a reference to any statute or regulation includes all statutes or regulations varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations issued or otherwise applicable under that statute to the extent consistent with the Parties’ original intent hereunder; (e) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time; (f) a definition of or reference to any document, instrument or agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement; (g) a reference to any person includes such person’s successors and permitted assigns in that designated capacity; (h) any reference to “days” shall mean calendar days unless Business Days are expressly specified; and (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

## **ARTICLE II. TERM; OTHER AGREEMENTS**

Section 2.1 Term. The “Term” of this DCA shall commence on the Effective Date and shall end (i) upon the expiration of the Option if such Option has not been exercised, (ii) upon the end of the thirty-year term of Citizens’ lease of Transfer Capability if the Option has been exercised, (iii) in the event of mutual written agreement by all Parties that explicitly

supersedes in its entirety or otherwise terminates this DCA, or (iv) as otherwise provided for herein.

Section 2.2 Subsequent Agreements. The Parties shall develop and, to the extent Citizens exercises and closes its Option, execute further agreements as may be reasonably necessary to effectuate the purpose and intent of this DCA including, without limitation, the principal terms outlined in Articles III (Responsibility for Development, Construction and Operation of Project) and IV (Ownership and Option) and Schedule 2.2. The Parties expect that such agreements shall include, without limitation, a lease of Transfer Capability that also provides for interconnection, operation and maintenance of the Project (the "Transfer Capability Lease"), and consents, estoppels and other acknowledgements of the foregoing as a Party's lenders may reasonably request. The Parties further expect that since they have addressed so many details regarding the Project, notwithstanding their still being in the development phases of the Project, a Party's lenders may seek clarifications, amendments or modifications of this DCA. In such event, the Parties will exercise good faith efforts to accommodate such requests provided that no Party is hereby committing itself to any such clarification, amendment or modification of this DCA which, in such Party's sole discretion, would impair or interfere with the benefits that a Party expects to derive from its participation in the Project. In particular, SDG&E and Citizens shall negotiate a final form of Transfer Capability Lease that provides for the lease of Transfer Capability, interconnection, operation and maintenance of the Project reasonably acceptable to each Party, and as further described in Schedule 2.2, by no later than nine months after the Effective Date. The Parties acknowledge that negotiation of a final form of the Transfer Capability Lease no later than nine months after the Effective Date is critical to the timely completion of development and permitting activities hereunder and a material term hereof.

### **ARTICLE III. RESPONSIBILITY FOR DEVELOPMENT, CONSTRUCTION AND OPERATION OF PROJECT**

Section 3.1 General Responsibility for Development and Construction of the Project. SDG&E shall be responsible for the development, design, permitting, engineering, procurement and construction of the Project. SDG&E shall bear all costs for development and construction of the Project, until such time as Citizens has exercised and closed its Option. SDG&E's activities and responsibilities for the Project shall include the acquisition of permits and land rights necessary to construct the Project, which shall be done in SDG&E's name and at SDG&E's expense, provided that if Citizens exercises its Option, an interest in such permits and land rights shall be transferred to Citizens to the extent necessary to lease to Citizens its Transfer Capability in the Project. SDG&E and Citizens shall cooperate in good faith in all activities reasonably necessary for SDG&E to complete construction and to achieve commercial operation of the Project by the Target COD.

Section 3.2 Performance Standards. Each Party shall use commercially reasonable efforts to promote the following objectives:

- (a) to minimize capital costs of the Project;
- (b) to minimize operational expenses of the Project;

- (c) to maximize the Useful Life of the Project;
- (d) to minimize the downtime of the Project;
- (e) to meet the Project Schedule for the Project;
- (f) not to exceed the budgets for the Project;
- (g) to begin construction of the Project on or before the Target Construction Date;
- (h) to complete construction of the Project on or before the Target COD;
- (i) to incur only those costs which are prudent in accomplishing their respective purposes.

Section 3.3 Project Documents. SDG&E shall use reasonable efforts (including its power of condemnation, if necessary) to ensure that any easements, rights-of-way, and other land rights, procurement contracts, engineering contracts, construction contracts, and other project documents associated with the Project will not restrict assignment to Citizens to the extent of its leasehold interest in the Project so that Citizens' leasehold interest in the Project shall be transferred promptly to Citizens upon the close of its Option.

#### **ARTICLE IV. OWNERSHIP AND OPTION**

Section 4.1 SDG&E's Ownership. Except to the extent that Citizens has exercised and closed the Option, SDG&E shall own 100% of the ownership interests (along with 100% of the Transfer Capability) in the Project. To the extent that Citizens has exercised and closed the Option, SDG&E shall continue to own 100% of the ownership interests in the Project subject to a thirty-year lease to Citizens of 50% of the Transfer Capability on the Border-East Line.

Section 4.2 Option. Subject to Citizens agreeing to a mutually acceptable Transfer Capability Lease with SDG&E, Citizens shall have the option to lease Transfer Capability in the Project as follows (the "Option"):

Section 4.2.1 Option to Lease Transfer Capability for a Term. Citizens shall have the option to lease from SDG&E and, upon Citizens' exercise of such option, SDG&E shall have the obligation to lease to Citizens, 50% of the Transfer Capability on the Border-East Line for a thirty year term, provided that such Transfer Capability shall revert to SDG&E at no cost to SDG&E, free and clear of any liens or encumbrances, upon expiration of such thirty year term or upon earlier termination of Citizens' lease by reason of an Event of Default under this DCA or a material breach of its obligations under any subsequent agreements between Citizens and SDG&E as contemplated in this DCA that is not cured in accordance with the applicable subsequent agreement.

Section 4.2.2 Exercise of Option. Citizens may exercise the Option by delivering written notice to SDG&E no later than 90 days prior to the Target Closing

Date. If Citizens fails to exercise its Option by the earlier of (i) no later than 90 days prior to the Target Closing Date and (ii) the 10<sup>th</sup> anniversary of the Effective Date, such unexercised Option shall expire.

Section 4.2.3 Closing of Option. The lease of Transfer Capability pursuant to the exercised Option shall occur as soon as reasonably practical after exercise of the Option but no later than the Target Closing Date. SDG&E and Citizens shall execute, acknowledge and deliver any and all documents reasonably necessary to lease such Transfer Capability and otherwise carry out the terms and conditions of this DCA. Upon closing of the lease of the Transfer Capability pursuant to the exercised Option, Citizens shall pay to SDG&E the prepaid rent amount set forth in Section 4.2.4 (Prepaid Rent for Close of Option). Closing of the Option may be accomplished through use of an escrow arrangement as mutually agreed by the Parties.

Section 4.2.4 Prepaid Rent for Close of Option. The prepaid rent to be paid by Citizens for Transfer Capability leased pursuant to exercise of the Option shall be 50% of the actual cost incurred by SDG&E to develop, design, permit, engineer and construct the Border-East Line, including AFUDC and payments still due under pending construction contracts for work to be completed after closing of the Option (provided that SDG&E shall provide Citizens a good faith estimate of all such costs in writing no later than 90 days prior to the date of closing on the Option). Citizens shall be responsible for obtaining its own financing for the prepaid rent, and SDG&E has no obligation to provide or guarantee financing to Citizens if Citizens is unable to secure any part of its financing.

Section 4.2.5 Final Construction Activities Subsequent to Close of Option. After closing of the lease of Transfer Capability pursuant to an exercised Option, SDG&E shall provide construction management services to Citizens in order to assist Citizens in coordinating construction punch list items and all other final construction activities for the Border-East Line. Citizens will be responsible for 50% of the costs incurred in completing final construction work on the Border-East Line incurred after closing of the lease of Transfer Capability, including payments still due under pending construction contracts, and such payments shall be deemed to be additional prepaid rent.

Section 4.3 Regulatory Approval for Exercise of Option. The Parties acknowledge and agree that the lease of Transfer Capability in the Project and as described in Section 4.2 (Option) is expressly contingent upon and subject to SDG&E's receipt of (i) a final, nonappealable order by the CPUC approving this lease under Section 851 of the California Public Utilities Code or otherwise, and (ii) a final, nonappealable order by FERC approving this transaction under the Federal Power Act and SDG&E's rate methodologies to account for Citizens' lease of Transfer Capability in the Project, in each case, in form and substance acceptable to the Parties, in each Party's sole discretion. With respect to clause (i) above, SDG&E will seek any necessary approvals from the CPUC no later than 90 days after the Effective Date. In order to augment the information available to the CPUC for the foregoing application, Citizens agrees that no later than 90 days after the Effective Date, Citizens shall file a petition with FERC seeking a declaratory order approving its rate methodologies for the recovery of costs associated with its lease of Transfer Capability in the Project including any incentive rate treatment Citizens may seek. With respect to clause (ii) above, SDG&E will seek

any necessary approvals from FERC promptly after the Parties have agreed to substantially final forms of the subsequent transaction documents.

## **ARTICLE V. REGULATORY APPROVALS**

### **Section 5.1 Mutual Cooperation.**

Section 5.1.1 SDG&E Regulatory Approvals. SDG&E shall be responsible for obtaining the Required SDG&E Regulatory Approvals. Citizens agrees to cooperate in good faith with and assist SDG&E in obtaining the Required SDG&E Regulatory Approvals.

Section 5.1.2 Citizens Regulatory Approvals. Citizens shall be responsible for obtaining the Required Citizens Regulatory Approvals. SDG&E agrees to cooperate in good faith with and assist Citizens in obtaining the Required Citizens Regulatory Approvals.

## **ARTICLE VI. MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE**

Section 6.1 Meetings of the Parties. The Parties shall hold regularly scheduled meetings (no less frequently than monthly during the period when the Project is under construction and no less frequently than quarterly at all other times prior to COD) for the purpose of reviewing each Party's progress in its development, design, permitting, engineering, procurement, construction, commissioning, financing, operating, and maintenance activities for the Project. The Parties shall hold regularly scheduled meetings no less frequently than annually after COD. Either Party may call a special meeting at any time. Reasonable and sufficient notice of each meeting shall be given to each Party in order to allow full participation.

### **Section 6.2 Sharing Information.**

Section 6.2.1 SDG&E Information. Upon reasonable notice and during regular business hours, SDG&E shall allow Citizens access to the Project site and provide other information related to the Project as may be reasonably requested by Citizens, including but not limited to:

- (a) Costing information to ensure that costs for the Project are allocated to appropriate portions of the Project and that SDG&E keeps its accounts and provides sufficient information to Citizens to allow Citizens to review those allocations and accounts on an on-going basis;
- (b) Permitting information;
- (c) Plans, specifications, design, or maps of the Project; and
- (d) Material contracts that affect the development, design, permitting, engineering, procurement and construction of the Project.

Section 6.2.2 Citizens Information. Upon reasonable notice, Citizens shall provide information related to the Project as may be reasonably requested by SDG&E.

Section 6.3 Project Schedule Revisions. From time to time, SDG&E shall provide Citizens with revisions in the Project Schedule as soon as practicable after determining the need for any such revision.

Section 6.4 Final Decisions. Notwithstanding anything to the contrary in this Article VI (Management Oversight and Committee Structure), SDG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, and commissioning of the Project. Any disputes regarding whether or not SDG&E has complied with its obligations under this DCA (including its obligations under Section 3.2 (Performance Standards)) shall be resolved by the dispute resolution procedures under Article X (Dispute Resolution).

## **ARTICLE VII. FORCE MAJEURE**

Section 7.1 Force Majeure. Notwithstanding anything in this DCA to the contrary, if a Party's performance is impacted by Force Majeure, the affected Party shall be excused from performing its affected obligations under this DCA (other than the obligation to make payments with respect to obligations arising prior to the event of Force Majeure) and shall not be liable for damages or other liabilities due to its failure to perform, during any period that such Party is unable to perform due to an event of Force Majeure; provided, however, that the Party declaring an event of Force Majeure shall: (i) act expeditiously to resume performance; (ii) exercise all commercially reasonable efforts to mitigate or limit damages to the other Parties; and (iii) fulfill the requirements set forth in Section 7.2 (Notification).

Section 7.2 Notification. A Party unable to perform under this DCA due to an event of Force Majeure shall: (i) provide prompt written notice of such event of Force Majeure to the other Party, which shall include an estimate of the expected duration of the Party's inability to perform due to the event of Force Majeure; and (ii) provide prompt notice to the other Party when performance resumes.

## **ARTICLE VIII. WITHDRAWAL**

Section 8.1 Withdrawal. SDG&E shall have the right to withdraw from and terminate this DCA immediately and be under no obligation to pursue additional development activities if: (a) any of the applications for the Required Regulatory Approvals is denied, or is approved with conditions that are unacceptable to SDG&E or otherwise materially inconsistent with the Project as described herein; (b) the receipt of any Required Regulatory Approval is delayed such that SDG&E will not be able to reasonably complete construction activities until twelve months after the Target COD; (c) FERC issues a final and binding order that would preclude SDG&E from recovering, in SDG&E's reasonable estimation, a return of and on any portion of its investment in the Project; or (d) it is no longer reasonably feasible for SDG&E to continue development, design, permitting, engineering, procurement and construction activities for the Project.

Section 8.2 Notice. SDG&E must provide notice to Citizens within thirty days of its determination that it is withdrawing pursuant to this Article VIII (Withdrawal).



Section 8.3 Reinstatement. If at any time within five years of the Effective Date, SDG&E resumes development of the Project after it has withdrawn from the Project and terminated this DCA under Section 8.1 (Withdrawal) (“Project Recommencement”), then such termination shall no longer be effective and this DCA shall be automatically reinstated with reasonable extensions to the dated terms of this DCA. The effect of such Project Recommencement and reinstatement of this DCA is intended to provide Citizens with a renewed opportunity to hold the Option to lease Transfer Capability in the Project in the manner provided for in this DCA.

## **ARTICLE IX. EVENTS OF DEFAULT; REMEDIES**

Section 9.1 Events of Default. The occurrence of any one of the following shall constitute an “Event of Default”:

- (a) A Party shall fail to make payments for amounts due under this DCA within thirty days after notice that such payment is past due;
- (b) A Party shall fail to comply with any other material provision of this DCA, and any such failure shall continue uncured for thirty days after notice thereof, provided that if such failure is not capable of being cured within such period of thirty days with the exercise of reasonable diligence, then such cure period shall be extended for an additional reasonable period of time so long as the defaulting Party is exercising commercially reasonable efforts to cure such failure;
- (c) Any representation made by a Party hereunder shall fail to be true in any material respect at the time such representation is given and such failure shall not be cured within thirty days after notice thereof by a non-defaulting Party;
- (d) Any of Citizens’ Transfer Capability in the Project shall fail to be:
  - (i) provided for the benefit of and made available to CAISO Eligible Customers at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act, or
  - (ii) in the Control Area and under the Operational Control of the CAISO;

and any such failure shall continue uncured for ninety days after notice thereof from SDG&E to Citizens.

Section 9.2 Limitation on Damages. No Party shall be liable under this DCA for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise. The provisions of this Section 9.2 (Limitation on Damages) shall not be construed to relieve any

insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and enforceable insurance policies.

Section 9.3 Remedies. Subject to Article X (Dispute Resolution), if an Event of Default occurs and is continuing, the non-defaulting Parties shall have the right to pursue all remedies available at law or in equity, including without limitation, the right to institute an action, suit or proceeding in equity for specific performance of the obligations under this DCA.

## **ARTICLE X. DISPUTE RESOLUTION**

Section 10.1 Intent of the Parties. The sole procedure to resolve any claim arising out of or relating to this DCA or any related agreement is the dispute resolution procedure set forth in this Article X (Dispute Resolution); provided, however, that either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the dispute by means of this procedure and nothing in this Section 10.1 shall restrict the rights of any party to file a complaint with the FERC under relevant provisions of the Federal Power Act.

Section 10.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this DCA or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five Business Days after such referral date (the "Referral Date"), each Party shall provide one another Notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five days of such Referral Date, or if either Party refuses or does not meet within the thirty Business Day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

Section 10.3 Arbitration. Any dispute that cannot be resolved by management negotiations as set forth in Section 10.2 (Management Negotiations) above shall be resolved through binding arbitration by a retired judge or justice from the American Arbitration Association panel conducted in San Diego, California, administered by and in accordance with American Arbitration Association Commercial Arbitration Rules.

- (a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty days after Notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen days of a demand

for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 10.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten years experience in the field of the dispute.

- (b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two requests for production of documents prior to the commencement of the hearing. Depositions shall be limited to a maximum of three per Party and shall be held within thirty days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than twenty-five interrogatories (including subparts), upon good cause shown.
- (c) The arbitrator's award shall be made within nine months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty days by agreement of the Parties or by the arbitrator, if necessary.
- (d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

- (e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.
- (f) The existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 12.3 (Confidentiality).

Section 10.4 Enforcement of Award. By execution and delivery of this DCA, each Party hereby (a) accepts and consents to the use of binding arbitration pursuant to the American Arbitration Association's Commercial Arbitration Rules and other procedures described in this Article X (Dispute Resolution), and, solely for purposes of the enforcement of an arbitral award under this Section 10.4 (Enforcement of Award), to the jurisdiction of any court of competent jurisdiction, for itself and in respect of its property, and (b) waives, solely for purposes of the enforcement of an arbitral award under this Section 10.4 (Enforcement of Award), in respect of both itself and its property, all defenses it may have as to or based on jurisdiction, improper venue or forum non conveniens. Each Party hereby irrevocably consents to the service of process or other papers by the use of any of the methods and to the addresses set out for the giving of notices in Section 12.1 (Notices) hereof. Nothing herein shall affect the right of each Party to serve such process or papers in any other manner permitted by law.

Section 10.5 Performance during Arbitration. While resolution of any dispute is pending, each Party shall continue to perform its obligations hereunder (unless such Party is otherwise entitled to suspend its performance hereunder or terminate this DCA in accordance with the terms hereof), and no Party shall refer or attempt to refer the matter in dispute to a court or other tribunal in any jurisdiction, except as provided in this Article X (Dispute Resolution).

## **ARTICLE XI. REPRESENTATIONS AND WARRANTIES**

Section 11.1 SDG&E. SDG&E represents and warrants to the other Parties as follows:

Section 11.1.1 Organization and Existence. SDG&E is a duly organized and validly existing corporation in good standing under the laws of the State of California and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

Section 11.1.2 Execution, Delivery and Enforceability. SDG&E has full corporate power and authority to carry on its business as now conducted, enter into, and to carry out its obligations under this DCA. The execution, delivery and performance by SDG&E of this DCA, and the consummation of the transactions and activities contemplated under this DCA, have been duly authorized by all necessary corporate action required on the part of SDG&E. This DCA has been duly and validly executed and delivered by SDG&E and constitutes the valid and legally binding obligations of

SDG&E, enforceable against SDG&E in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

Section 11.1.3 No Violation. Subject to the receipt of all Required SDG&E Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3 (Regulatory Approval for Exercise of Option), none of the execution and delivery of this DCA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of SDG&E; (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority.

Section 11.2 Citizens. Citizens represents and warrants to the other Parties as follows:

Section 11.2.1 Organization and Existence. Citizens is a duly organized and validly existing corporation in good standing under the laws of the Commonwealth of Massachusetts and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

Section 11.2.2 Execution, Delivery and Enforceability. Citizens has full corporate power and authority to carry out its obligations under this DCA. The execution, delivery and performance by Citizens of this DCA, and the consummation of the transactions and activities contemplated under this DCA, have been duly authorized by all necessary corporate action required on the part of Citizens. This DCA has been duly and validly executed and delivered by Citizens and constitutes the valid and legally binding obligations of Citizens, enforceable against Citizens in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

Section 11.2.3 No Violation. Subject to the receipt of all Required Citizens Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3 (Regulatory Approval for Exercise of Option), none of the execution and delivery of this DCA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of Citizens; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority.

Section 11.2.4 No Objection to Current Design. Citizens has reviewed SDG&E's CPCN Application, the Final EIR/EIS, and the CPCN Decision, and after due inquiry, it

accepts the proposed schedule, plans, specifications, and design of the Project to the extent described therein.

## **ARTICLE XII. MISCELLANEOUS**

Section 12.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile (provided a copy is also sent by overnight mail) to the applicable addresses below. Notice shall be effective on the next Business Day after it is sent. A Party may change its address for notices by providing notice of the same in accordance with this Section 12.1 (Notices).

