

April 13, 2018

**Citizens Sycamore-Penasquitos Transmission LLC
Application To
California Independent System Operator Corporation
For
Participating Transmission Owner Status**

Citizens Sycamore-Penasquitos Transmission LLC (“CSPT”) hereby applies to become a Participating Transmission Owner of the California Independent System Operator Corporation (“CAISO”), in respect of its interest in the Sycamore-Penasquitos Project, as more fully described in this Application, subject to receipt of appropriate regulatory approval. CSPT is a wholly owned subsidiary of Citizens Enterprises Corporation (“Citizens Enterprises”), which, in turn, is a wholly owned subsidiary of Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”).

On March 2, 2014, the CAISO selected San Diego Gas & Electric Co. (“SDG&E”) in conjunction with Citizens Energy as the approved project sponsor to finance, construct, own, operate, and maintain the Sycamore-Penasquitos Project. (Appendix A – Map) SDG&E and Citizens Energy have agreed in their Development, Coordination, and Option Agreement of November 9, 2017, As Amended (“DCOA”) that Citizens Energy would have an opportunity to obtain an interest in