If to SDG&E:

San Diego Gas & Electric  
8330 Century Park Court  
San Diego, CA 92123  
Attention: Vice President – Sunrise Powerlink  
Fax: 858-650-6106

With a copy to:

San Diego Gas & Electric  
8330 Century Park Court  
San Diego, CA 92123  
Attention: Vice President and Associate General Counsel  
Fax: 619-696-4582

If to Citizens:

Citizens Energy Corporation  
88 Black Falcon Ave. Suite 342  
Boston, MA 02210  
Attention: Chief Operating Officer  
Fax: 617-542-4487

With a copy to:

Duncan & Allen  
1575 Eye Street, N.W.  
Washington, D.C., 20005  
Attention: Counsel to Citizens Energy Corporation  
Fax: 202-289-8450

### Section 12.2 Assignment.

Section 12.2.1 General. Any time prior to COD, Citizens shall not assign this DCA, or its rights or obligations hereunder, without the prior written consent of SDG&E which may be granted or withheld in its sole discretion. At any time after COD with respect to Citizens and at all times with respect to SDG&E, neither Party shall assign this DCA, or its rights or obligations hereunder, without the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed; provided that, no such consent shall be required for (i) a collateral assignment of, or creation of a security interest in, this DCA in connection with any

financing or other financial arrangements, or (ii) an assignment in connection with the merger of a Party with, or the acquisition of substantially all of the transmission assets of a Party by, an entity with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party. Any change of control of a Party (or of any parent entity holding directly or indirectly at least fifty percent of the equity interest in such Party if such interest constitutes more than thirty percent of the value of such parent entity) whether voluntary or by operation of law shall be deemed an assignment hereunder. Any assignment in violation of this Section 12.2 (Assignment) shall be null and void.

Section 12.2.2 Right of First Refusal. Except in connection with (i) a collateral assignment under clause (i) of Section 12.2.1 above or (ii) any foreclosure sale or deed in lieu of foreclosure in connection with the exercise of remedies under such collateral assignment, SDG&E shall have the right of first refusal with respect to any proposed assignment by Citizens of all or any portion of its interest in this DCA or the Project. In the event Citizens receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens in this DCA (or the Project) that Citizens desires to accept, Citizens shall provide SDG&E with a copy of the bona fide third party purchase offer within five (5) Business Days following such receipt. For a period of 90 days following SDG&E's receipt of the bona fide third party purchase offer, SDG&E shall have the right to purchase such interest as set forth in the offer on the same terms and conditions set forth in such offer and to conduct due diligence regarding the contemplated purchase. In the event that SDG&E elects to exercise its right, SDG&E and Citizens shall close the purchase and sale of the interest in this DCA (and the Project) upon the terms and conditions contained in the offer. In the event that SDG&E elects not to exercise its right and subject to SDG&E's prior written consent under Section 12.2.1 above, Citizens shall be free to sell such interest to the third party that made the offer on terms and conditions no less favorable to Citizens than those contained in the offer. In the event that such sale is not consummated within twelve (12) months following SDG&E's failure to exercise this right of first refusal, then SDG&E's right of first refusal shall be revived with respect to such sale. In the event that there is a material revision in any offer in favor of any prospective purchaser, then SDG&E's right of first refusal shall be revived so that SDG&E again has the right of first refusal to purchase the interest in this DCA (and the Project) on the revised terms.

Section 12.3 Confidentiality. During the term of this DCA and for a period of three years after the expiration or termination of this DCA, the Parties shall keep confidential any confidential information relating to the Project obtained from the other Parties, and shall refrain from using, publishing or revealing such confidential information without the prior written consent of the Party whose confidential information the disclosing Party is seeking to disclose, unless (a) compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (b) such document or information is generally available to the public; (c) such document or information was available to the disclosing Party on a non-confidential basis; (d) such document or information was available to the disclosing Party on a non-confidential basis from a third-party, provided that the disclosing Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such document or information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing

such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

Section 12.4 Public Relations. The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding the Project.

Section 12.5 Governing Law. This DCA and the obligations hereunder shall be governed by the Laws of the State of California, without regard to principles of conflicts of law.

Section 12.6 No Amendments or Modifications. This DCA shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed to in writing by all of the Parties. If and to the extent that the CAISO Agreements are amended or modified such that a Party or the Parties can no longer comply with the terms of this DCA, the Parties shall negotiate in good faith to amend or modify this DCA to effectuate the same intent and essential purpose of this DCA as of the Effective Date in light of the CAISO Agreements amendment or modification.

Section 12.7 Delay and Waiver. Except as otherwise provided in this DCA, no delay or omission to exercise any right, power or remedy accruing to the respective Parties hereto upon any breach or default of any other Party under this DCA shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character of any breach or default under this DCA, or any waiver of any provision or condition of this DCA, must be in writing and shall be effective only to the extent specifically set forth in such writing.

Section 12.8 Entirety. This DCA constitutes the entire agreement between the Parties hereto. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed. Specifically, this DCA supersedes the MOA in its entirety.

Section 12.9 Relationship of the Parties. Except as otherwise set forth herein, this DCA shall not make any of the Parties partners or joint venturers one with the other, nor make any the agent of the others. Except as otherwise explicitly set forth herein, no Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party. Notwithstanding anything to the contrary, no fiduciary duty or fiduciary relationship shall exist between the Parties.

Section 12.10 Good Faith. In carrying out its obligations and duties under this DCA, each Party shall have an implied obligation of good faith.

Section 12.11 Successors and Assigns. This DCA shall inure to the benefit of, and be binding upon, the Parties hereto and their respective successors and permitted assigns.



Section 12.12 Third Parties. This DCA is intended solely for the benefit of the Parties. Nothing in this DCA shall be construed to create any duty or liability to, or standard of care with reference to, any Person other than the Parties.

Section 12.13 Headings. The headings contained in this DCA are solely for the convenience of the Parties and should not be used or relied upon in any manner in the construction or interpretation of this DCA.

Section 12.14 Counterparts. This DCA may be executed in one or more counterparts, each of which shall be deemed an original.

Section 12.15 Time is of the Essence. Each of the Parties acknowledges that timely achievement of commercial operation of the Project is essential, and therefore time is of the essence in performing all obligations set forth herein.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have signed this Development and Coordination Agreement as of the Effective Date.

**SAN DIEGO GAS & ELECTRIC COMPANY**

By: 

Name: JAMES P Avery

Title: SVP

Date: 5/11/09

**CITIZENS ENERGY CORPORATION**

By: 

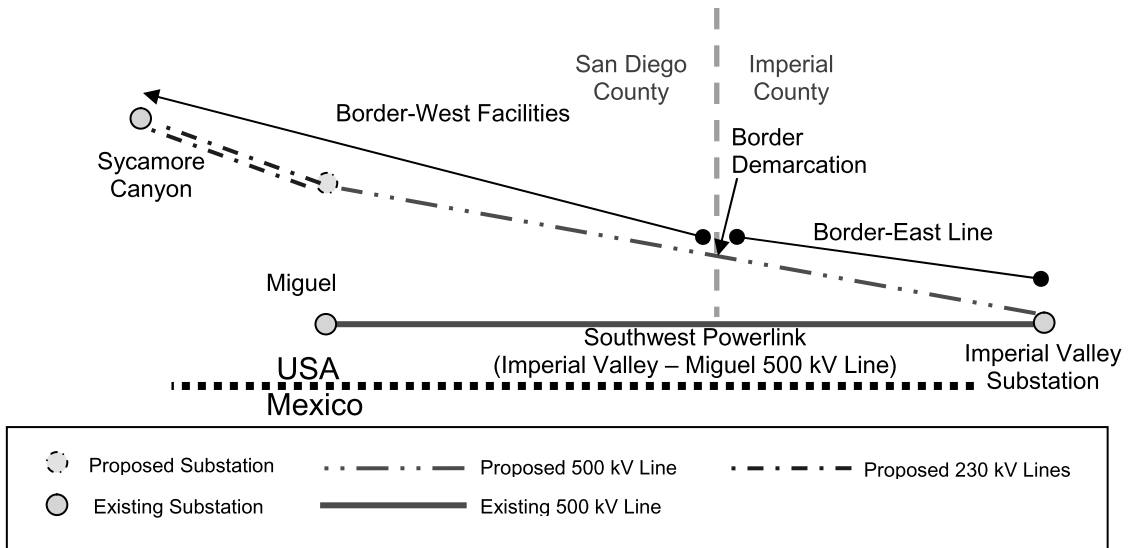
Name: Joseph P. Kennedy II

Title: Chief Executive Officer

Date: 5/11/09

### SCHEDULE 1.1

### Project Diagram



**SCHEDULE 2.2****PRINCIPLE TERMS****A. ALLOCATION ASSUMING CLOSE OF OPTION**

<b>ELEMENTS OF PROJECTS</b>	<b>COST RESPONSIBILITY</b>	<b>OWNERSHIP</b>	<b>TRANSFER CAPABILITY</b>
Imperial Valley Substation	100% SDG&E*	100% SDG&E*	100% SDG&E/CAISO*
Border-East Line	50% Citizens** 50% SDG&E**	100% SDG&E**	50% Citizens/CAISO** 50% SDG&E/CAISO**
Border-West Facilities	100% SDG&E	100% SDG&E	100% SDG&E/CAISO

\* Subject to that certain California Transmission System Participation Agreement, dated May 1, 1983, as amended, modified, or supplemented from time to time, between SDG&E and IID.

\*\* Assumes that Citizens closes on its Option and all of the Border-East Line is comprised of 500kV facilities. The allocation of costs and Transfer Capability interests are subject to future modification as a result of SDG&E funding upgrades, renewals and replacements to the Project as described herein. Citizens will fund its share of the costs as prepaid rent for use of the Transfer Capability.

**B. Other Material Terms of Transfer Capability Lease and Other Subsequent Agreements**

As provided in the Recitals and Section 2.2 (Subsequent Agreements) of this DCA, to the extent Citizens exercises and closes its Option, the Parties intend to enter into a Transfer Capability Lease and other subsequent agreements to provide for the interconnection, operation and maintenance of the Project:

1. Control Area. For the Useful Life of the Project, the Project shall remain in the Control Area of the CAISO.

2. Operational Control Over Citizens Transfer Capability. Citizens shall assign to the CAISO Operational Control of its Transfer Capability on the Project. Citizens shall obtain and maintain status comparable to that of SDG&E in any regional transmission entity in which SDG&E participates with status comparable to a PTO.

3. Citizens Rates.

3.1. Regulation of Citizens' Rates: Citizens shall file or cause to be filed with FERC, a transmission service tariff for recovery of its costs associated with its Transfer Capability in the Project. Citizens' Transfer Capability on the Project shall be provided for the benefit of and made available to CAISO Eligible Customers at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act.

3.2. Citizens' Cost Recovery Methodology: Citizens shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens limited to the recovery of the following transmission costs:

3.2.1. Operating Costs: Citizens shall seek recovery of all reasonably and prudently incurred costs for operation and maintenance on an annual formulaic basis, including administrative and general activities (and any sales, use or excise tax), directly attributable to Citizens' Transfer Capability on the Project as recorded in FERC accounts 560-573, and 920-935 under the FERC Uniform System of Accounts.

3.2.2. Capital Requirements: Citizens shall seek recovery for all other costs associated with its Transfer Capability on the Project at a fixed rate that is no higher than the rate SDG&E could recover at the time of COD if SDG&E held Citizens' Transfer Capability. This rate is intended to cover all costs associated with Citizens' Transfer Capability (other than Operating Costs described above) including prepaid rent and other costs of Transfer Capability, debt service, capitalized interest, liquidity reserves, taxes (other than sales, use, or excise taxes which are addressed in Section 3.2.1 above), charitable contributions, and any and all other costs. For purposes of determining the rate SDG&E could recover at the time of COD if SDG&E held Citizens' Transfer Capability, the Parties agree to use the model attached hereto as Exhibit 2.2A.

3.2.2.1. The model calculates a theoretical annual rate (for a fifty-eight-year depreciable life) that SDG&E could recover at the time of COD if SDG&E held Citizens' Transfer Capability and then amortized that rate over a thirty year period on a level basis each year based on fixed and variable parameters set forth in the model to produce a theoretical levelized annual amount (the "SDG&E Representative Rate"). The only variable parameters that shall be entered into the model to determine the SDG&E Representative Rate are: (1) five-day average Moody's Aa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUAA, (2) the actual Costs of Transfer Capability (defined below), and (3) the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC. The phrase "Costs of Transfer Capability" shall mean 101% of the sum of the prepaid rent of Citizens' Transfer Capability as determined in the DCA plus all reasonably incurred project costs, development costs, regulatory costs, transactional costs, sales costs, use or excise tax costs, and Financing Costs (defined below) incurred by Citizens allocated to its Transfer Capability. The phrase "Financing Costs" shall mean (a) with respect to any bridge financing that Citizens may consummate prior to the term financing that Citizens will consummate for the final acquisition of its Transfer Capability, all reasonable and customary financing costs, including without limitation, lenders' fees, consultants' fees (for Citizens and its lenders), lawyers' fees (for Citizens and its lenders), and interest associated with such bridge financing, and (b) with respect to the term financing that Citizens will consummate for the final acquisition of its Transfer Capability, all reasonable and customary consultants' fees (for Citizens and its lenders), lawyers' fees (for Citizens and its lenders), and capitalized interest charged prior to commencement of rate recovery, and excluding any

lenders' fees and any amounts set aside for reserve accounts. For purposes of clarity, the extra one percent is intended to account for, among other costs, the ordinary and customary lenders' fees that SDG&E would have incurred if it held Citizens' Transfer Capability.

3.2.2.2. The following parameters, among others, are constants in the model and shall not be reset at any time in determining the SDG&E Representative Rate: (1) SDG&E return on equity fixed at 11.35%, (2) SDG&E capital structure fixed at 50% equity and 50% debt, (3) SDG&E property tax rate fixed at 1.246%, and (4) SDG&E composite state and federal income tax rate fixed at 40.75%. For purposes of explanation, the model also calculates the following parameters, among others, in determining the SDG&E Representative Rate: (1) SDG&E estimated debt rate for 30 years which is the five-day average Moody's Aa 30-year Utility Bond Index less 38 basis points, (2) SDG&E weighted average cost of capital which is the weighted average (based on the SDG&E fixed capital structure) of the SDG&E return on equity and the SDG&E estimated debt rate, and (3) SDG&E discount rate which is equal to the SDG&E weighted average cost of capital. The example attached hereto as Exhibit 2.2B sets forth the SDG&E Representative Rate for a five-day average Moody's Aa 30-year Utility Bond Index equal to 6.00% and a Cost of Transfer Capability equal to \$1,000,000.

3.2.2.3. At the time Citizens files an application seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 3.2.2, Citizens shall demonstrate that its proposed rate methodology results in an annual fixed rate that is no greater than the SDG&E Representative Rate.

3.2.2.4. For purposes of determining whether Citizens has a fixed rate that is no higher than the rate SDG&E could recover at the time of COD if SDG&E held Citizens' Transfer Capability in compliance with this Section 3.2.2, the Parties shall compare the SDG&E Representative Rate against Citizens' FERC-approved annual fixed rate for recovery of the costs described in this Section 3.2.2 at such time as Citizens consummates the debt financing transaction for its Transfer Capability in the Project and at such time as Citizens' submits its compliance filing to FERC showing its actual rates based on the FERC-approved annual fixed rate methodology.

3.2.2.5. In the event Citizens is able to demonstrate a rate to the FERC that is higher than the SDG&E Representative Rate, then Citizens agrees to limit or cap its rate request before the FERC to be the SDG&E Representative Rate.

3.3. Waiver of Section 205/206 Rights: Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other

charges being levied by a Governmental Authority, to the fullest extent permitted by applicable law, Citizens, for itself and its successors and assigns, shall waive any rights it can or may have, now or in the future, whether under Sections 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and Citizens covenants and agrees not at any time to seek to so obtain, an order from FERC changing the FERC-approved fixed rate for recovery of the costs described in Section 3.2.2 above. For the avoidance of doubt, to the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority, Citizens may seek approval for inclusion in its rates an allowance to recover any such new taxes, income taxes, property taxes, fees or other charges. SDG&E shall fully support, through timely intervention and active participation in any proceeding relating to or affecting Citizens' rates, Citizens' recovery and implementation of rates conforming to the provisions of this DCA in accordance with Section 205 of the Federal Power Act and orders issued by FERC thereunder in order that Citizens may acquire, finance, operate and maintain its leasehold interest in the Project. SDG&E acknowledges that among other things, Citizens will seek recovery of and SDG&E will support Citizens as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Project (a) all prudently incurred pre-commercial operations costs in current rates, (b) all costs of abandoned facilities, provided such abandonment is due to factors beyond Citizens' control, and (c) all capital requirements as described in Section 3.2.2 above. SDG&E's support shall include providing FERC with assurances that all costs sought to be recovered by Citizens through its rates that were originally incurred by SDG&E were prudently incurred.

3.4. Credits. Citizens shall be required to credit to CAISO Eligible Customers any revenues that are derived from, or associated with, Citizens' lease of Transfer Capability on the Project that are in addition to its cost-of-service recovery described above.

3.5. SDG&E. If SDG&E is no longer part of a regional transmission entity that has Operational Control over SDG&E's transmission system during the term in which Citizens leases Transfer Capability on the Project, SDG&E shall ensure that Citizens can recover any and all of the costs specified above as if Citizens were still recovering these costs under its FERC-filed and accepted transmission service tariff. While SDG&E is part of a regional transmission entity that has Operational Control over SDG&E's transmission system, SDG&E shall not be responsible to guarantee or financially support Citizens' cost recovery.

4. Low Income Energy Programs: Among any other contributions Citizens may elect to make, Citizens agrees that it shall make a contribution each year equal to 50% of Citizens' profits attributable to assets located in Imperial County to programs assisting low income families of Imperial County.

5. Operation, Maintenance, Upgrades, Interconnection.

5.1. Operation and Maintenance. The Parties agree that SDG&E shall be responsible for operations and maintenance services for the Project. SDG&E shall charge Citizens the actual costs incurred for the operations and maintenance associated with Citizens' proportionate share of the Project, plus applicable overheads, and shall perform its services in accordance with all regulations and Good Utility Practice, including CAISO standards.

5.2. Future Increases in Transfer Capability. To the extent of their proportionate share of Transfer Capability, SDG&E and Citizens will share pro rata any increases in the Transfer Capability on the Project resulting from changes to the configuration of adjoining systems or upgrades to adjoining systems, including the systems of SDG&E and IID beyond the Project.

5.3. Future Upgrades in Transfer Capability. SDG&E shall be solely entitled to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance any upgrades to the Project after the Commercial Operation Date for purposes of increasing the Transfer Capability of the Project. SDG&E shall be solely responsible to pay the costs of such upgrades and will be entitled to all increases in Transfer Capability resulting from such upgrades. For example, if the Border-East Line were rated at 1000MW and a \$10 million upgrade to the Border-East Line would cause the rating to increase by 200MW, and at the time of the upgrade, Citizens and SDG&E each hold a 50% share of the Transfer Capability on the Border-East Line, then SDG&E would be responsible for funding the \$10 million and Citizens would not have any funding obligation for such upgrade. As a result of the upgrade, SDG&E's proportionate share of Transfer Capability on the Border-East Line would increase from 50% (500 MW) to 58.33% (700 MW), and Citizens proportionate share would be reduced from 50% (500 MW) to 41.67% (500 MW).

5.4. Future Replacement and Renewal. To the extent that during the Useful Life of the Project additional capital investment is needed for replacement or renewal of facilities of the Project, SDG&E shall be responsible for all costs of such replacement or renewal. As a result, each Party's proportionate share of Transfer Capability on that portion of the Project will be modified to an amount equal to the quotient of (a) the sum of (i) that Party's then-current percentage share of Transfer Capability on that portion of the Project multiplied by the former net book value of the relevant portion of the Project (excluding all new funding of replacements or renewals from the former net book value) plus (ii) that Party's new funding of replacements or renewals as part of the new net book value, divided by (b) the new net book value of the relevant portion of the Project (including all new funding of replacements or renewals as part of the new net book value). For the avoidance of doubt, Citizens rate recovery shall not be affected by any reduction in its Transfer Capability associated with SDG&E's funding of renewals and replacements. For example, assume that the Border-East Line has a net book value of \$300 million prior to replacement or renewals and requires \$10 million in replacement or renewal (and thus would have a net book value of \$310 million subsequent to such replacement or renewal). If Citizens and SDG&E then hold a 50% interest in Transfer Capability on the Border-East Line and Citizens does not provide any funding for such replacement or renewal, while SDG&E provides this \$10 million, then Citizens'



proportionate share of Transfer Capability on the Border-East Line would be reduced from 50% to 48.39%, and SDG&E's proportionate share of Transfer Capability on the Border-East Line would be increased from 50% to 51.61%. In the case where both (i) replacements and renewals and (ii) upgrades occur to the same components of the Project, the resulting Transfer Capability and cost allocation shall be determined as the Parties may reasonably agree in the Transfer Capability Lease.

5.5. Interconnection Facilities. Subject to the CAISO Tariff and rules governing interconnection, as between SDG&E and Citizens, SDG&E will be the interconnection agent for the Project. In particular, SDG&E will process all requests for interconnection to the Project, SDG&E will develop, design, engineer, procure, construct, commission, own, operate, maintain, and initially fund such interconnection facilities, including all substations and switchyards connected to the Project, and SDG&E will retain all ownership and Transfer Capability interests in such interconnection facilities.

6. Section 467 Rental Agreement. It is the intention of the Parties that (i) the Transfer Capacity Lease constitute a "Section 467 rental agreement" within the meaning of Section 467(d)(1) of the U.S. Internal Revenue Code and (ii) the prepaid rent accrue for U.S. tax purposes in accordance with Section 467(b)(1) of the U.S. Internal Revenue Code, and the provisions of this DCA and the Transfer Capacity Lease shall to the fullest extent feasible be construed consistent with such intention. The Parties agree to attach a schedule to the Transfer Capacity Lease developed based on the form attached hereto as Exhibit 2.2C allocating the prepaid rent over the lease term and shall report the rent as accruing for tax purposes quarterly in arrears according to the schedule. The Parties shall treat the prepayment to the extent it exceeds the rent that has accrued as a loan by Citizens to SDG&E that bears interest at a rate equal to 110% of the "applicable federal rate" as required by Section 467 of the U.S. Internal Revenue Code.

## **Exhibit 2.2A**

### **Model for SDG&E Representative Rate**

(See attached CD entitled “Exhibit 2.2A; Development and Coordination Agreement; May 11, 2009 v.2” containing the model in XLS worksheet file)

**Exhibit 2.2B**

**Example of SDG&E Representative Rate**

**Model Inputs**

The Moody's Aa Utility Bond Index	6.00%
Cost of Transfer Capability	1,000,000
AFUDC	100,000

**Calculation of Debt Cost as Input to Model**

The Moody's Aa Utility Bond Index	6.00%
Less: 38 basis points	0.38% <b>remains fixed "do not change"</b>
Total Debt Cost per Model	5.62%

**Calculation of WACC**

	Capital Ratio	Cost	WACC
Debt	50.00%	5.62%	2.81%
Preferred Equity	0.00%	0.00%	0.00% <b>remains fixed "do not change"</b>
Common Equity	50.00%	11.35%	5.68% <b>remains fixed "do not change"</b>
			8.49%

Revenue Requirement	1	2	3	4	5	6	7	8	9	10	11-30
	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11-58
Depreciation Expense	1,000,000	17,241	17,241	17,241	17,241	17,241	17,241	17,241	17,241	17,241	827,586
Return on Common Equity	1,160,179	55,927	51,184	48,804	46,595	44,542	42,601	40,706	38,825	36,957	700,284
Return on Preferred Equity	-	-	-	-	-	-	-	-	-	-	-
Return on Debt	574,467	27,692	25,344	24,165	23,072	22,055	21,094	20,156	19,224	18,299	346,749
Federal Income Taxes	702,238	36,791	28,696	27,414	26,239	25,146	24,110	23,093	22,081	21,076	437,800
State Income Taxes	235,452	9,937	8,692	8,337	8,009	7,703	7,415	7,132	6,852	6,573	155,755
Property Taxes	265,754	12,112	11,078	10,616	10,186	9,784	9,396	9,008	8,620	8,232	165,147

Total Revenue Requirement	3,938,090	159,700	148,028	142,235.0	136,577.3	131,342.0	121,856.6	117,335.9	112,843.1	108,379.0	2,633,321.2
Net Present Value (58 yrs)	1,322,303	153,328	131,006	102,703	91,042	80,809	71,771	63,703	56,472	49,996	405,441.3
Levelized Annual Amount (30 yrs)	\$122,872										

SDG&E Representative Rate	\$122,872
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**Exhibit 2.2C**

**Accrual of Prepaid Rent**

Project: Sunrise  
 Lessor: SDG&E  
 Lessee: Citizens  
 Interest Rate: 0.97% 110% LT AFR 10/07

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B/A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
		\$83,000,000						\$83,000,000	
1	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	805,100	(\$1,173,600)	82,631,500	(\$368,500)
2	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	801,526	(\$1,173,600)	82,259,426	(372,074)
3	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	797,916	(\$1,173,600)	81,883,743	(375,683)
4	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	794,272	(\$1,173,600)	81,504,415	(379,328)
5	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	790,593	(\$1,173,600)	81,121,408	(383,007)
6	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	786,878	(\$1,173,600)	80,734,686	(386,722)
7	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	783,126	(\$1,173,600)	80,344,213	(390,473)
8	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	779,339	(\$1,173,600)	79,949,952	(394,261)
9	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	775,515	(\$1,173,600)	79,551,866	(398,085)
10	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	771,653	(\$1,173,600)	79,149,920	(401,947)
11	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	767,754	(\$1,173,600)	78,744,074	(405,846)
12	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	763,818	(\$1,173,600)	78,334,292	(409,782)
13	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	759,843	(\$1,173,600)	77,920,534	(413,757)
14	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	755,829	(\$1,173,600)	77,502,764	(417,771)
15	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	751,777	(\$1,173,600)	77,080,941	(421,823)
16	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	747,685	(\$1,173,600)	76,655,026	(425,915)
17	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	743,554	(\$1,173,600)	76,224,980	(430,046)
18	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	739,382	(\$1,173,600)	75,790,763	(434,218)
19	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	735,170	(\$1,173,600)	75,352,333	(438,429)
20	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	730,918	(\$1,173,600)	74,909,651	(442,682)
21	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	726,624	(\$1,173,600)	74,462,675	(446,976)
22	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	722,288	(\$1,173,600)	74,011,363	(451,312)
23	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	717,910	(\$1,173,600)	73,555,673	(455,690)
24	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	713,490	(\$1,173,600)	73,095,563	(460,110)

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B/A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
25	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	709,027	(\$1,173,600)	72,630,991	(464,573)
26	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	704,521	(\$1,173,600)	72,161,911	(469,079)
27	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	699,971	(\$1,173,600)	71,688,282	(473,629)
28	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	695,376	(\$1,173,600)	71,210,059	(478,223)
29	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	690,738	(\$1,173,600)	70,727,196	(482,862)
30	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	686,054	(\$1,173,600)	70,239,650	(487,546)
31	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	681,325	(\$1,173,600)	69,747,375	(492,275)
32	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	676,550	(\$1,173,600)	69,250,325	(497,050)
33	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	671,728	(\$1,173,600)	68,748,453	(501,872)
34	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	666,860	(\$1,173,600)	68,241,713	(506,740)
35	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	661,945	(\$1,173,600)	67,730,058	(511,655)
36	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	656,982	(\$1,173,600)	67,213,440	(516,618)
37	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	651,970	(\$1,173,600)	66,691,810	(521,629)
38	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	646,911	(\$1,173,600)	66,165,121	(526,689)
39	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	641,802	(\$1,173,600)	65,633,323	(531,798)
40	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	636,643	(\$1,173,600)	65,096,366	(536,957)
41	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	631,435	(\$1,173,600)	64,554,201	(542,165)
42	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	626,176	(\$1,173,600)	64,006,777	(547,424)
43	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	620,866	(\$1,173,600)	63,454,043	(552,734)
44	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	615,504	(\$1,173,600)	62,895,947	(558,096)
45	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	610,091	(\$1,173,600)	62,332,438	(563,509)
46	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	604,625	(\$1,173,600)	61,763,463	(568,975)
47	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	599,106	(\$1,173,600)	61,188,969	(574,494)
48	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	593,533	(\$1,173,600)	60,608,902	(580,067)
49	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	587,906	(\$1,173,600)	60,023,209	(585,693)
50	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	582,225	(\$1,173,600)	59,431,834	(591,375)
51	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	576,489	(\$1,173,600)	58,834,723	(597,111)
52	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	570,697	(\$1,173,600)	58,231,820	(602,903)
53	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	564,849	(\$1,173,600)	57,623,069	(608,751)
54	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	558,944	(\$1,173,600)	57,008,413	(614,656)
55	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	552,982	(\$1,173,600)	56,387,794	(620,618)
56	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	546,962	(\$1,173,600)	55,761,156	(626,638)
57	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	540,883	(\$1,173,600)	55,128,440	(632,717)
58	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	534,746	(\$1,173,600)	54,489,586	(638,854)
59	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	528,549	(\$1,173,600)	53,844,535	(645,051)
60	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	522,292	(\$1,173,600)	53,193,227	(651,308)
61	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	515,974	(\$1,173,600)	52,535,601	(657,626)

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B/A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
62	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	509,595	(\$1,173,600)	51,871,597	(664,004)
63	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	503,154	(\$1,173,600)	51,201,152	(670,445)
64	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	496,651	(\$1,173,600)	50,524,203	(676,949)
65	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	490,085	(\$1,173,600)	49,840,688	(683,515)
66	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	483,455	(\$1,173,600)	49,150,543	(690,145)
67	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	476,760	(\$1,173,600)	48,453,703	(696,840)
68	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	470,001	(\$1,173,600)	47,750,104	(703,599)
69	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	463,176	(\$1,173,600)	47,039,680	(710,424)
70	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	456,285	(\$1,173,600)	46,322,366	(717,315)
71	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	449,327	(\$1,173,600)	45,598,093	(724,273)
72	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	442,301	(\$1,173,600)	44,866,794	(731,298)
73	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	435,208	(\$1,173,600)	44,128,402	(738,392)
74	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	428,046	(\$1,173,600)	43,382,848	(745,554)
75	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	420,814	(\$1,173,600)	42,630,062	(752,786)
76	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	413,512	(\$1,173,600)	41,869,974	(760,088)
77	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	406,139	(\$1,173,600)	41,102,513	(767,461)
78	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	398,694	(\$1,173,600)	40,327,607	(774,905)
79	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	391,178	(\$1,173,600)	39,545,185	(782,422)
80	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	383,588	(\$1,173,600)	38,755,174	(790,012)
81	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	375,925	(\$1,173,600)	37,957,499	(797,675)
82	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	368,188	(\$1,173,600)	37,152,087	(805,412)
83	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	360,375	(\$1,173,600)	36,338,862	(813,225)
84	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	352,487	(\$1,173,600)	35,517,749	(821,113)
85	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	344,522	(\$1,173,600)	34,688,672	(829,078)
86	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	336,480	(\$1,173,600)	33,851,552	(837,120)
87	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	328,360	(\$1,173,600)	33,006,312	(845,240)
88	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	320,161	(\$1,173,600)	32,152,874	(853,439)
89	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	311,883	(\$1,173,600)	31,291,157	(861,717)
90	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	303,524	(\$1,173,600)	30,421,081	(870,076)
91	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	295,084	(\$1,173,600)	29,542,566	(878,515)
92	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	286,563	(\$1,173,600)	28,655,529	(887,037)
93	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	277,959	(\$1,173,600)	27,759,888	(895,641)
94	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	269,271	(\$1,173,600)	26,855,559	(904,329)
95	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	260,499	(\$1,173,600)	25,942,458	(913,101)
96	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	251,642	(\$1,173,600)	25,020,500	(921,958)
97	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	242,699	(\$1,173,600)	24,089,599	(930,901)
98	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	233,669	(\$1,173,600)	23,149,668	(939,931)

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B/A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
99	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	224,552	(\$1,173,600)	22,200,620	(949,048)
100	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	215,346	(\$1,173,600)	21,242,366	(958,254)
101	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	206,051	(\$1,173,600)	20,274,817	(967,549)
102	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	196,666	(\$1,173,600)	19,297,883	(976,934)
103	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	187,189	(\$1,173,600)	18,311,473	(986,410)
104	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	177,621	(\$1,173,600)	17,315,494	(995,979)
105	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	167,960	(\$1,173,600)	16,309,855	(1,005,640)
106	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	158,206	(\$1,173,600)	15,294,461	(1,015,394)
107	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	148,356	(\$1,173,600)	14,269,217	(1,025,244)
108	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	138,411	(\$1,173,600)	13,234,029	(1,035,188)
109	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	128,370	(\$1,173,600)	12,188,799	(1,045,230)
110	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	118,231	(\$1,173,600)	11,133,430	(1,055,368)
111	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	107,994	(\$1,173,600)	10,067,825	(1,065,606)
112	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	97,658	(\$1,173,600)	8,991,883	(1,075,942)
113	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	87,221	(\$1,173,600)	7,905,504	(1,086,379)
114	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	76,683	(\$1,173,600)	6,808,588	(1,096,916)
115	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	66,043	(\$1,173,600)	5,701,032	(1,107,557)
116	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	55,300	(\$1,173,600)	4,582,732	(1,118,300)
117	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	44,452	(\$1,173,600)	3,453,584	(1,129,147)
118	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	33,500	(\$1,173,600)	2,313,484	(1,140,100)
119	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	22,441	(\$1,173,600)	1,162,325	(1,151,159)
120	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	11,275	(\$1,173,600)	(0)	(1,162,325)
<b>Totals</b>	<b>\$140,831,979</b>	<b>\$83,000,000</b>	<b>\$140,831,979</b>		<b>\$140,831,979</b>	<b>57,831,979</b>	<b>(\$140,831,979)</b>		<b>(\$83,000,000)</b>

Present Value

A	B
<u>\$83,000,000</u>	<u>\$83,000,000</u>

See Fraction Computation Above \*

Rent Allocation

<u>\$1,173,600</u>
--------------------



James P. Avery  
Senior Vice President - Electric

San Diego Gas & Electric  
8306 Century Park Court,  
San Diego, CA  
92123-1593

October 2, 2009

Citizens Energy Corporation  
88 Black Falcon Ave. Suite 342  
Boston, MA 02210  
Attention: Chief Operating Officer  
Attn: Peter F. Smith

Dear Peter:

Reference is made to that certain Development and Coordination Agreement, dated as of May 11, 2009 (“DCA”), by and between San Diego Gas & Electric Company, a California corporation (“SDG&E”), and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens”). Capitalized terms used herein but not otherwise defined herein shall have the meanings given in the DCA.

The Parties are entering into this letter agreement (“Letter Agreement”) in order to correct certain exhibits to the DCA. The Parties hereby agree that (i) Exhibit 2.2A of the DCA shall be amended and replaced in its entirety by Exhibit 2.2A “Model for SDG&E Representative Rate” attached hereto, and (ii) Exhibit 2.2B of the DCA shall be amended and replaced in its entirety by Exhibit 2.2B “Example of SDG&E Representative Rate” attached hereto. Because neither SDG&E nor Citizens has yet filed any applications for regulatory approvals related to the DCA and the DCA has not otherwise been made public, the Parties agree that the foregoing revised exhibits shall be inserted into their appropriate locations as replacements to the corresponding exhibits in the existing execution copies of the DCA. Accordingly, any reference to the DCA need not also include a reference to this Letter Agreement as an amending document.

Except as set forth above, each of SDG&E and Citizens agrees that nothing in this Letter Agreement shall be construed as amending, supplementing, or otherwise modifying any representation, warranty, agreement, or other obligation set forth in the DCA. This Letter Agreement shall be binding upon each of SDG&E and Citizens. Each of the Parties represents and warrants that it has all requisite power and authority to enter into this Letter Agreement, that this Letter Agreement is enforceable in accordance with its terms, and that no further consents are required to give effect to the matters agreed herein. This Letter Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Letter Agreement shall be governed by, and construed in accordance with, the laws of the State of California.



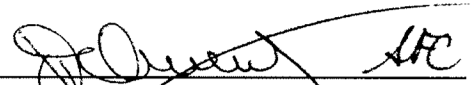
Page 2

Please indicate your agreement to the terms and conditions of this Letter Agreement by executing the appropriate acknowledgment below.

Sincerely,

SAN DIEGO GAS & ELECTRIC COMPANY

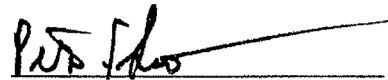
By:

  
Name: James P. Avery  
Title: Senior Vice President  
Power Supply

The undersigned acknowledges and consents to the foregoing.

CITIZENS ENERGY CORPORATION

By:

  
Name: Peter F. Smith  
Title: Chief Operating Officer

**Exhibit 2.2A**

**Model for SDG&E Representative Rate**

(See attached CD entitled “Exhibit 2.2A; Development and Coordination Agreement; May 11, 2009 v.2” containing the model in XLS worksheet file)

## Exhibit 2.2B

## Example of SDG&amp;E Representative Rate

Model Inputs

The Moody's Aa Utility Bond Index	6.00%
Cost of Transfer Capability	1,000,000
AFUDC	100,000

Calculation of Debt Cost as Input to Model

The Moody's Aa Utility Bond Index	6.00%	
Less: 38 basis points	<u>0.38%</u>	remains fixed "do not change"
Total Debt Cost per Model	5.62%	

Calculation of WACC

	<u>Capital Ratio</u>	<u>Cost</u>	<u>WACC</u>	
Debt	50.00%	5.62%	2.81%	
Preferred Equity	0.00%	0.00%	0.00%	remains fixed "do not change"
Common Equity	50.00%	11.35%	<u>5.68%</u>	remains fixed "do not change"
			8.49%	

<u>Revenue Requirement</u>	<u>Total</u>	<u>1</u> <u>Year-1</u>	<u>2</u> <u>Year-2</u>	<u>3</u> <u>Year-3</u>	<u>4</u> <u>Year-4</u>	<u>5</u> <u>Year-5</u>	<u>6</u> <u>Year-6</u>	<u>7</u> <u>Year-7</u>	<u>8</u> <u>Year-8</u>	<u>9</u> <u>Year-9</u>	<u>10</u> <u>Year-10</u>	<u>11-30</u> <u>Year-11-58</u>
Depreciation Expense	1,000,000	17,241	17,241	17,241	17,241	17,241	17,241	17,241	17,241	17,241	17,241	827,586
Return on Common Equity	1,160,179	55,927	53,755	51,184	48,804	46,595	44,542	42,601	40,706	38,825	36,957	700,284
Return on Preferred Equity	-	-	-	-	-	-	-	-	-	-	-	-
Return on Debt	574,467	27,692	26,617	25,344	24,165	23,072	22,055	21,094	20,156	19,224	18,299	346,749
Federal Income Taxes	702,238	36,791	29,792	28,696	27,414	26,239	25,146	24,110	23,093	22,081	21,076	437,800
State Income Taxes	235,452	9,937	9,047	8,692	8,337	8,009	7,703	7,415	7,132	6,852	6,573	155,755
Property Taxes	265,754	12,112	11,575	11,078	10,616	10,186	9,784	9,396	9,008	8,620	8,232	165,147
<b>Total Revenue Requirement</b>	<b>3,938,090</b>	<b>159,700</b>	<b>148,028</b>	<b>142,235.0</b>	<b>136,577.3</b>	<b>131,342.0</b>	<b>126,471.8</b>	<b>121,856.6</b>	<b>117,335.9</b>	<b>112,843.1</b>	<b>108,379.0</b>	<b>2,633,321.2</b>
Net Present Value (58 yrs)	1,322,303	153,328	131,006	116,033	102,703	91,042	80,809	71,771	63,703	56,472	49,996	405,441.3
Levelized Annual Amount (30 yrs)	\$122,872											
SDG&E Representative Rate	<span style="border: 1px solid black; padding: 2px;">\$122,872</span>											

**FIRST AMENDMENT TO  
DEVELOPMENT AND COORDINATION AGREEMENT**

This **FIRST AMENDMENT TO DEVELOPMENT AND COORDINATION AGREEMENT** (this "Amendment") is dated as of December 21, 2011, by and between San Diego Gas & Electric Company, a California corporation ("SDG&E"), and Citizens Energy Corporation, a Massachusetts non-profit corporation ("Citizens"). Each of SDG&E and Citizens shall be referred to herein individually as a "Party" and collectively as the "Parties."

**RECITALS**

- A. On May 11, 2009 SDG&E and Citizens entered into that certain Development and Coordination Agreement (the "DCA") pursuant to which SDG&E would develop, design, permit, engineer, procure, construct and own a transmission project known as the Sunrise Powerlink Project, and Citizens would have an option to lease certain interests or entitlements in the Project. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the DCA.
- B. The Parties desire to enter into this Amendment to, among other things, approve the form of the lease pursuant to which Citizens would have an option to lease certain interests or entitlements in the Project from SDG&E.
- C. In furtherance of the foregoing, the Parties desire to amend the DCA as set forth more particularly below.

NOW, THEREFORE, the Parties agree as follows:

**AGREEMENT**

**ARTICLE 1. TRANSFER CAPABILITY LEASE**

1.1 Transfer Capability Lease. Pursuant to Section 4.2 of the DCA, Citizens has the option to lease Transfer Capability in the Project pursuant to a Transfer Capability Lease to be negotiated by the Parties. The Parties hereby agree that the term "Transfer Capability Lease" shall refer to a lease executed by the Parties substantially in the form set forth in Exhibit A.

**ARTICLE 2. AMENDMENTS**

2.1 Term. Sections 2.1 and 2.2 of the DCA are hereby amended and restated in their entirety to read as follows:

"Section 2.1 Term. The "Term" of this DCA shall commence on the Effective Date and shall end (i) upon the expiration of the Option if such Option has not been exercised, (ii) upon the date that the Parties enter into the Transfer Capability Lease, (iii) in the event of mutual written agreement by all Parties that explicitly supersedes in its entirety or otherwise terminates this DCA, or (iv) as otherwise provided for herein. The Transfer Capability Lease shall supersede this DCA in all respects, and, upon the execution of the Transfer Capability Lease by

the SDG&E and Citizens (or Citizens permitted designee as provided under Section 12.2.1), this DCA shall be of no further force and effect.

Section 2.2 Subsequent Agreements. If Citizens exercises its Option, then upon the closing of the Option the Parties shall enter into the form of Transfer Capability Lease and the form of consent attached to the Transfer Capability Lease, estoppels and other acknowledgements of the foregoing as a Party's lenders may reasonably request. The Parties further expect that since they have addressed so many details regarding the Project, notwithstanding their still being in the development phases of the Project, a Party's lenders may seek clarifications, amendments or modifications of this DCA. In such event, the Parties will exercise good faith efforts to accommodate such requests provided that no Party is hereby committing itself to any such clarification, amendment or modification of this DCA which, in such Party's sole discretion, would impair or interfere with the benefits that a Party expects to derive from its participation in the Project."

2.2 Closing Mechanics. Sections 4.2.2, 4.2.3, and 4.2.4 of the DCA are hereby amended and restated in their entirety to read as follows:

"Section 4.2.2 Exercise of Option. Citizens may exercise the Option by delivering written notice to SDG&E no later than the Target Closing Date. If Citizens fails to exercise its Option by the earlier of (i) no later than the Target Closing Date and (ii) the 10th anniversary of the Effective Date, such unexercised Option shall expire.

"Section 4.2.3 Closing of Option. The lease of Transfer Capability pursuant to the exercised Option shall occur as soon as reasonably practical after exercise of the Option but no later than 30 days after COD. SDG&E and Citizens shall execute, acknowledge and deliver any and all documents reasonably necessary to lease such Transfer Capability and otherwise carry out the terms and conditions of this DCA. Upon closing of the lease of the Transfer Capability pursuant to the exercised Option, Citizens shall pay to SDG&E the prepaid rent amount set forth in Section 4.2.4 (Prepaid Rent for Close of Option). Closing of the Option may be accomplished through use of an escrow arrangement as mutually agreed by the Parties.

"Section 4.2.4 Prepaid Rent for Close of Option. The prepaid rent to be paid by Citizens for Transfer Capability leased pursuant to exercise of the Option shall be as close as reasonably possible to 50% of the actual cost incurred by SDG&E to develop, design, permit, engineer and construct the Border-East Line, including AFUDC and payments still due under pending construction contracts for work to be completed after closing of the Option. SDG&E shall provide Citizens a good faith estimate of all such costs in writing no later than 90 days prior to the Target Closing Date. Ten days prior to the Target Closing Date, SDG&E shall advise Citizens of the final prepaid rent to be paid by Citizens for Transfer Capability which shall include SDG&E's AFUDC for the ensuing 30

days. Upon closing Citizens shall pay such final prepaid rent. Citizens shall be responsible for obtaining its own financing for the prepaid rent, and SDG&E has no obligation to provide or guarantee financing to Citizens if Citizens is unable to secure any part of its financing.

2.3 Final Construction Activities Subsequent to Close of Option. Section 4.2.5 of the DCA is hereby amended by deleting such section in its entirety.

2.4 Assignment.

(a) The second to last sentence in Section 12.2.1 of the DCA that reads “Any change of control of a Party (or of any parent entity holding directly or indirectly at least fifty percent of the equity interest in such Party if such interest constitutes more than thirty percent of the value of such parent entity) whether voluntary or by operation of law shall be deemed an assignment hereunder” is hereby deleted in its entirety.

(b) Section 12.2.1 of the DCA is hereby amended by inserting the following sentence at the end of such section: “Notwithstanding anything to the contrary herein, SDG&E consents to the exercise of the Option and execution of the Transfer Capability Lease by Citizens Sunrise Transmission LLC, a Massachusetts limited liability company, a wholly owned subsidiary of Citizens.”

### **ARTICLE 3. MISCELLANEOUS**

3.1 Amended Agreement. Any reference to the DCA shall mean a reference to the DCA as amended by this Amendment. Except as expressly set forth herein, the DCA shall remain unchanged and in full force and effect and the terms thereof are hereby ratified and incorporated as if fully set forth herein. The amendments set forth herein are limited to the specifics hereof and shall not operate as a consent to any further or other matter under the DCA. This Amendment, and terms and provisions hereof, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or discussions relating to the subject matter hereof.

3.2 Governing Law. This Amendment and the obligations hereunder shall be governed by the Laws of the State of California, without regard to principles of conflicts of law.

3.3 Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original.

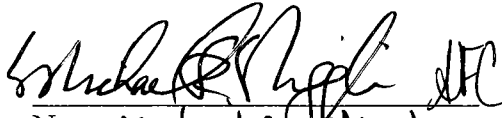
3.4 Full Force and Effect. Each Party confirms that the DCA is in full force and effect and remains a binding obligation of the Parties.

*[Signature pages follows]*

IN WITNESS WHEREOF, the Parties have executed this First Amendment to Development and Coordination Agreement as of the date first above written.

**SDG&E:**

SAN DIEGO GAS & ELECTRIC COMPANY,  
a California corporation

By:   
Name: Michael R. Niggli  
Title: President & COO

**CITIZENS:**

CITIZENS ENERGY CORPORATION,  
a Massachusetts non-profit corporation

By: \_\_\_\_\_  
Name:  
Title:

**IN WITNESS WHEREOF**, the Parties have executed this First Amendment to Development and Coordination Agreement as of the date first above written.

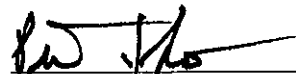
**SDG&E:**

SAN DIEGO GAS & ELECTRIC COMPANY,  
a California corporation

By: \_\_\_\_\_  
Name:  
Title:

**CITIZENS:**

CITIZENS ENERGY CORPORATION,  
a Massachusetts non-profit corporation

By:  \_\_\_\_\_  
Name: Peter F. Smith  
Title: COO



**TRANSFER CAPABILITY LEASE**  
**BY AND BETWEEN**  
**SAN DIEGO GAS & ELECTRIC COMPANY**  
**AND**  
**CITIZENS SUNRISE TRANSMISSION LLC**

**DATED AS OF JULY 3, 2012**

**SUNRISE POWERLINK PROJECT**  
**BORDER-EAST LINE**

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## TRANSFER CAPABILITY LEASE

This TRANSFER CAPABILITY LEASE (this “Lease”) is made and entered into as of July 3, 2012 (the “Effective Date”), by and between San Diego Gas & Electric Company, a California corporation (“SDG&E”), and Citizens Sunrise Transmission LLC, a Delaware limited liability company (“Citizens Sunrise Transmission”) and a wholly owned subsidiary of Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”). Each of SDG&E and Citizens Sunrise Transmission shall be referred to herein individually as a “Party” and collectively as the “Parties.”

### RECITALS

- A. SDG&E has been developing a transmission project known as the Sunrise Powerlink Project to connect the Imperial Valley Substation to its transmission system at a central location in its service territory (as more fully defined herein, the “Project”).
- B. On May 11, 2009, SDG&E and Citizens Energy entered into a Development and Coordination Agreement (the “Original DCA”) pursuant to which SDG&E would develop, design, permit, engineer, procure, construct and own a transmission project known as the Sunrise Powerlink Project, and Citizens Energy has an option (the “Option”) to lease certain interests or entitlements in the Project. SDG&E and Citizens Energy entered into that certain First Amendment to Development and Coordination Agreement (together with the Original DCA, the “DCA”) dated as of December 21, 2011 to, among other things, set forth the form of transfer capability lease pursuant to which Citizens Energy or Citizens Sunrise Transmission could lease certain interests or entitlements in the Project if the Option was exercised and to provide that Citizens Sunrise Transmission is authorized to exercise the Option and execute this Lease.
- C. Pursuant to the CAISO Agreements (as defined below), CAISO assumed operational control of the Project upon its completion.
- D. On May 29, 2012, Citizens Sunrise Transmission notified SDG&E that Citizens Sunrise Transmission had exercised the Option.
- E. The Parties desire to enter into this Lease to, among other things, set forth the terms pursuant to which Citizens Sunrise Transmission will lease from SDG&E 50% of the transfer capability of a portion of the Project, all as more particularly set forth herein.

NOW THEREFORE, the Parties agree as follows:

### ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION

Section 1.1 Definitions. As used in this Lease, the following terms shall have the following meanings unless otherwise stated or the context otherwise requires:

“Additional Rent” shall have the meaning set forth in Section 4.1.2.

“AFUDC” refers to an Allowance for Funds Used During Construction, recognizing the cost to SDG&E of financing the development, design, permitting, engineering, procurement, and construction of the Project.

“Appendix X” means Appendix X of SDG&E’s currently effective Transmission Owner Tariff (FERC Docket No ER12-1417), which was accepted for filing by FERC on June 8, 2012.

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Border-East Line are assessed against SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sunrise Transmission, the aggregate amount of any Property Taxes in such period multiplied by the Citizens Percentage Interest for such period, and (ii) if the Property Taxes on the Border-East Line are assessed against both SDG&E and Citizens Sunrise Transmission, the aggregate amount of such Property Taxes that are directly attributable to the Citizens Transfer Capability in such period. The Parties agree that, to the best of their knowledge, Appendix X in effect as of the Effective Date defines an allocation of Property Taxes to Citizens Sunrise Transmission in a manner that as of the date hereof is consistent with this definition of Applicable Portion of Property Taxes.

“Applicable Reliability Standard” means reliability standards established by the Western Electricity Coordinating Council and reliability standards approved by FERC under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system.

“Balancing Authority” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

“Balancing Authority Area” means an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (i) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (ii) maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice; (iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

“BLM” means the Bureau of Land Management, an agency within the United States Department of the Interior.

“Border Demarcation” means a demarcation point on the Project where the Transfer Capability interests of the Parties change, which point shall be the border between San Diego County and Imperial County, as generally depicted in Schedule 1.1.

“Border-East Line” means the 500 kV transmission line that extends east of the Border Demarcation up to, but not including, the Imperial Valley Substation, as generally depicted in Schedule 1.1, together with such modifications of the line as may be implemented from time to time. For the avoidance of doubt, the Border-East Line shall include only the 500 kV

transmission line and shall not include any transmission facilities that may operate at a lower voltage, or any substation facilities.

“Border-West Facilities” means the 500kV and 230kV transmission lines and associated facilities extending west of the Border Demarcation, including without limitation, a 500/230 kV substation located in the east-central portion of SDG&E’s electrical system known as the Suncrest Substation and all down-stream 230 kV improvements to one or more existing SDG&E substations and related transmission facilities and any transmission facilities that may operate at a lower voltage, as generally depicted in Schedule 1.1, together with such modifications of such facilities as may be implemented from time to time.

“Business Day” means any day except Saturday, Sunday or a weekday on which commercial banks in New York City, New York or San Diego, California are required or authorized to be closed.

“CAISO” means the California Independent System Operator Corporation or its successors.

“CAISO Agreements” means the electric tariff at any time filed with FERC by the CAISO (or any successor System Operator) and any other applicable CAISO (or any successor System Operator) agreements, tariffs, manuals, protocols or rules setting forth the rights and obligations of Persons with respect to the CAISO (or any successor System Operator) controlled grid, or any successor electric tariff at any time filed with FERC setting forth the rights and obligations of Persons with respect to SDG&E’s transmission system.

“CAISO Eligible Customer” means an “Eligible Customer” as defined in the CAISO Agreements or any other successor customer who is eligible to obtain transmission service pursuant to the CAISO Agreements.

“Citizens Percentage Interest” means 50%, subject to adjustment pursuant to Section 3.5.

“Citizens Share of O&M Costs” shall have the meaning set forth in Section 4.1.2.

“Citizens Sunrise Transmission” has the meaning set forth in the introductory paragraph hereto.

“Citizens Transfer Capability” means the Citizens Percentage Interest of the Transfer Capability on the Border-East Line.

“Commencement Date” shall have the meaning set forth in Section 2.2.

“Commercial Operation Date” and “COD” means the date on which the Project begins commercial operation and Operational Control of the Project has been transferred to and accepted by the System Operator in accordance with the terms of the CAISO Agreements.

“Costs of Transfer Capability” shall have the meaning set forth in Section 4.3.2(a).



“CPCN Application” means the August 4, 2006 amended application to the CPUC for the certificate of public convenience and necessity for the Project (including the “Proponent’s Environmental Assessment”) and all schedules, exhibits, attachments and appendices thereto filed on August 4, 2006.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project,” and all attachments thereto, issued by the CPUC on December 18, 2008.

“CPUC” means the California Public Utilities Commission.

“DCA” has the meaning set forth in the recitals hereto.

“Defaulting Party” shall have the meaning set forth in Section 6.1.

“Effective Date” has the meaning set forth in the introductory paragraph hereto.

“Event of Default” has the meaning set forth in Section 6.1.

“FERC” means the Federal Energy Regulatory Commission.

“Final EIR/EIS” means the Final Environmental Impact Report/Environmental Impact Statement, prepared jointly by the CPUC and the BLM, as certified by the CPUC and defined in the CPCN Decision.

“Financing Costs” shall have the meaning set forth in Section 4.3.2(a).

“Force Majeure” means an event or circumstance that prevents one Party from performing its obligations hereunder, which event or circumstance was not foreseen as of the date the DCA was entered into, which is not within the control of or the result of the negligence of the affected Party, and which, by the exercise of due diligence, the Party is unable to mitigate or avoid or cause to be avoided, including but not limited to (but only to the extent that the following examples satisfy such definition) (a) acts of God, such as droughts, floods, earthquakes, and pestilence, (b) fires, explosions, and accidents, (c) war (declared or undeclared), riots, insurrection, rebellion, acts of the public enemy, acts of terrorism and sabotage, blockades, and embargoes, (d) storms and other climatic and weather conditions that are abnormally severe for the period of time when, and the area where, such storms or conditions occur, including typhoons, hurricanes, tornadoes and lightning, (e) strikes or other labor disturbances, (f) changes in permits from Governmental Authorities or the conditions imposed thereunder or the failure to renew such permits not due to the failure of the affected Party to timely submit applications, and (g) the enactment, adoption, promulgation, modification, or repeal after the date hereof of any applicable law. Notwithstanding the foregoing, under no circumstance shall an event of Force Majeure be based on: (i) changes in market conditions or the economic health of a Party, (ii) the affected Party’s failure to timely seek to obtain, modify, amend or extend permits, approvals, or other required action from any Governmental Authority, (iii) any action or inaction by the board of directors of a Party to the extent that such Party is seeking to excuse its failure to perform as an event of Force Majeure; and/or (iv) any failure to make payments.

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not limited to the optimum practice, method, or act to the exclusion of all others, but rather to the acceptable practices, methods, or acts generally accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

“Governmental Authority” means any federal, state, local, territorial or municipal government and any department, commission, board, bureau, agency, instrumentality, judicial or administrative body thereof.

“IID” means Imperial Irrigation District, an irrigation district organized under the laws of the state of California.

“Imperial Valley Substation” means the 500/230 kV substation, including those modifications necessary to connect the Border-East Line to the existing 500 kV bus, located southwest of El Centro, California, as generally depicted in Schedule 1.1, together with such modifications of such facilities as may be implemented from time to time, and currently owned by IID and SDG&E as tenants in common pursuant to, and in proportion to the allocation set out in, that certain California Transmission System Participation Agreement, dated May 1, 1983, as amended, modified, or supplemented from time to time, between SDG&E and IID.

“Lease” has the meaning set forth in the introductory paragraph hereto.

“Local Furnishing Bond Encumbrances” means those legal restrictions or contractual covenants binding on SDG&E and the operation of SDG&E’s transmission lines and associated facilities arising out of or related to its Local Furnishing Bonds, as such legal restrictions or contractual covenants may be amended, modified, or supplemented from time to time pursuant to applicable law. As of the Effective Date, the Local Furnishing Bond Encumbrances are summarized in Exhibit C.

“Memorandum” has the meaning set forth in Section 13.15.

“Notice” means a written notice delivered in accordance with Section 13.1.

“Operational Control” means the rights of the Balancing Authority to direct the operation of transmission facilities and other electric plant in the Balancing Authority Area affecting the reliability of those facilities for the purpose of affording comparable, non-discriminatory transmission access and meeting Applicable Reliability Standards.

“Option” has the meaning set forth in the recitals hereto.

“Original DCA” has the meaning set forth in the recitals hereto.

“Parties” and “Party” have the meanings set forth in the introductory paragraph hereto.

“Percentage Interest” means the Citizens Percentage Interest or the SDG&E Percentage Interest, as applicable.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority.

“Personal Property Taxes” means all taxes, assessments, license fees and other governmental charges that are levied and assessed during the Term against personal property, fixtures and equipment and that are attributable to the Border-East Line.

“Prepaid Rent” shall have the meaning set forth in Section 4.1.1.

“Project” means the Sunrise Powerlink Project transmission line constructed and owned by SDG&E, and reasonable alterations thereto, as generally depicted in Schedule 1.1. For purposes hereof, the Project is divided into the following components: the Border-West Facilities, the Border-East Line, and the Imperial Valley Substation, as generally depicted in Schedule 1.1.

“Property Taxes” means all Real Property Taxes and all Personal Property Taxes.

“PTO” means a Participating Transmission Owner as defined in the CAISO Agreements.

“Real Property Taxes” means all real property general and special taxes and assessments that are levied and assessed against land and improvements and that are attributable to the Border-East Line, including without limitation real property assessments and taxes, water and sewer and other similar governmental charges levied upon or attributable to the Border-East Line, assessments or charges levied upon or attributable to the Border-East Line by any redevelopment agency, and any tax attributable to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Border-East Line or any portion thereof.

“Referral Date” shall have the meaning set forth in Section 12.2.

“Reimbursable Property Taxes” means any Property Tax attributable to the Border-East Line that is paid by SDG&E and that Citizens Sunrise Transmission is required by Section 8.1 to reimburse.

“Rent” has the meaning set forth in Section 4.1.2.

“SDG&E” has the meaning set forth in the introductory paragraph hereto.

“SDG&E Indenture” means that certain Mortgage and Deed of Trust, as amended from time to time, dated as of July 1, 1940, from SDG&E as trustor to U.S. Bank (successor to the Bank of California, National Association) as trustee, a true and complete copy of which has been delivered to Citizens Sunrise Transmission.

“SDG&E Representative Rate” has the meaning set forth in Section 4.3.2(a).

“System Operator” means the CAISO or, if SDG&E is no longer a member of the CAISO, the successor regional transmission entity, if any, that has Operational Control over SDG&E’s transmission system and provides transmission service under rates, terms and conditions regulated by FERC pursuant to Section 205 of the Federal Power Act, or, if SDG&E is no longer a member of the CAISO or any such successor regional transmission entity, SDG&E.

“Term” has the meaning set forth in Section 2.2.

“Transfer Capability” means the maximum amount of power (in mega-watts) that can be transferred over part, or all, of the Border-East Line at any time in a reliable manner under a specific set of defined pre-contingency and post-contingency system configurations and conditions in accordance with Western Electricity Coordinating Council standards and Good Utility Practices. The holder of Transfer Capability that is under the Operational Control of the CAISO (or any successor System Operator including SDG&E, as the case may be), for the benefit of and made available to CAISO Eligible Customers, is entitled to all associated rights and revenues from use of the Transfer Capability as defined (or subsequently defined) by the CAISO Agreements, or, in the absence of any such CAISO Agreements, rights and revenues similar to such associated rights and revenues.

Section 1.2 Rules of Interpretation. Unless otherwise provided herein or the context otherwise requires: (a) words denoting the singular include the plural and vice versa; (b) words denoting a gender include both genders; (c) references to a particular part, clause, section, paragraph, article, party, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or a party, exhibit, schedule or other attachment to the document in which the reference is contained; (d) a reference to any statute or regulation includes all statutes or regulations varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations issued or otherwise applicable under that statute to the extent consistent with the Parties’ original intent hereunder; (e) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time; (f) a definition of or reference to any document, instrument or agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement; (g) a reference to any person includes such person’s successors and permitted assigns in that designated capacity; (h) any reference to “days” shall mean calendar days unless Business Days are expressly specified; and (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

## **ARTICLE II. LEASE; TERM**

Section 2.1 Lease. SDG&E hereby leases to Citizens Sunrise Transmission, and Citizens Sunrise Transmission hereby leases from SDG&E, the Citizens Transfer Capability on the terms and conditions set forth in this Lease.

Section 2.2 Term. The term of this Lease shall commence as of the Effective Date (the “Commencement Date”) and shall expire (unless otherwise earlier terminated pursuant to this Lease) at 11:59 p.m. Pacific time on the day before the 30<sup>th</sup> anniversary of the

Commencement Date (the “Term”). At the conclusion the Term, Citizens Sunrise Transmission shall have no further interest in the Project hereunder, the Citizens Transfer Capability shall revert to SDG&E, and Citizens Sunrise Transmission and SDG&E shall have no further rights or obligations vis-à-vis each other except to pay amounts and fulfill other obligations existing as of the time of conclusion of the Term. For the avoidance of doubt, the Parties acknowledge that the Commercial Operation Date has occurred.

**ARTICLE III. COMPLETION OF CONSTRUCTION; UPGRADES AND REPAIRS; OPERATION AND MAINTENANCE; INTERCONNECTION**

Section 3.1 Completion of Construction. SDG&E shall use commercially reasonable efforts to achieve COD and thereafter complete all punch list items and all other final construction activities on the Project in accordance with Good Utility Practice as soon as reasonably practicable. For avoidance of doubt, for purposes of this Article III and any other provisions of this Lease relating to work performed on the Project by SDG&E, SDG&E may undertake work on the Project itself or through third party contractors.

Section 3.2 Operation and Maintenance. Except to the extent that SDG&E has transferred Operational Control of the Border-East Line to the System Operator, SDG&E shall be responsible for overseeing and performing all operations and maintenance services for the Border-East Line (including any aspect thereof related to or necessary for the Citizens Transfer Capability) in accordance with all regulations and Good Utility Practice, including standards and agreements of CAISO (or any successor System Operator) and the Western Electricity Coordinating Council.

Section 3.2.1 Except as provided in Section 9.2, SDG&E and Citizens intend to share the benefits and burdens of the Border-East Line, including any damages for any act or failure to act, whether by negligence or otherwise, arising out of or relating to the operation or maintenance of the Border-East Line, in accordance with their percentage share of the Transfer Capability in the Border-East Line. Accordingly, except as provided in Section 9.2, each Party (“Indemnitor”) shall be responsible for, and shall indemnify the other Party and its officers, employees, representatives, advisors, contractors and agents (“Indemnitees”) from and against, such Indemnitor’s Percentage Interest of all liability and expense on account of any and all damages, claims or actions including injury to or death of persons or damage to property arising from any act or failure to act, by either Party, its officers, employees, representatives, advisors, contractors or agents, whether by negligence or otherwise, arising out of or pertinent to the operation or maintenance of the Border-East Line. Except as provided in Section 9.2, the indemnification provisions set forth in this Section 3.2.1 shall apply to all types of claims or actions including, but not limited to, claims or actions based on contract, tort, patent or trademark. The provisions of this Section 3.2 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of its insurance policies.

Section 3.2.2 The gross amount that an Indemnitor is liable to, for, or on behalf of an Indemnitee shall be reduced by any insurance proceeds received by or on behalf of the Indemnitee in respect of the damage, claim, or action giving rise to an indemnity obligation

hereunder. Further, each Party hereby waives all rights of recovery against the other Party on account of loss, damage, or injury incurred by such waiving Party to the extent that such loss, damage, or injury is insured against and covered under any insurance policies of such waiving Party provided that such waiver shall not be effective if it voids or otherwise invalidates any coverage or policy. Each Party shall cause its insurance policies to provide that the insurance company waives all right of recovery by way of subrogation against the other Party in connection with any damage covered by such policy.

Section 3.3 Future Upgrades; Increases in Transfer Capability. Subject to the other terms and conditions of this Lease, SDG&E shall be solely entitled to decide upon, develop, design, engineer, procure, construct, commission, own, operate, maintain and finance any upgrades to all or any portion of the Project after the Commercial Operation Date for purposes of increasing the Transfer Capability of all or any portion of the Project. SDG&E shall be solely responsible to pay the costs of such upgrades. Citizens Sunrise Transmission agrees that it will not oppose any upgrades sought before any Governmental Authority, System Operator, or Balancing Authority by SDG&E.

Section 3.4 Future Replacement and Renewal; No Increases in Transfer Capability. SDG&E shall be solely entitled to determine whether any additional capital investment is needed for replacement or renewal of facilities of the Project resulting in no increases in the Transfer Capability of the Project, and if so, the timeframe for the same. SDG&E shall be solely entitled to itself undertake or undertake by way of contracts with others to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance such replacement or renewals of the facilities of the Project. SDG&E shall be responsible for all costs of such replacement or renewal.

Section 3.5 Adjustment of Citizens Percentage Interest. The Citizens Percentage Interest shall be adjusted as described below. SDG&E shall give Citizens Sunrise Transmission written notice of any adjustment to the Citizens Percentage Interest pursuant to this Section 3.5 as soon as reasonably practicable following such adjustment. Such notice shall specify the effective date of such adjustment, the new Citizens Percentage Interest, and the subsection of this Section 3.5 pursuant to which such adjustment shall be made, and such notice shall be accompanied by any other information required to be delivered by this Section 3.5.

Section 3.5.1 Construction Cost True-Up. The Parties acknowledge that the Prepaid Rent has been determined prior to the date when all costs incurred by SDG&E to develop, design, permit, engineer and construct the Border-East Line, including AFUDC and payments still due under pending construction contracts for work to be completed after the Effective Date, are fully known. Accordingly, SDG&E shall provide to Citizens Sunrise Transmission an accounting of such costs promptly after SDG&E has finally determined such costs, and the Citizens Percentage Interest shall be adjusted at such time to equal the ratio of the Prepaid Rent divided by the aggregate of all costs incurred by SDG&E to develop, design, permit, engineer and construct the Border-East Line, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date.

Section 3.5.2 Future Upgrades in Transfer Capability. To the extent that the Border-East Line is upgraded pursuant to Section 3.3 resulting in increases or decreases in the

Transfer Capability of the Border-East Line, then all such increases or decreases in Transfer Capability resulting from such upgrade shall be allocated to SDG&E and the Citizens Percentage Interest shall be adjusted accordingly. For example, if the Border-East Line were rated at 1000MW, a given upgrade to the Border-East Line would cause the rating to increase by 200MW and at the time of the upgrade Citizens Sunrise Transmission and SDG&E each held a 50% share of the Transfer Capability on the Border-East Line, then the Citizens Percentage Interest on the Border-East Line would decrease from 50% to 41.67% (500MW / 1200MW).

Section 3.5.3 Future Replacement and Renewal. To the extent that SDG&E makes any additional capital investments in the Border-East Line pursuant to Section 3.4 resulting in no increases in the Transfer Capability of the Border-East Line, the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest of the Border-East Line multiplied by the former net book value of the Border-East Line prior to such additional capital investment divided by (b) the new net book value of the Border-East Line (including all new funding of replacements or renewals as part of the new net book value). For example, assume that the Border-East Line has a net book value of \$300 million prior to replacement or renewals and requires additional capital investments of \$10 million for replacement costs pursuant to Section 3.4 (and thus would have a net book value of \$310 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 50% and SDG&E makes such \$10 million capital investment in the Border-East Line, then the Citizens Percentage Interest would be reduced from 50% to 48.39%. For purposes of this section, the “net book value” of the Border-East Line shall be equal to SDG&E’s historical cost basis of the Border-East Line less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Sunrise Transmission pays to SDG&E shall not reduce the cost basis.

Section 3.5.4 Other Future Changes in Transfer Capability. For avoidance of doubt, the Citizens Percentage Interest shall not be adjusted as a result of any increases or decreases in the Transfer Capability on the Border-East Line resulting from changes to the configuration of adjoining systems or upgrades to adjoining systems, including the systems of SDG&E and IID beyond the Border-East Line.

Section 3.6 Interconnection Facilities. Subject to the CAISO Agreement and rules governing interconnection, as between SDG&E and Citizens Sunrise Transmission, SDG&E will be the interconnection agent for the Project and on behalf of Citizens Sunrise Transmission with respect to the Citizens Transfer Capability. In particular, SDG&E will process all requests for interconnection to the Project, SDG&E will develop, design, engineer, procure, construct, commission, own, operate, maintain, and arrange funding for such interconnection facilities, including all substations and switchyards connected to the Project, and SDG&E will retain all ownership and Transfer Capability interests in such interconnection facilities.

#### **ARTICLE IV. RENT; RATE RECOVERY**

Section 4.1 Rent. The rent due under this Lease shall be as follows:

Section 4.1.1 Prepaid Rent. Pursuant to Section 4.2.3 of the DCA, concurrently with the commencement of this Lease on the Commencement Date Citizens Sunrise

Transmission will make a payment of \$85.194 million to SDG&E as prepaid rent (the “Prepaid Rent”).

Section 4.1.2 Additional Rent. Citizens Sunrise Transmission shall pay, subject to Sections 4.3.4 and 8.3, additional rent monthly in arrears in an amount equal to the sum of (i) the operations and maintenance costs incurred by SDG&E that are reasonably attributable to the Citizens Transfer Capability and SDG&E’s performance of Section 3.2, including a reasonable allocation of administrative and general activities, general and common plant, the amortized cost of removing the Border-East Line, sales, use and excise taxes, and other costs described in Appendix X (other than Property Tax) (the “Citizens Share of O&M Costs”), plus (ii) Reimbursable Property Tax (the sum of (i) and (ii) is referred to as the “Additional Rent,” and, together with the Prepaid Rent, the “Rent”). SDG&E shall provide to Citizens Sunrise Transmission an invoice of the Additional Rent for each month during the Term within 30 days after (but no earlier than) the conclusion of such month, and Citizens Sunrise Transmission shall be required to pay such amount to SDG&E within 30 days after receipt of such invoice.

Section 4.2 Regulation of Citizens Sunrise Transmission’s Rates. Subject to Section 4.3, Citizens Sunrise Transmission shall file or cause to be filed with FERC, a transmission service tariff for recovery of its costs associated with the Citizens Transfer Capability. The Citizens Transfer Capability shall be provided for the benefit of and made available to CAISO Eligible Customers (or similarly situated customers of the successor System Operator in the event the CAISO is no longer the System Operator) at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act.

Section 4.3 Citizens Sunrise Transmission’s Cost Recovery Methodology. Citizens Sunrise Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Sunrise Transmission limited to the recovery of the following transmission costs. For the avoidance of doubt, Citizens Sunrise Transmission shall be entitled to, and SDG&E shall not oppose, rate recovery that is not affected by any reduction in its Transfer Capability associated with SDG&E’s funding of renewals, replacements or upgrades to all or any portion of the Project pursuant to Section 3.3, Section 3.4 or otherwise.

Section 4.3.1 Operating Costs. Citizens Sunrise Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Sunrise Transmission as provided for in Section 4.1.2 and all other reasonably and prudently incurred costs for operation and maintenance on an annual formulaic basis, including administrative and general activities (and any sales, use, and excise tax) and the Applicable Portion of Property Taxes, directly attributable to Citizens Transfer Capability on the Project as recorded in FERC accounts, including but not limited to the following accounts: 408.1, 560-573, 908, and 920-935 under the FERC Uniform System of Accounts.

Section 4.3.2 Capital Requirements. Citizens Sunrise Transmission shall seek recovery for all other costs associated with the Citizens Transfer Capability at a fixed rate that is no higher than the rate SDG&E could recover at the time of COD if SDG&E held the Citizens Transfer Capability. This fixed rate is intended to cover all costs associated



with the Citizens Transfer Capability (other than the operating costs described in Section 4.3.1 above) including Prepaid Rent (including capitalized property taxes) and other costs of Transfer Capability, debt service, capitalized interest, liquidity reserves, taxes (excluding the Applicable Portion of Property Taxes and the sales, use, or excise taxes which are included in the Citizens Share of O&M Costs and the operating costs addressed by Section 4.3.1 above), charitable contributions, and any and all other costs. For purposes of determining the rate SDG&E could recover at the time of COD if SDG&E held the Citizens Transfer Capability, the Parties agree to use the model attached hereto as Exhibit A.

(a) The model calculates a theoretical annual rate (for a fifty-eight-year depreciable life) that SDG&E could recover at the time of COD if SDG&E held the Citizens Transfer Capability and then amortized that rate over a thirty year period on a level basis each year based on fixed and variable parameters set forth in the model to produce a theoretical levelized annual amount (the “SDG&E Representative Rate”). The only variable parameters that shall be entered into the model to determine the SDG&E Representative Rate are: (1) five-day average Moody’s Aa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUAA, (2) the actual Costs of Transfer Capability (defined below), and (3) the portion of the actual Costs of Transfer Capability that is SDG&E’s actual AFUDC. The phrase “Costs of Transfer Capability” shall mean 101% of the sum of the Prepaid Rent plus all reasonably incurred project costs, development costs, regulatory costs, transactional costs, sales costs, use or excise tax costs, and Financing Costs (defined below) incurred by Citizens Sunrise Transmission allocated to the Citizens Transfer Capability. The phrase “Financing Costs” shall mean (a) with respect to any bridge financing that Citizens Sunrise Transmission may consummate prior to the term financing that Citizens Sunrise Transmission will consummate for the final acquisition of the Citizens Transfer Capability, all reasonable and customary financing costs, including without limitation, lenders’ fees, consultants’ fees (for Citizens Sunrise Transmission and its lenders), lawyers’ fees (for Citizens Sunrise Transmission and its lenders), and interest associated with such bridge financing, and (b) with respect to the term financing that Citizens Sunrise Transmission will consummate for the final acquisition of its Transfer Capability, all reasonable and customary consultants’ fees (for Citizens Sunrise Transmission and its lenders), lawyers’ fees (for Citizens Sunrise Transmission and its lenders), and capitalized interest charged prior to commencement of rate recovery, and excluding any lenders’ fees and any amounts set aside for reserve accounts. For purposes of clarity, the extra one percent is intended to account for, among other costs, the ordinary and customary lenders’ fees that SDG&E would have incurred if it held the Citizens Transfer Capability.

(b) The following parameters, among others, are constants in the model and shall not be reset at any time in determining the SDG&E Representative Rate: (1) SDG&E’s return on equity fixed at 11.35%, (2) SDG&E’s capital structure fixed at 50% equity and 50% debt, (3) SDG&E’s property tax rate fixed at 1.246%, and (4) SDG&E’s composite state and federal

income tax rate fixed at 40.75%. For purposes of explanation, the model also calculates the following parameters, among others, in determining the SDG&E Representative Rate: (x) SDG&E estimated debt rate for 30 years which is the five-day average Moody's Aa 30-year Utility Bond Index less 38 basis points, (y) SDG&E weighted average cost of capital which is the weighted average (based on the SDG&E fixed capital structure in clause (2)) of the SDG&E return on equity in clause (1) and the SDG&E estimated debt rate in clause (x), and (z) SDG&E discount rate which is equal to the SDG&E weighted average cost of capital in clause (y). The example attached hereto as part of Exhibit A sets forth the SDG&E Representative Rate for a five-day average Moody's Aa 30-year Utility Bond Index equal to 3.82% and Costs of Transfer Capability equal to \$94,726,890.

(c) At the time Citizens Sunrise Transmission makes the compliance filing related to its application made on December 23, 2011 in FERC Docket No. ER12-686 seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 4.3.2 and conditionally accepted by the FERC pursuant to an order issued on February 21, 2012 in FERC Dockets Nos. ER12-686 and EL10-03-001, Citizens Sunrise Transmission shall demonstrate that its proposed rate methodology (including any of the adjustments described under Section 8.3) results in an annual fixed rate for recovery of the costs described in this Section 4.3.2 such that the sum of such annual fixed rate plus the levelized annual cost over the entire Term of the Applicable Portion of Property Taxes is no greater than the SDG&E Representative Rate (which also shall include any adjustments described in Section 8.3).

(d) For purposes of determining whether Citizens Sunrise Transmission has a fixed rate that is no higher than the rate SDG&E could recover at the time of COD if SDG&E held the Citizens Transfer Capability in compliance with this Section 4.3.2, the Parties shall compare the SDG&E Representative Rate (which does not include any of the adjustments described under Section 8.3 but does include property tax) against the sum of Citizens Sunrise Transmission's FERC-approved annual fixed rate for recovery of the costs described in this Section 4.3.2 (excluding any of the adjustments described under Section 8.3) plus the levelized annual cost over the entire Term of the projected Applicable Portion of Property Taxes at such time as Citizens Sunrise Transmission consummates the debt financing transaction for this Lease of the Citizens Transfer Capability and at such time as Citizens Sunrise Transmission submits its compliance filing to FERC showing its actual rates based on the FERC-accepted annual fixed rate methodology.

(e) In the event Citizens Sunrise Transmission is not able to demonstrate to the FERC that the sum of its fixed annual rate (excluding any of the adjustments described under Section 8.3) plus the levelized annual cost over the entire Term of the projected Applicable Portion of Property Taxes is no higher than the SDG&E Representative Rate (which also does not include any of the adjustments described under Section 8.3), then Citizens Sunrise Transmission

agrees to limit or cap its fixed annual rate (excluding any of the adjustments described under Section 8.3) before the FERC such that the sum of its fixed annual rate (excluding any of the adjustments described under Section 8.3) plus the levelized annual cost over the entire Term of the projected Applicable Portion of Property Taxes shall be equal to the SDG&E Representative Rate (which also does not include any of the adjustments described under Section 8.3).

Section 4.3.3 Waiver of Section 205/206 Rights. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges being levied by a Governmental Authority, to the fullest extent permitted by applicable law, Citizens Sunrise Transmission, for itself and its successors and assigns, shall waive any rights it can or may have, now or in the future, whether under Sections 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and Citizens Sunrise Transmission covenants and agrees not at any time to seek to so obtain, an order from FERC changing the FERC-approved fixed rate for recovery of the costs described in Section 4.3.2 above. For the avoidance of doubt, to the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority, Citizens Sunrise Transmission may seek approval for inclusion in its rates an allowance to recover any such new taxes, income taxes, property taxes, fees or other charges. SDG&E shall fully support, through timely intervention and active participation in any proceeding relating to or affecting Citizens Sunrise Transmission's rates, Citizens Sunrise Transmission's recovery and implementation of rates conforming to the provisions of this Lease in accordance with Section 205 of the Federal Power Act and orders issued by FERC thereunder in order that Citizens Sunrise Transmission may acquire, finance, operate and maintain its leasehold interest in the Border-East Line. SDG&E acknowledges that among other things, Citizens Sunrise Transmission will seek recovery of and SDG&E will support Citizens Sunrise Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Border-East Line (a) all prudently incurred pre-commercial operations costs in current rates, (b) all costs of abandoned facilities, provided such abandonment is due to factors beyond Citizens Sunrise Transmission's control, and (c) all capital requirements as described in Section 4.3.2 above. SDG&E's support shall include providing FERC with assurances that all costs sought to be recovered by Citizens Sunrise Transmission through its rates that were originally incurred by SDG&E were prudently incurred.

Section 4.3.4 Credits. Citizens Sunrise Transmission shall credit to CAISO Eligible Customers any revenues that are derived from, or associated with, this Lease that are in addition to its cost-of-service recovery described above, including any tax credit payments from SDG&E under Section 8.3. Citizens Sunrise Transmission's obligations under this Section 4.3.4 shall be satisfied by crediting any such revenues against costs that it seeks to recover in its rates.

## ARTICLE V. MEETINGS; OTHER AGREEMENTS

Section 5.1 Meetings. Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Border-East Line. Either Party may call a special meeting upon reasonable advance notice and in coordination with the other Party. For avoidance of doubt, SDG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation and maintenance of the Project; provided, however, that SDG&E shall (i) provide Citizens Sunrise Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Border-East Line no less than once per year, and (ii) promptly inform Citizens Sunrise Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Sunrise Transmission or the Citizens Transfer Capability or that would result in a payment obligation by Citizens Sunrise Transmission pursuant to Section 3.2.1. Citizens Sunrise Transmission shall provide SDG&E with periodic reports regarding Citizens Sunrise Transmission's activities associated with its interest in the Border-East Line including Citizens Sunrise Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

### Section 5.2 SDG&E Covenants.

Section 5.2.1 SDG&E Provision of Cost Recovery. During the Term, if SDG&E is no longer part of the CAISO or a successor regional transmission entity that has Operational Control over SDG&E's transmission system, SDG&E shall ensure that Citizens Sunrise Transmission can recover any and all of the costs specified in Section 4.3.1 and Section 4.3.2 as if Citizens Sunrise Transmission were still recovering these costs under its FERC-filed and accepted transmission service tariff. Further, if SDG&E is no longer a member of any regional transmission entity and SDG&E itself has Operational Control over SDG&E's transmission system, then SDG&E shall guarantee or financially support (as applicable under the circumstances) the receipt by Citizens Sunrise Transmission of, such costs. While SDG&E is part of the CAISO or a successor regional transmission entity that has Operational Control over SDG&E's transmission system, SDG&E shall not be required to guarantee or financially support Citizens Sunrise Transmission's cost recovery.

Section 5.2.2 Information Sharing. Upon reasonable notice and during regular business hours, SDG&E shall allow Citizens Sunrise Transmission access to the Project site and provide other information related to the Project as may be reasonably requested by Citizens Sunrise Transmission, including but not limited to:

- (a) Costing information to ensure that costs for the Project are allocated to appropriate portions of the Project and that SDG&E keeps its accounts and provides sufficient information to Citizens Sunrise Transmission to allow Citizens Sunrise Transmission to review those allocations and accounts on an on-going basis;

- (b) Permitting information;
- (c) Plans, specifications, design, or maps of the Project; and
- (d) Contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of the Project.

Section 5.3 Citizens Sunrise Transmission Covenants.

Section 5.3.1 Low Income Energy Programs. Citizens Sunrise Transmission and SDG&E have agreed that with respect to each calendar year during the Term Citizens Sunrise Transmission shall pay one-half of Citizens Sunrise Transmission's net after-tax profits attributable to the Citizens Transfer Capability (as calculated before such payments are deducted from such profits as a business expense) to programs or entities assisting low income families of Imperial County, which shall be selected by Citizens Sunrise Transmission in its reasonable discretion and may include such programs conducted by one of its affiliates. To implement this agreement, with respect to each calendar year during the Term, Citizens Sunrise Transmission shall pay, by no later than April 30 of the following calendar year, to programs or entities assisting low income families of Imperial County an amount equal to or greater than Citizens Sunrise Transmission's Net After-Tax Cash Flow for such year (exclusive of the proceeds of indebtedness and after deducting payments required under this Section 5.3.1). If Citizens Sunrise Transmission has not finally determined its Net After-Tax Cash Flow for a calendar year during the Term by April 30 of the following calendar year, then Citizens Sunrise Transmission shall make a good faith estimate of such Net After-Tax Cash Flow for purposes of making the payment required by the previous sentence and the amount of such payment shall be trued up by Citizens Sunrise Transmission based on its final determination of such Net After-Tax Cash Flow for the applicable calendar year by no later than the date that is 180 days after it has finally determined such Net After-Tax Cash Flow for the applicable calendar year. Each year as part of its annual reporting under Section 5.1, Citizens Sunrise Transmission shall provide to SDG&E a certificate from an officer of Citizens Sunrise Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Sunrise Transmission shall be deemed to be treated as a corporation for tax purposes. For purposes of this Section 5.3.1, the following terms shall have the following meanings:

- (a) "Net After-Tax Cash Flow" means, for any calendar year, the excess, if any, of (i) all Revenues received by Citizens Sunrise Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Sunrise Transmission with respect to such year, and (B) all interest, principal, fees, premiums and make-whole amounts paid and amounts used to fund cash reserves with respect to such year by Citizens Sunrise Transmission with respect to its indebtedness (excluding therefrom any such amounts to the extent paid with funds on deposit in reserve accounts), in all cases, to the extent associated with the Citizens Transfer Capability.

(b) “Expenses” means the sum, computed without duplication, of all cash operating and maintenance expenses and capital expenditures of Citizens Sunrise Transmission, and required reserves in respect of any such expenses, in all cases, associated with the Citizens Transfer Capability, including (without duplication) (i) all amounts paid by Citizens Sunrise Transmission under this Lease (other than the Prepaid Rent) plus (ii) all costs described in Section 4.3.1 plus (iii) all federal, state and local income taxes that would be payable by Citizens Sunrise Transmission if Citizens Sunrise Transmission were treated as a corporation for tax purposes plus (iv) any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority described in Section 4.3.3 paid by Citizens Sunrise Transmission plus (v) payments made by Citizens Sunrise Transmission to programs or entities assisting low income families of Imperial County, in all cases, to the extent associated with the Citizens Transfer Capability. Expenses shall not include (A) any of the foregoing expenses to the extent paid with funds on deposit in reserve accounts, (B) distributions of any kind by Citizens Sunrise Transmission made with respect to its equity interests held by any of its affiliates, (C) depreciation or obsolescence charges or reserves therefor, amortization of intangibles, or other bookkeeping entries of a similar non-cash nature and (D) expenses covered by the proceeds of insurance that are not included in the definition of Revenues below.

(c) “Revenues” means all income, revenues, and receipts (without duplication) received by Citizens Sunrise Transmission that are derived from, or associated with, the Citizens Transfer Capability, including, without limitation, revenues from (i) the total annual authorized revenue requirement of Citizens Sunrise Transmission associated with the Citizens Transfer Capability as approved by the FERC, (ii) proceeds of any business interruption or other insurance received by Citizens Sunrise Transmission, plus (iii) the proceeds of any condemnation awards relating to the Lease received by Citizens Sunrise Transmission, plus (iv) all investment income on balances of funds held in the accounts of Citizens Sunrise Transmission, plus (v) at the maturity of all of Citizens Sunrise Transmission’s indebtedness, all balances of funds held in reserve accounts of Citizens Sunrise Transmission, in all cases, to the extent derived from, or associated with, the Citizens Transfer Capability.

Section 5.3.2 Information Sharing. Upon reasonable notice, Citizens Sunrise Transmission shall provide information related to the Project as may be reasonably requested by SDG&E including but not limited to information regarding Citizens Sunrise Transmission’s performance of its obligations under Section 5.3.1.

Section 5.3.3 Control. At all times during the Term, Citizens Sunrise Transmission shall execute any documents reasonably requested by SDG&E and provide any other cooperation reasonably requested by SDG&E in order to cause the Citizens Transfer Capability to be under the Operational Control of the System Operator.

Section 5.3.4 Local Furnishing Bonds. Citizens Sunrise Transmission agrees that during the Term of the Lease, it shall, or it shall use commercially reasonable efforts

to cause the System Operator to, undertake its Operational Control of the Citizens Transfer Capability consistent with the Local Furnishing Bond Encumbrances, as may be amended, modified, or supplemented from time to time pursuant to applicable law.

## **ARTICLE VI. EVENTS OF DEFAULT; REMEDIES**

Section 6.1 Events of Default. An “Event of Default” shall mean, with respect to either Party (a “Defaulting Party”), the occurrence of any of the following:

Section 6.1.1 Failure to Make Payment. A Party shall fail to make payments for amounts due under this Lease within 30 days after notice that such payment is past due.

Section 6.1.2 Failure to Perform. A Party shall fail to comply with any other material provision of this Lease, and any such failure shall continue uncured for 30 days after notice thereof, provided that if such failure is not capable of being cured within such period of 30 days with the exercise of reasonable diligence, then such cure period shall be extended for an additional reasonable period of time so long as the Defaulting Party is exercising commercially reasonable efforts to cure such failure.

Section 6.1.3 Failure of Representation. Any representation made by a Party hereunder shall fail to be true in any material respect at the time such representation is given and such failure shall not be cured within 30 days after notice thereof by the non-Defaulting Party.

Section 6.1.4 System Operator Control. Any of the Citizens Transfer Capability shall fail to be:

(a) provided for the benefit of and made available to CAISO Eligible Customers at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act, or

(b) in the Balancing Authority Area and under the Operational Control of the CAISO, or a successor System Operator designated by SDG&E;

and any such failure shall continue uncured for 90 days after Notice thereof from SDG&E to Citizens Sunrise Transmission.

Section 6.1.5 Assignment. The failure to comply with the assignment and subletting provisions of Section 11.1 and Section 11.2.

Section 6.1.6 Bankruptcy. Such Party becomes bankrupt.

Section 6.2 Remedies. Subject to Article XII and Section 6.3, if an Event of Default occurs and is continuing, the non-Defaulting Party shall have the right to pursue all remedies available at law or in equity, including without limitation, the right to institute an action, suit or proceeding in equity for specific performance of the obligations under this Lease.

Section 6.3 Limitation on Liability. THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY PRODUCT, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES TO BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY (OTHER THAN INJUNCTIVE RELIEF AS PROVIDED IN THIS LEASE) ARE WAIVED. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS LEASE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL, PUNITIVE, LOST PROFITS, BUSINESS INTERRUPTION OR CONSEQUENTIAL DAMAGES WHATSOEVER UNDER ANY THEORY, INCLUDING BY STATUTE, CONTRACT, TORT (INCLUDING NEGLIGENCE) OR STRICT LIABILITY, UNDER ANY INDEMNITY PROVISION SET FORTH IN THIS LEASE OR OTHERWISE, RESULTING FROM A PARTY'S PERFORMANCE OR NONPERFORMANCE OF ITS OBLIGATIONS UNDER OR TERMINATION OF THIS LEASE. THE PARTIES INTEND THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. NOTHING IN THIS SECTION PREVENTS OR IS INTENDED TO PREVENT A PARTY FROM SEEKING SPECIFIC PERFORMANCE UNLESS PERFORMANCE IS OTHERWISE EXCUSED HEREIN. THE PROVISIONS OF THIS SECTION 6.3 SHALL NOT BE CONSTRUED TO RELIEVE ANY INSURER OF ITS OBLIGATION TO PAY ANY INSURANCE PROCEEDS IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF VALID AND ENFORCEABLE INSURANCE POLICIES.

## **ARTICLE VII. REPRESENTATIONS AND WARRANTIES**

Section 7.1 SDG&E. As of the Effective Date, SDG&E represents and warrants as follows:

Section 7.1.1 Organization and Existence. SDG&E is a duly organized and validly existing corporation in good standing under the laws of the State of California and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

Section 7.1.2 Execution, Delivery and Enforceability. SDG&E has full corporate power and authority to carry on its business as now conducted, enter into, and to carry out its obligations under this Lease. The execution, delivery and performance by SDG&E of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary corporate action required on the part of SDG&E. This Lease has been duly and validly executed and delivered by SDG&E and constitutes the valid and legally binding obligations of SDG&E, enforceable against SDG&E in accordance with its terms, except as such



enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

Section 7.1.3 No Violation. None of the execution and delivery of this Lease, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the articles of incorporation or bylaws of SDG&E or any material agreement to which SDG&E is a party or by which its assets are bound; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority.

Section 7.2 Citizens Sunrise Transmission. As of the Effective Date, Citizens Sunrise Transmission represents and warrants as follows:

Section 7.2.1 Organization and Existence. Citizens Sunrise Transmission is a duly organized and validly existing limited liability company in good standing under the laws of the State of Delaware and is qualified to transact business in all jurisdictions where the ownership of its properties or its operations require such qualification, except where the failure to so qualify would not have a material adverse effect on its financial condition, its ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

Section 7.2.2 Execution, Delivery and Enforceability. Citizens Sunrise Transmission has full company power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Sunrise Transmission of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary company action required on the part of Citizens Sunrise Transmission. This Lease has been duly and validly executed and delivered by Citizens Sunrise Transmission and constitutes the valid and legally binding obligations of Citizens Sunrise Transmission, enforceable against Citizens Sunrise Transmission in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

Section 7.2.3 No Violation. None of the execution and delivery of this Lease, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the articles of incorporation or bylaws of Citizens Sunrise Transmission or any material agreement to which Citizens Sunrise Transmission is a party or by which its assets are bound; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority.

Section 7.2.4 No Objection to Current Design. Citizens Sunrise Transmission has no objection to the proposed schedule, plans, specifications, and design of the Project

to the extent described in SDG&E's CPCN Application, the Final EIR/EIS, and the CPCN Decision.

## **ARTICLE VIII. TAXES AND ASSESSMENTS**

Section 8.1 Property Taxes. The Parties contemplate that the Property Taxes on the Border-East Line will be assessed by the California State Board of Equalization. If the Property Taxes on the Border-East Line are assessed against and paid by SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sunrise Transmission, then the Additional Rent for any period shall include the Applicable Portion of Property Taxes for such period. If the Property Taxes on the Border-East Line are assessed against and paid by both SDG&E and Citizens Sunrise Transmission, then the Additional Rent for any period shall be adjusted so that Citizens Sunrise Transmission bears the cost of the Applicable Portion of Property Taxes either by reimbursement to SDG&E or payment directly to taxing authorities and SDG&E bears the remainder of the costs of such Property Taxes. If during the Term the regulatory regime by which Property Taxes are assessed shall change, then the Parties shall make appropriate adjustments to this Section 8.1 so that Citizens Sunrise Transmission bears the cost of the Applicable Portion of Property Taxes either by reimbursement to SDG&E or payment directly to taxing authorities.

Section 8.2 Section 467 Rental Agreement. It is the intention of the Parties that (i) this Lease constitute a "Section 467 rental agreement" within the meaning of Section 467(d)(1) of the U.S. Internal Revenue Code and (ii) that prepaid rent accrue for U.S. tax purposes in accordance with Section 467(b)(1) of the U.S. Internal Revenue Code, and the provisions of this Lease shall to the fullest extent feasible be construed consistent with such intention. Attached as Exhibit B is a schedule allocating the Prepaid Rent over the Term, and as shown on such schedule, the Parties shall treat items of income and expense in a reciprocal manner. The Parties shall report the Prepaid Rent as accruing for tax purposes quarterly in arrears. The Parties shall treat the Prepaid Rent to the extent it exceeds the rent that has accrued as a loan by Citizens Sunrise Transmission to SDG&E that bears interest at a rate equal to 110% of the "applicable federal rate" as required by Section 467(e)(4) of the U.S. Internal Revenue Code.

Section 8.3 Tax Benefits. As the owner of the residual interest in the Citizens Transfer Capability after the expiration or earlier termination of this Lease, SDG&E may be deemed to be the tax owner of the entire Border-East Line and may be entitled to receive tax credits or benefits, including bonus tax depreciation deductions, in connection with its ownership of the Border-East Line that Citizens Sunrise Transmission may not be entitled to receive in connection with its ownership of a leasehold interest in the Border-East Line. To the same extent that SDG&E seeks such tax credits or benefits related to its interest in the Border-East Line, SDG&E shall also seek such tax credits or benefits related to Citizens Sunrise Transmission's interest in the Border-East Line. To the extent SDG&E realizes such tax credits or benefits related to Citizens Sunrise Transmission's interest in the Border-East Line and only to the extent such tax credits or benefits are not already accounted for in the SDG&E Representative Rate model, SDG&E shall pay or credit against Additional Rent otherwise payable hereunder by Citizens Sunrise Transmission each year an amount equal to the annual revenue requirement reduction SDG&E could have realized from ratepayers if SDG&E could reduce its rates associated with such tax credits or benefits related to Citizens Sunrise

Transmission's interest in the Border-East Line, as may be reasonable and appropriate for the particular tax credit or benefit. The Parties acknowledge that neither the tax credits or benefits that SDG&E may be entitled to nor the potential reduction in SDG&E's rates associated with such tax credits or benefits, each as described under this Section 8.3, are fully known to the Parties as of the Effective Date. Accordingly, the Parties shall cooperate to determine a reasonable and equitable payment amount under this Section 8.3 each year of the Term.

## **ARTICLE IX. INSURANCE; INDEMNITY**

Section 9.1 Insurance. SDG&E shall insure the Project in accordance with its standard practices with respect to transmission projects. If SDG&E does not apply the insurance proceeds it receives directly attributable to the damage or destruction of the Border-East Line toward the repair, reconstruction, or replacement of the Border-East Line, then subject to the SDG&E Indenture, SDG&E shall pay to Citizens Sunrise Transmission a pro rata share of such insurance proceeds to the extent of its interest remaining in the Border-East Line. If SDG&E does apply the insurance proceeds it receives directly attributable to the damage or destruction of the Border-East Line toward the repair, reconstruction, or replacement of the Border-East Line and SDG&E incurs additional capital costs (including any deductibles) beyond such insurance proceeds for the repair, reconstruction or replacement of the Border-East Line, the Citizens Percentage Interest shall be adjusted pursuant to Section 3.5 in respect of such additional capital costs only (and not in respect of the insurance proceeds).

Section 9.2 Indemnity. A Party shall not be liable to the other Party for any liability, loss, claim, damage, cost or expense to the extent caused by or arising as a result of the gross negligence or willful misconduct of such other Party, its officers, employees, representatives, advisors, contractors or agents, or to the extent caused by or arising as a result of the gross negligence or willful misconduct of any other person (other than such first Party or its employees, contractors or agents) entering upon the Project site under invitation of such other Party, and such other Party agrees to indemnify, defend and hold harmless such first Party and its successors, assigns, officers, employees, representatives, advisors, contractors and agents from any liability, loss, claim, damage, cost or expense suffered or incurred by such first Party by reason of the gross negligence or willful misconduct of such other Party, its officers, employees, representatives, advisors, contractors or agents, or to the extent caused by or arising as a result of the gross negligence or willful misconduct of any other person (other than such first Party or its employees, contractors or agents) entering upon the Project site under invitation of such other Party.

## **ARTICLE X. CASUALTY; CONDEMNATION; FORCE MAJEURE**

Section 10.1 Condemnation. In the event all or a portion of the Project is temporarily or permanently condemned, each Party shall be entitled to separately apply for and claim all compensation from the condemning entity and be entitled to whatever it is awarded.

Section 10.2 Casualty. In the event of a casualty affecting the Border-East Line, SDG&E shall seek to restore service on the Border-East Line consistent with its general practices applicable to its transmission system.

Section 10.3 Force Majeure. Notwithstanding anything in this Lease to the contrary, if a Party's performance is impacted by Force Majeure, the affected Party shall be excused from performing its affected obligations under this Lease (other than the obligation to make payments with respect to obligations arising prior to the event of Force Majeure) and shall not be liable for damages or other liabilities due to its failure to perform, during any period that such Party is unable to perform due to an event of Force Majeure; provided, however, that the Party declaring an event of Force Majeure shall: (i) act expeditiously to resume performance; and (ii) exercise all commercially reasonable efforts to mitigate or limit damages to the other Party. A Party unable to perform under this Lease due to an event of Force Majeure shall: (i) provide prompt written notice of such event of Force Majeure to the other Party, which shall include an estimate of the expected duration of the Party's inability to perform due to the event of Force Majeure; and (ii) provide prompt notice to the other Party when performance resumes.

## **ARTICLE XI. ASSIGNMENT AND SUBLETTING**

Section 11.1 No Sublet. Citizens Sunrise Transmission shall not sublet all or any portion of the Citizens Transfer Capability.

Section 11.2 Assignment. Neither Party shall assign this Lease without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, delayed or withheld; provided, that no such consent shall be required for (i) subject to Section 11.3, a collateral assignment of, or creation of a security interest in, this Lease in connection with any financing or refinancing of the Project or the Rent due hereunder, or (ii) in the case of SDG&E, an assignment in connection with the merger of SDG&E with, or the acquisition of substantially all of the transmission assets of SDG&E. Any assignee shall have an equal or greater credit rating as SDG&E and the legal authority and operational ability to satisfy the obligations of SDG&E hereunder. For the avoidance of doubt, any assignment by Citizens Sunrise Transmission shall also require any third party assignee to continue to contribute to programs or entities assisting low income families of Imperial County in accordance with Section 5.3.1 of this Lease. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of any Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of such Party) where the fair market value of such Party's interest in the Border-East Line is greater than thirty percent (30%) of the fair market value of the assets of such Party or such parent entity to a person that is not an affiliate of such Party shall also constitute an assignment of this Lease requiring the other Party's prior written consent.

Section 11.3 Form of Collateral Assignment. In connection with any financing or refinancing of the Citizens Transfer Capability, Citizens Sunrise Transmission and SDG&E shall, and Citizens Sunrise Transmission shall cause each lender to, enter into a consent to collateral assignment in a customary form that is mutually agreeable to the Parties in their reasonable discretion.

Section 11.4 Right of First Refusal. Except in connection with (i) a collateral assignment under clause (i) of Section 11.2 above or (ii) any foreclosure sale or deed in lieu of foreclosure in connection with the exercise of remedies under such collateral assignment, SDG&E shall have the right of first refusal with respect to any proposed assignment by Citizens

Sunrise Transmission of all or any portion of its interest in this Lease. In the event Citizens Sunrise Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Sunrise Transmission in this Lease that Citizens Sunrise Transmission desires to accept, Citizens Sunrise Transmission shall provide SDG&E with a copy of the bona fide third party purchase offer within five Business Days following receipt thereof. For a period of 90 days following SDG&E's receipt of the bona fide third party purchase offer, SDG&E shall have the right to purchase such interest as set forth in the offer on the same terms and conditions set forth in such offer (excluding any required commitment from a third party to continue contributing to programs or entities assisting low income families of Imperial County in accordance with Section 5.3.1 of this Lease) and to conduct due diligence regarding the contemplated purchase. In the event that SDG&E elects to exercise its right, SDG&E and Citizens Sunrise Transmission shall close the purchase and sale of the interest in this Lease upon the terms and conditions contained in the offer. In the event that SDG&E elects not to exercise its right and subject to SDG&E's prior written consent under Section 11.2 above, Citizens Sunrise Transmission shall be free to sell such interest to the third party that made the offer on terms and conditions no more favorable to Citizens Sunrise Transmission than those contained in the offer. In the event that such sale is not consummated within 12 months following SDG&E's failure to exercise this right of first refusal, then SDG&E's right of first refusal shall be revived with respect to such sale. In the event that there is a material revision in any offer in favor of any prospective purchaser, then SDG&E's right of first refusal shall be revived so that SDG&E again has the right of first refusal to purchase the interest in this Lease on the revised terms.

## **ARTICLE XII. DISPUTE RESOLUTION**

Section 12.1 Intent of the Parties. The sole procedure to resolve any claim arising out of or relating to this Lease or any related agreement is the dispute resolution procedure set forth in this Article XII; provided, however, that either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the dispute by means of this procedure and nothing in this Section 12.1 shall restrict the rights of any party to file a complaint with the FERC under relevant provisions of the Federal Power Act.

Section 12.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Lease or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five Business Days after such referral date (the "Referral Date"), each Party shall provide one another Notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than 30 days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the

Parties. If the matter is not resolved within 45 days of such Referral Date, or if either Party refuses or does not meet within the 30 day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

Section 12.3 Arbitration. Any dispute that cannot be resolved by management negotiations as set forth in Section 12.2 above shall be resolved through binding arbitration by a retired judge or justice from the American Arbitration Association panel conducted in San Diego, California, administered by and in accordance with American Arbitration Association Commercial Arbitration Rules.

- (a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within 60 days after Notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within 15 days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 12.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten years experience in the field of the dispute.
- (b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within 30 days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two requests for production of documents prior to the commencement of the hearing. Depositions shall be limited to a maximum of three per Party and shall be held within 30 days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the

Parties to answer not more than 25 interrogatories (including subparts), upon good cause shown.

- (c) The arbitrator's award shall be made within nine months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to 30 days by agreement of the Parties or by the arbitrator, if necessary.
- (d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.
- (e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.
- (f) The arbitrator shall not have the power to commit errors of law or legal reasoning, and the award may be vacated or corrected on appeal to a court of competent jurisdiction for any such error.
- (g) The existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 13.2.

Section 12.4 Enforcement of Award. By execution and delivery of this Lease, each Party hereby (a) accepts and consents to the use of binding arbitration pursuant to the American Arbitration Association's Commercial Arbitration Rules and other procedures described in this Article XII, and, solely for purposes of the enforcement of an arbitral award under this Section 12.4, to the jurisdiction of any court of competent jurisdiction, for itself and in respect of its property, and (b) waives, solely for purposes of the enforcement of an arbitral award under this Section 12.4, in respect of both itself and its property, all defenses it may have as to or based on jurisdiction, improper venue or forum non conveniens. Each Party hereby irrevocably consents to the service of process or other papers by the use of any of the methods and to the addresses set out for the giving of notices in Section 13.1 hereof. Nothing herein shall affect the right of each Party to serve such process or papers in any other manner permitted by law.

Section 12.5 Performance during Arbitration. While resolution of any dispute is pending, each Party shall continue to perform its obligations hereunder (unless such Party is otherwise entitled to suspend its performance hereunder or terminate this Lease in accordance with the terms hereof), and no Party shall refer or attempt to refer the matter in dispute to a court or other tribunal in any jurisdiction, except as provided in this Article XII.

**ARTICLE XIII. MISCELLANEOUS**

Section 13.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile (provided a copy is also sent by overnight mail) to the applicable addresses below. Notice shall be effective on the next Business Day after it is sent. A Party may change its address for notices by providing notice of the same in accordance with this Section 13.1.

If to SDG&E:  
San Diego Gas & Electric  
8330 Century Park Court  
San Diego, CA 92123  
Attention: Vice President – Sunrise Powerlink  
Fax: 858-650-6106

With a copy to:  
San Diego Gas & Electric  
8330 Century Park Court  
San Diego, CA 92123  
Attention: General Counsel  
Fax: 858-650-6106

If to Citizens Sunrise Transmission:  
Citizens Sunrise Transmission  
88 Black Falcon Ave. Suite 342  
Boston, MA 02210  
Attention: Chief Operating Officer  
Fax: 617-542-4487

With copies to:  
Duncan & Allen  
1575 Eye Street, N.W.  
Washington, D.C., 20005  
Attention: Counsel to Citizens Energy Corporation  
Fax: 202-289-8450

and

Hemenway & Barnes  
60 State Street  
Boston Massachusetts 02109-1899.  
Attention: Stephen Kidder  
Fax: 617-227-0781

Section 13.2 Confidentiality. During the Term and for a period of three years after the expiration the Term, the Parties shall keep confidential any confidential information relating to the Project obtained from the other Party, and shall refrain from using, publishing or revealing such confidential information without the prior written consent of the Party whose confidential



information the disclosing Party is seeking to disclose, unless (a) compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (b) such document or information is generally available to the public; (c) such document or information was available to the disclosing Party on a non-confidential basis; (d) such document or information was available to the disclosing Party on a non-confidential basis from a third-party, provided that the disclosing Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such document or information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

Section 13.3 Public Relations. The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding this Lease or the Project.

Section 13.4 Governing Law. This Lease and the obligations hereunder shall be governed by the laws of the State of California, without regard to principles of conflicts of law.

Section 13.5 No Amendments or Modifications. This Lease shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed to in writing by the Parties. If and to the extent that the CAISO Agreements are amended or modified such that a Party or the Parties can no longer comply with the terms of this Lease, the Parties shall negotiate in good faith to amend or modify this Lease to effectuate the same intent and essential purpose of this Lease as of the Effective Date in light of the CAISO Agreements amendment or modification.

Section 13.6 Delay and Waiver. Except as otherwise provided in this Lease, no delay or omission to exercise any right, power or remedy accruing to the respective Parties hereto upon any breach or default of any other Party under this Lease shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Lease, or any waiver of any provision or condition of this Lease, must be in writing and shall be effective only to the extent specifically set forth in such writing.

Section 13.7 Entirety; Conflicts. This Lease constitutes the entire agreement between the Parties hereto. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed. In the event of any conflicts or inconsistencies between the terms Lease and the DCA, the terms of this Lease shall govern and prevail.

Section 13.8 Relationship of the Parties. Except as otherwise set forth herein, this Lease shall not make any of the Parties partners or joint venturers one with the other, nor make any the agent of the others. Except as otherwise explicitly set forth herein, no Party shall have

any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party. Notwithstanding anything to the contrary, no fiduciary duty or fiduciary relationship shall exist between the Parties.

Section 13.9 Good Faith. In carrying out its obligations and duties under this Lease, each Party shall have an implied obligation of good faith.

Section 13.10 Successors and Assigns. This Lease shall inure to the benefit of, and be binding upon, the Parties hereto and their respective successors and permitted assigns.

Section 13.11 Third Parties. This Lease is intended solely for the benefit of the Parties. Nothing in this Lease shall be construed to create any duty or liability to, or standard of care with reference to, any Person other than the Parties.

Section 13.12 Headings. The headings contained in this Lease are solely for the convenience of the Parties and should not be used or relied upon in any manner in the construction or interpretation of this Lease.

Section 13.13 Construction of Lease. Ambiguities or uncertainties in the wording of this Lease shall not be construed for or against any Party either on account of such Party having drafted or provided any language in this Lease or otherwise, and shall be construed in accordance with the fair meaning of this Lease.

Section 13.14 Counterparts. This Lease may be executed in one or more counterparts, each of which shall be deemed an original.


Section 13.15 Memorandum. Concurrently with the execution and delivery of this Lease, the Parties will execute a memorandum of this Lease in a customary form that is mutually agreeable to the Parties in their reasonable discretion (the "Memorandum"), which Memorandum shall be recorded in the official real estate records of Imperial County, California. The provisions of this Lease will control with regard to any provisions of this Lease that may be in conflict with the Memorandum.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have signed this Transfer Capability Lease as of the Effective Date.

**SDG&E:**

SAN DIEGO GAS & ELECTRIC COMPANY,  
a California corporation

By:   
Name: Michael R. Niggli  
Title: President & COO

**CITIZENS SUNRISE TRANSMISSION:**

CITIZENS SUNRISE TRANSMISSION LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the Parties have signed this Transfer Capability Lease as of the Effective Date.

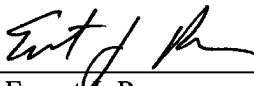
**SDG&E:**

SAN DIEGO GAS & ELECTRIC COMPANY,  
a California corporation

By: \_\_\_\_\_  
Name:  
Title:

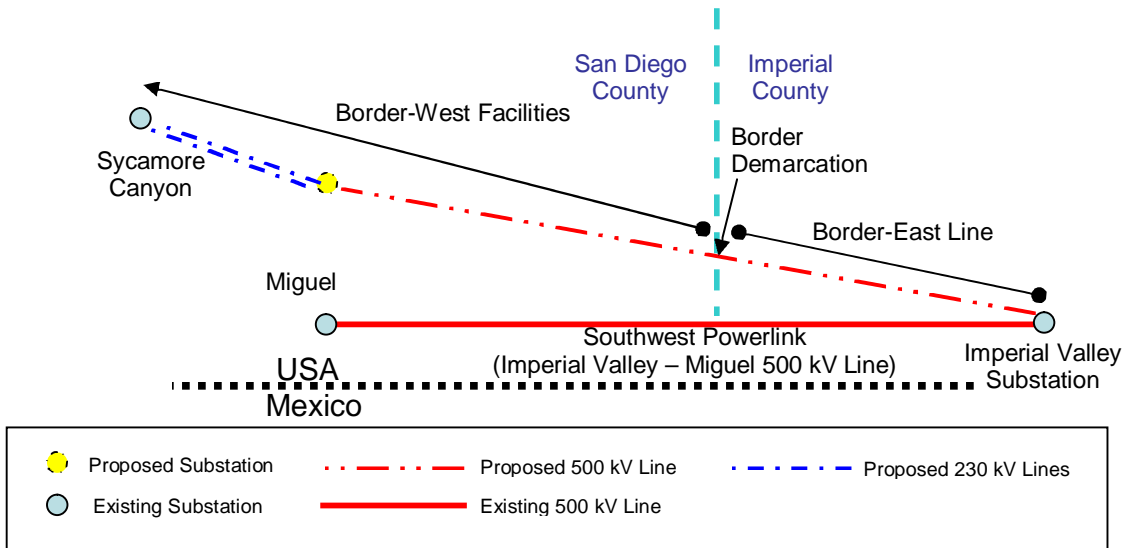
**CITIZENS SUNRISE TRANSMISSION:**

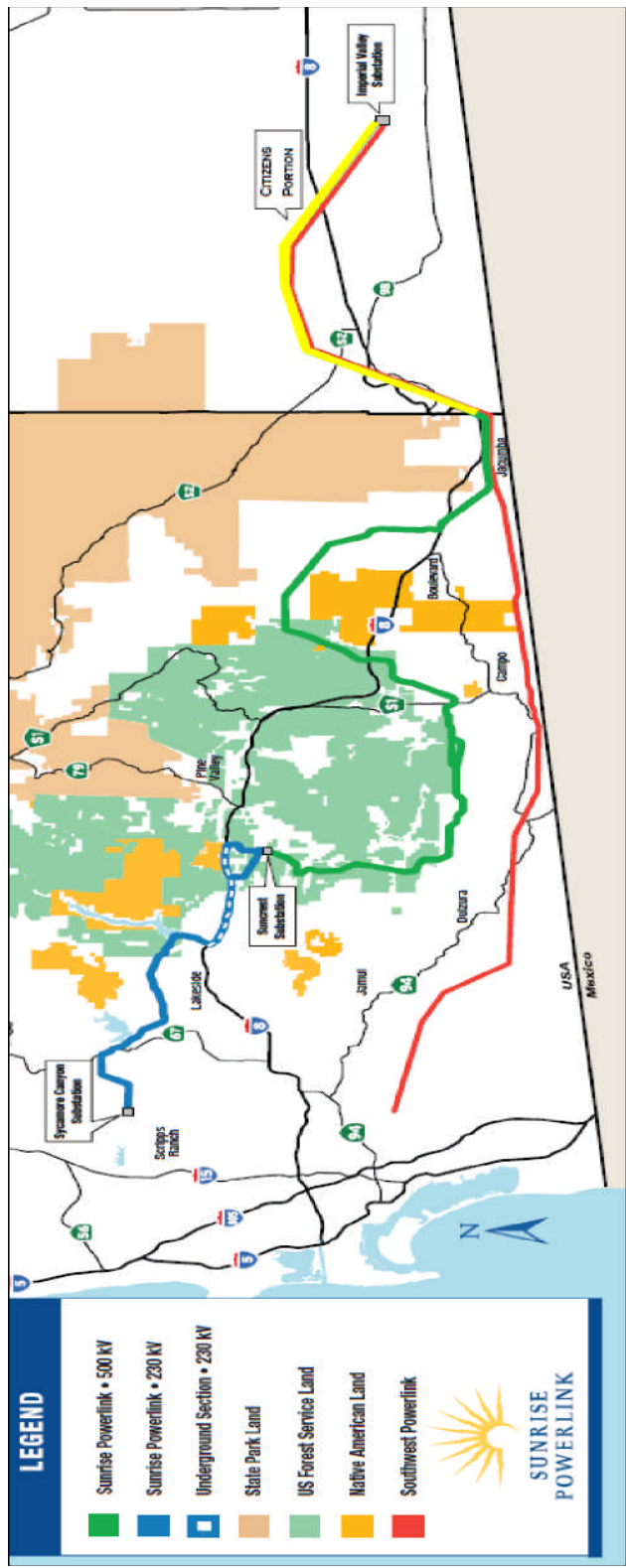
CITIZENS SUNRISE TRANSMISSION LLC,  
a Delaware limited liability company

By:  \_\_\_\_\_  
Name: Ernest J. Panos  
Title: Treasurer & Chief Financial Officer

# SCHEDULE 1.1

## Project Diagram





Schedule 1.1 - 2

**Exhibit A**

**Model for SDG&E Representative Rate**

(See attached CD entitled “Exhibit A to Transfer Capability Lease” containing the model in a Microsoft Excel worksheet file)

## Example of SDG&E Representative Rate

### Model Inputs

The Moody's Aa Utility Bond Index	3.82%
Cost of Transfer Capability	94,726,890
AFUDC	8,358,000

### Calculation of Debt Cost as Input to Model

The Moody's Aa Utility Bond Index	3.82%
Less: 38 basis points	<u>0.38%</u> <b>remains fixed "do not change"</b>
Total Debt Cost per Model	<u><u>3.44%</u></u>

### Calculation of WACC

	<u>Capital Ratio</u>	<u>Cost</u>	<u>WACC</u>	
Debt	50.00%	3.44%	1.72%	
Preferred Equity	0.00%	0.00%	0.00%	<b>remains fixed "do not change"</b>
Common Equity	50.00%	11.35%	<u>5.68%</u>	<b>remains fixed "do not change"</b>
			7.40%	

<u>Revenue Requirement</u>	<u>Total</u>	1	2	3	4	5	6	7	8	9	10	11-30
		<u>Year-1</u>	<u>Year-2</u>	<u>Year-3</u>	<u>Year-4</u>	<u>Year-5</u>	<u>Year-6</u>	<u>Year-7</u>	<u>Year-8</u>	<u>Year-9</u>	<u>Year-10</u>	<u>Year-11-58</u>
Depreciation Expense	94,726,890	1,633,222	1,633,222	1,633,222	1,633,222	1,633,222	1,633,222	1,633,222	1,633,222	1,633,222	1,633,222	78,394,668
Return on Common Equity	109,614,292	5,297,544	5,091,115	4,846,689	4,620,381	4,410,443	4,215,297	4,030,864	3,850,813	3,672,099	3,494,633	66,084,414
Return on Preferred Equity	-	-	-	-	-	-	-	-	-	-	-	-
Return on Debt	33,222,305	1,605,599	1,543,034	1,468,952	1,400,362	1,336,734	1,277,588	1,221,689	1,167,119	1,112,953	1,059,166	20,029,109
Federal Income Taxes	65,503,001	3,463,392	2,807,175	2,702,369	2,580,570	2,468,910	2,365,009	2,266,542	2,169,917	2,073,781	1,978,323	40,627,013
State Income Taxes	21,565,784	928,607	844,955	811,089	777,332	746,146	717,147	689,713	662,883	636,230	609,764	14,141,918
Property Taxes	25,121,451	1,147,286	1,096,237	1,048,940	1,005,020	964,138	925,992	889,140	852,289	815,439	778,588	15,598,381
<b>Total Revenue Requirement</b>	<b>349,753,723</b>	<b>14,075,651</b>	<b>13,015,738</b>	<b>12,511,261</b>	<b>12,016,887</b>	<b>11,559,594</b>	<b>11,134,255</b>	<b>10,731,171</b>	<b>10,336,243</b>	<b>9,943,725</b>	<b>9,553,697</b>	<b>234,875,502</b>
Net Present Value (58 yrs)	127,711,701	13,582,398	11,694,798	10,467,451	9,361,550	8,385,217	7,520,537	6,749,175	6,053,161	5,422,313	4,850,906	43,624,196
Levelized Annual Amount (30 yrs)	\$10,703,179											
<b>SDG&amp;E Representative Rate</b>	<b>\$10,703,179</b>											



**Exhibit B**

**Accrual of Prepaid Rent**

Project: Sunrise  
 Lessor: SDG&E  
 Lessee: Citizens Sunrise Transmission  
 Interest Rate: 0.63% (110% LT AFR 07/2012)/4

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B / A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
		\$85,194,000						\$85,194,000	
1	\$1,012,335	-	\$1,012,335	1.000000	\$1,012,335	534,166	(\$1,012,335)	84,715,831	(\$478,169)
2	1,012,335	-	1,012,335	1.000000	1,012,335	531,168	(1,012,335)	84,234,664	(481,167)
3	1,012,335	-	1,012,335	1.000000	1,012,335	528,151	(1,012,335)	83,750,480	(484,184)
4	1,012,335	-	1,012,335	1.000000	1,012,335	525,116	(1,012,335)	83,263,260	(487,220)
5	1,012,335	-	1,012,335	1.000000	1,012,335	522,061	(1,012,335)	82,772,985	(490,275)
6	1,012,335	-	1,012,335	1.000000	1,012,335	518,987	(1,012,335)	82,279,637	(493,349)
7	1,012,335	-	1,012,335	1.000000	1,012,335	515,893	(1,012,335)	81,783,195	(496,442)
8	1,012,335	-	1,012,335	1.000000	1,012,335	512,781	(1,012,335)	81,283,640	(499,555)
9	1,012,335	-	1,012,335	1.000000	1,012,335	509,648	(1,012,335)	80,780,953	(502,687)
10	1,012,335	-	1,012,335	1.000000	1,012,335	506,497	(1,012,335)	80,275,114	(505,839)
11	1,012,335	-	1,012,335	1.000000	1,012,335	503,325	(1,012,335)	79,766,104	(509,010)
12	1,012,335	-	1,012,335	1.000000	1,012,335	500,133	(1,012,335)	79,253,902	(512,202)
13	1,012,335	-	1,012,335	1.000000	1,012,335	496,922	(1,012,335)	78,738,489	(515,413)
14	1,012,335	-	1,012,335	1.000000	1,012,335	493,690	(1,012,335)	78,219,844	(518,645)
15	1,012,335	-	1,012,335	1.000000	1,012,335	490,438	(1,012,335)	77,697,947	(521,897)
16	1,012,335	-	1,012,335	1.000000	1,012,335	487,166	(1,012,335)	77,172,778	(525,169)
17	1,012,335	-	1,012,335	1.000000	1,012,335	483,873	(1,012,335)	76,644,316	(528,462)
18	1,012,335	-	1,012,335	1.000000	1,012,335	480,560	(1,012,335)	76,112,540	(531,775)
19	1,012,335	-	1,012,335	1.000000	1,012,335	477,226	(1,012,335)	75,577,431	(535,110)
20	1,012,335	-	1,012,335	1.000000	1,012,335	473,870	(1,012,335)	75,038,966	(538,465)
21	1,012,335	-	1,012,335	1.000000	1,012,335	470,494	(1,012,335)	74,497,125	(541,841)
22	1,012,335	-	1,012,335	1.000000	1,012,335	467,097	(1,012,335)	73,951,886	(545,238)
23	1,012,335	-	1,012,335	1.000000	1,012,335	463,678	(1,012,335)	73,403,229	(548,657)

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B / A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
24	1,012,335	-	1,012,335	1.000000	1,012,335	460,238	(1,012,335)	72,851,132	(552,097)
25	1,012,335	-	1,012,335	1.000000	1,012,335	456,777	(1,012,335)	72,295,574	(555,559)
26	1,012,335	-	1,012,335	1.000000	1,012,335	453,293	(1,012,335)	71,736,532	(559,042)
27	1,012,335	-	1,012,335	1.000000	1,012,335	449,788	(1,012,335)	71,173,984	(562,547)
28	1,012,335	-	1,012,335	1.000000	1,012,335	446,261	(1,012,335)	70,607,910	(566,074)
29	1,012,335	-	1,012,335	1.000000	1,012,335	442,712	(1,012,335)	70,038,286	(569,624)
30	1,012,335	-	1,012,335	1.000000	1,012,335	439,140	(1,012,335)	69,465,091	(573,195)
31	1,012,335	-	1,012,335	1.000000	1,012,335	435,546	(1,012,335)	68,888,302	(576,789)
32	1,012,335	-	1,012,335	1.000000	1,012,335	431,930	(1,012,335)	68,307,896	(580,406)
33	1,012,335	-	1,012,335	1.000000	1,012,335	428,291	(1,012,335)	67,723,851	(584,045)
34	1,012,335	-	1,012,335	1.000000	1,012,335	424,629	(1,012,335)	67,136,144	(587,707)
35	1,012,335	-	1,012,335	1.000000	1,012,335	420,944	(1,012,335)	66,544,753	(591,392)
36	1,012,335	-	1,012,335	1.000000	1,012,335	417,236	(1,012,335)	65,949,653	(595,100)
37	1,012,335	-	1,012,335	1.000000	1,012,335	413,504	(1,012,335)	65,350,822	(598,831)
38	1,012,335	-	1,012,335	1.000000	1,012,335	409,750	(1,012,335)	64,748,236	(602,586)
39	1,012,335	-	1,012,335	1.000000	1,012,335	405,971	(1,012,335)	64,141,873	(606,364)
40	1,012,335	-	1,012,335	1.000000	1,012,335	402,170	(1,012,335)	63,531,707	(610,166)
41	1,012,335	-	1,012,335	1.000000	1,012,335	398,344	(1,012,335)	62,917,715	(613,992)
42	1,012,335	-	1,012,335	1.000000	1,012,335	394,494	(1,012,335)	62,299,874	(617,841)
43	1,012,335	-	1,012,335	1.000000	1,012,335	390,620	(1,012,335)	61,678,159	(621,715)
44	1,012,335	-	1,012,335	1.000000	1,012,335	386,722	(1,012,335)	61,052,546	(625,613)
45	1,012,335	-	1,012,335	1.000000	1,012,335	382,799	(1,012,335)	60,423,010	(629,536)
46	1,012,335	-	1,012,335	1.000000	1,012,335	378,852	(1,012,335)	59,789,527	(633,483)
47	1,012,335	-	1,012,335	1.000000	1,012,335	374,880	(1,012,335)	59,152,072	(637,455)
48	1,012,335	-	1,012,335	1.000000	1,012,335	370,883	(1,012,335)	58,510,620	(641,452)
49	1,012,335	-	1,012,335	1.000000	1,012,335	366,862	(1,012,335)	57,865,146	(645,474)
50	1,012,335	-	1,012,335	1.000000	1,012,335	362,814	(1,012,335)	57,215,625	(649,521)
51	1,012,335	-	1,012,335	1.000000	1,012,335	358,742	(1,012,335)	56,562,032	(653,593)
52	1,012,335	-	1,012,335	1.000000	1,012,335	354,644	(1,012,335)	55,904,341	(657,691)
53	1,012,335	-	1,012,335	1.000000	1,012,335	350,520	(1,012,335)	55,242,526	(661,815)
54	1,012,335	-	1,012,335	1.000000	1,012,335	346,371	(1,012,335)	54,576,561	(665,965)
55	1,012,335	-	1,012,335	1.000000	1,012,335	342,195	(1,012,335)	53,906,421	(670,140)
56	1,012,335	-	1,012,335	1.000000	1,012,335	337,993	(1,012,335)	53,232,079	(674,342)
57	1,012,335	-	1,012,335	1.000000	1,012,335	333,765	(1,012,335)	52,553,508	(678,570)
58	1,012,335	-	1,012,335	1.000000	1,012,335	329,510	(1,012,335)	51,870,684	(682,825)
59	1,012,335	-	1,012,335	1.000000	1,012,335	325,229	(1,012,335)	51,183,577	(687,106)

Exhibit B - 2

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B / A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
60	1,012,335	-	1,012,335	1.000000	1,012,335	320,921	(1,012,335)	50,492,163	(691,414)
61	1,012,335	-	1,012,335	1.000000	1,012,335	316,586	(1,012,335)	49,796,414	(695,749)
62	1,012,335	-	1,012,335	1.000000	1,012,335	312,224	(1,012,335)	49,096,302	(700,112)
63	1,012,335	-	1,012,335	1.000000	1,012,335	307,834	(1,012,335)	48,391,800	(704,502)
64	1,012,335	-	1,012,335	1.000000	1,012,335	303,417	(1,012,335)	47,682,882	(708,919)
65	1,012,335	-	1,012,335	1.000000	1,012,335	298,972	(1,012,335)	46,969,518	(713,364)
66	1,012,335	-	1,012,335	1.000000	1,012,335	294,499	(1,012,335)	46,251,682	(717,836)
67	1,012,335	-	1,012,335	1.000000	1,012,335	289,998	(1,012,335)	45,529,344	(722,337)
68	1,012,335	-	1,012,335	1.000000	1,012,335	285,469	(1,012,335)	44,802,478	(726,866)
69	1,012,335	-	1,012,335	1.000000	1,012,335	280,912	(1,012,335)	44,071,054	(731,424)
70	1,012,335	-	1,012,335	1.000000	1,012,335	276,326	(1,012,335)	43,335,044	(736,010)
71	1,012,335	-	1,012,335	1.000000	1,012,335	271,711	(1,012,335)	42,594,420	(740,625)
72	1,012,335	-	1,012,335	1.000000	1,012,335	267,067	(1,012,335)	41,849,151	(745,268)
73	1,012,335	-	1,012,335	1.000000	1,012,335	262,394	(1,012,335)	41,099,210	(749,941)
74	1,012,335	-	1,012,335	1.000000	1,012,335	257,692	(1,012,335)	40,344,567	(754,643)
75	1,012,335	-	1,012,335	1.000000	1,012,335	252,960	(1,012,335)	39,585,192	(759,375)
76	1,012,335	-	1,012,335	1.000000	1,012,335	248,199	(1,012,335)	38,821,056	(764,136)
77	1,012,335	-	1,012,335	1.000000	1,012,335	243,408	(1,012,335)	38,052,129	(768,927)
78	1,012,335	-	1,012,335	1.000000	1,012,335	238,587	(1,012,335)	37,278,380	(773,748)
79	1,012,335	-	1,012,335	1.000000	1,012,335	233,735	(1,012,335)	36,499,780	(778,600)
80	1,012,335	-	1,012,335	1.000000	1,012,335	228,854	(1,012,335)	35,716,299	(783,482)
81	1,012,335	-	1,012,335	1.000000	1,012,335	223,941	(1,012,335)	34,927,905	(788,394)
82	1,012,335	-	1,012,335	1.000000	1,012,335	218,998	(1,012,335)	34,134,567	(793,337)
83	1,012,335	-	1,012,335	1.000000	1,012,335	214,024	(1,012,335)	33,336,256	(798,312)
84	1,012,335	-	1,012,335	1.000000	1,012,335	209,018	(1,012,335)	32,532,939	(803,317)
85	1,012,335	-	1,012,335	1.000000	1,012,335	203,982	(1,012,335)	31,724,585	(808,354)
86	1,012,335	-	1,012,335	1.000000	1,012,335	198,913	(1,012,335)	30,911,163	(813,422)
87	1,012,335	-	1,012,335	1.000000	1,012,335	193,813	(1,012,335)	30,092,640	(818,522)
88	1,012,335	-	1,012,335	1.000000	1,012,335	188,681	(1,012,335)	29,268,986	(823,654)
89	1,012,335	-	1,012,335	1.000000	1,012,335	183,517	(1,012,335)	28,440,167	(828,819)
90	1,012,335	-	1,012,335	1.000000	1,012,335	178,320	(1,012,335)	27,606,152	(834,015)
91	1,012,335	-	1,012,335	1.000000	1,012,335	173,091	(1,012,335)	26,766,907	(839,245)
92	1,012,335	-	1,012,335	1.000000	1,012,335	167,829	(1,012,335)	25,922,400	(844,507)
93	1,012,335	-	1,012,335	1.000000	1,012,335	162,533	(1,012,335)	25,072,598	(849,802)
94	1,012,335	-	1,012,335	1.000000	1,012,335	157,205	(1,012,335)	24,217,468	(855,130)
95	1,012,335	-	1,012,335	1.000000	1,012,335	151,844	(1,012,335)	23,356,976	(860,492)

Exhibit B - 3

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B / A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
96	1,012,335	-	1,012,335	1.000000	1,012,335	146,448	(1,012,335)	22,491,089	(865,887)
97	1,012,335	-	1,012,335	1.000000	1,012,335	141,019	(1,012,335)	21,619,773	(871,316)
98	1,012,335	-	1,012,335	1.000000	1,012,335	135,556	(1,012,335)	20,742,994	(876,779)
99	1,012,335	-	1,012,335	1.000000	1,012,335	130,059	(1,012,335)	19,860,717	(882,277)
100	1,012,335	-	1,012,335	1.000000	1,012,335	124,527	(1,012,335)	18,972,908	(887,809)
101	1,012,335	-	1,012,335	1.000000	1,012,335	118,960	(1,012,335)	18,079,533	(893,375)
102	1,012,335	-	1,012,335	1.000000	1,012,335	113,359	(1,012,335)	17,180,556	(898,977)
103	1,012,335	-	1,012,335	1.000000	1,012,335	107,722	(1,012,335)	16,275,943	(904,613)
104	1,012,335	-	1,012,335	1.000000	1,012,335	102,050	(1,012,335)	15,365,658	(910,285)
105	1,012,335	-	1,012,335	1.000000	1,012,335	96,343	(1,012,335)	14,449,665	(915,993)
106	1,012,335	-	1,012,335	1.000000	1,012,335	90,599	(1,012,335)	13,527,930	(921,736)
107	1,012,335	-	1,012,335	1.000000	1,012,335	84,820	(1,012,335)	12,600,414	(927,515)
108	1,012,335	-	1,012,335	1.000000	1,012,335	79,005	(1,012,335)	11,667,084	(933,331)
109	1,012,335	-	1,012,335	1.000000	1,012,335	73,153	(1,012,335)	10,727,901	(939,183)
110	1,012,335	-	1,012,335	1.000000	1,012,335	67,264	(1,012,335)	9,782,830	(945,071)
111	1,012,335	-	1,012,335	1.000000	1,012,335	61,338	(1,012,335)	8,831,833	(950,997)
112	1,012,335	-	1,012,335	1.000000	1,012,335	55,376	(1,012,335)	7,874,873	(956,960)
113	1,012,335	-	1,012,335	1.000000	1,012,335	49,375	(1,012,335)	6,911,913	(962,960)
114	1,012,335	-	1,012,335	1.000000	1,012,335	43,338	(1,012,335)	5,942,915	(968,998)
115	1,012,335	-	1,012,335	1.000000	1,012,335	37,262	(1,012,335)	4,967,842	(975,073)
116	1,012,335	-	1,012,335	1.000000	1,012,335	31,148	(1,012,335)	3,986,655	(981,187)
117	1,012,335	-	1,012,335	1.000000	1,012,335	24,996	(1,012,335)	2,999,316	(987,339)
118	1,012,335	-	1,012,335	1.000000	1,012,335	18,806	(1,012,335)	2,005,787	(993,530)
119	1,012,335	-	1,012,335	1.000000	1,012,335	12,576	(1,012,335)	1,006,028	(999,759)
120	1,012,335	-	1,012,335	1.000000	1,012,335	6,308	(1,012,335)	0	(1,006,028)
<b>Totals</b>	<b>\$121,480,238</b>	<b>\$85,194,000</b>	<b>\$121,480,238</b>		<b>\$121,480,238</b>	<b>36,286,238</b>	<b>(\$121,480,238)</b>		<b>(\$85,194,000)</b>

	A	B
<b>Present Value</b>	<b>\$85,194,000</b>	<b>\$85,194,000</b>

See Fraction Computation Above \*

**Rent Allocation**      **\$1,012,335**

## Exhibit C

### Local Furnishing Bond Encumbrances

#### I. Local Furnishing Transmission System Encumbrances.

The CAISO shall exercise Operational Control over SDG&E's Local Furnishing Transmission System consistent with the following encumbrances in accordance with the Local Furnishing Bonds Operating Procedures that SDG&E has provided the CAISO:

- A. Section 9600(a)(6) of the California Public Utilities Code provides that Participating TOs shall not be compelled to violate restrictions applicable to facilities financed with tax-exempt bonds or contractual restrictions and covenants regarding use of transmission facilities existing as of December 20, 1995.

SDG&E's transmission facilities and other electric properties are financed in part with the proceeds of Local Furnishing Bonds. Prior to December 20, 1995, pursuant to provisions of the loan agreements, engineering certificates, and tax certificates and agreements associated with outstanding Local Furnishing Bonds issued for its benefit, SDG&E has covenanted not to take or permit any action that would jeopardize the tax-exempt status of interest on Local Furnishing Bonds issued for its benefit. Accordingly, notwithstanding anything to the contrary contained in the Agreement, including SDG&E's agreement to be bound by the terms of the Restated and Amended CAISO Tariff and the Restated and Amended TO Tariff, SDG&E may not take (nor may SDG&E allow the CAISO to take) any action that would jeopardize the tax-exempt status of interest on Local Furnishing Bonds issued or to be issued for its benefit, including (without limitation) the actions specified below.

- B. Absent an approving written opinion of nationally recognized bond counsel selected by SDG&E, taking into account the adjustments outlined in paragraph C below, SDG&E will not operate its facilities (or allow its facilities to be operated) so as to cause or permit a cumulative annual net outbound flow of electric energy during any calendar year from the points of interconnection between (i) SDG&E's wholly-owned electric distribution facilities or SDG&E's wholly-owned electric transmission facilities which are directly connected to SDG&E's wholly-owned electric distribution facilities (the "Local T/D System"), and (ii) other electric utility properties. As of July 1, 2011, these interconnection points include:
1. the point at the International Border where SDG&E's ownership interest in the 230 kV Miguel/Tijuana transmission line interconnects with Comision Federal de Electricidad's ownership interest in the Miguel/Tijuana transmission line;
  2. the set of points at the San Onofre Nuclear Generating Station ("SONGS") switchyard bus where SDG&E's wholly-owned transmission facilities

interconnect with facilities owned (in whole or in part) by Southern California Edison Company (“SCE”);

3. the point where SDG&E’s wholly-owned segment of the 500 kV Miguel/Imperial Valley transmission line interconnects with the Imperial Valley Substation facilities which are owned in part by Imperial Irrigation District (“IID”);
4. the point at the San Diego/Imperial County border where SDG&E's ownership interest in a 2.5 mile-long radial distribution line intersects with IID’s ownership interest in that same distribution line;
5. the points at the Riverside/Orange County border and the Riverside/San Diego County border where SDG&E's ownership interest in several isolated distribution lines interconnect with SCE's ownership interest in those same distribution lines;
6. the point where SDG&E’s wholly-owned Narrows Substation interconnects with transmission facilities which are owned by IID.

C. For purposes of paragraph B, net flows of electric energy shall be calculated after taking into account the following adjustments:

1. Treating as a deemed outbound flow (or as a reduction in inbound flow) SDG&E’s share as owner or lessee of electric energy generated at SONGS and at other facilities which are not connected directly to the Local T/D System (“Owned/Leased Remote SDG&E Generating Units”).
  - i. As of July 1 2011, SDG&E’s 20% ownership interests in SONGS Unit 1 and Unit 2 are the only Owned/Leased Remote SDG&E Generating Units.
  - ii. In 2011, Owned/Leased Remote SDG&E Generating Units came to include SDG&E’s 480 MW interest in the Desert Star Energy Center.
  - iii. In 2012, Owned/Leased Remote SDG&E Generating Units are expected to include SDG&E’s 189 MW interest in the Rim Rock Project.
2. Excluding outbound flows (or reductions in inbound flows) attributable to or caused by wheeling of electric energy generated by independent power projects
  - i. which interconnect directly to the Local T/D System, and

- ii. with bilateral contracts to sell the electric energy output at wholesale to electric utilities other than SDG&E.
- 3. Excluding outbound flows (or reductions in inbound flows) attributable to or caused by wholesale sales of excess electric energy from SDG&E's available generating units to the extent generation of that electric energy is required pursuant to federal or state regulations, rules, orders, decisions or mandatory protocols, but only if the total amount of electric energy supplied by SDG&E to its retail customers who receive both electric energy delivery service and electric energy supply service from SDG&E ("Native Load Customers") during the calendar year equals or exceeds
  - i. the total amount of SDG&E's share of electric energy generated during the calendar year by facilities which are either owned, leased, or controlled by or for the benefit of SDG&E, reduced by
  - ii. the sum of:
    - (a) assumed line losses, based on the most recent long-term demand forecast adopted by the California Energy Commission (as of December 16, 2010, 6.4% of electric energy delivered to SDG&E's retail customers);
    - (b) a pro rata share of electric energy actually produced by SDG&E's available generating units and allocable to CPUC-mandated reserves (15% as of July 1, 2011)];
    - (c) electric energy actually produced by SDG&E's available generating units pursuant to least-cost, best-fit orders of the CPUC and/or the CAISO; and
    - (d) electric energy actually produced by SDG&E's available generating units which exceeds the requirements of SDG&E's Native Load Customers due to SDG&E's inability to reduce generation from peak levels during off-peak periods.
- D. SDG&E will not operate its facilities (or allow its facilities to be operated) so as to curtail delivery of electric energy to its Native Load Customers involuntarily in order to provide electric energy to customers outside of its electric service territory in San Diego and Orange Counties, unless such curtailment is necessitated by the failure of facilities either partially or wholly owned by SDG&E.
- E. Upon SDG&E's receipt of a written request from the CAISO to take (or to refrain from taking) any action that SDG&E believes might jeopardize the tax-exempt status of interest on Local Furnishing Bonds issued for its benefit, SDG&E in good faith shall promptly seek to obtain an opinion (of the type generally

regarded in the municipal bond market as unqualified) from a nationally recognized bond counsel selected by SDG&E that the requested action (or inaction) will not adversely affect such tax-exempt status. Examples of actions the CAISO might request SDG&E to take (or refrain from taking) might include

1. closing (or refraining from opening) switches to allow electric energy to flow out of the Local T/D System,
2. closing (or refraining from opening) switches to allow electric energy from local generating units to flow into the Local T/D System,
3. acquiring or constructing new electric utility facilities or improving existing electric utility facilities,
4. generating electric energy or refraining from generating electric energy at resources which are directly or indirectly under SDG&E's control, or
5. bringing transmission or generation facilities or resources into service (or withholding transmission or generation facilities or resources from service).

Until the opinion of bond counsel described above is obtained, SDG&E shall not be required to take (or to refrain from taking) the specified action, and the CAISO shall exercise its Operational Control consistent with such limitation.

- F. If SDG&E has been unable to obtain the unqualified opinion of bond counsel described in paragraph E above, upon written request by an entity eligible to file an application under Section 211 of the Federal Power Act ("FPA") (or the CAISO acting as its agent) (collectively, the "Eligible Entity"), SDG&E in good faith shall promptly seek to obtain a ruling from the Internal Revenue Service that the requested action (or inaction) will not adversely affect the tax-exempt status of interest on Local Furnishing Bonds issued for the benefit of SDG&E. If such a ruling cannot be obtained, SDG&E will not object to an Eligible Entity seeking an order under Section 211 of the FPA with respect to the requested action (or inaction). Until such a ruling is obtained from the Internal Revenue Service, SDG&E shall not be required to take (or to refrain from taking) the specified action, and the CAISO shall exercise its Operational Control consistent with such limitation.



## APPENDIX III

### Transmission Revenue Requirement and TRBAA

1. The Transmission Revenue Requirement shall be \$13,481,855, which is composed of a Base Transmission Revenue Requirement of \$13,481,855 and an initial TRBAA of zero.
2. The Base Transmission Revenue Requirement consists of a Transmission Capital Cost Revenue Requirement associated with Citizens Sunrise Transmission's share of the Sunrise Powerlink Project of \$9,693,000, and a Transmission Operating Cost Revenue Requirement associated with Citizens Sunrise Transmission's share of the Sunrise Powerlink Project of \$3,788,855.
3. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a governmental authority, the Transmission Capital Cost Revenue Requirement associated with Citizens Sunrise Transmission's share of the Sunrise Powerlink Project will remain fixed for the thirty year term of Citizens Sunrise Transmission's lease of Transfer Capability in the Sunrise Powerlink Project. To the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority, Citizens Sunrise Transmission's may seek approval for inclusion in its rates of an allowance to recover any such new taxes, income taxes, property taxes, fees or other charges.
4. The operating costs included in the Transmission Operating Cost Revenue Requirement associated with Citizens Sunrise Transmission's share of the Sunrise Powerlink Project are those directly attributable to Citizens Sunrise Transmission's Transfer Capability on the Project, as recorded in FERC accounts 560-573, and 920-935 under the FERC Uniform System of Accounts, and Property Taxes. The operating costs are in three parts; (1) those operating costs (including applicable overheads) billed to Citizens Sunrise Transmission by SDG&E, the operator of the Project, (2) those operating costs incurred directly by Citizens Sunrise Transmission in managing and administering its Transfer Capability, and (3) Property Taxes. The Transmission Operating Cost Revenue Requirement is the sum of those three parts, and is established each year based on estimated amounts. As of November 30 of each year, there will be a true-up to the actual amount of such operating costs for the prior twelve months, and the following year's Transmission Operating Cost Revenue Requirement will include the difference (either positive or negative), with interest, between the actual and estimated amounts. Interest will be calculated in accordance with FERC Regulation 35.19(a)(2)(iii). In addition, any credits received from SDG&E pursuant to Section 8.3 of the Transfer Capability Lease (Appendix II) will be flowed through as credits to the operating costs described in this paragraph.
5. All of Citizens Sunrise Transmission's Entitlements placed under the CAISO's Operational Control are related to High Voltage Facilities as defined in the CAISO Tariff.

**APPENDIX IV  
NOTICES**

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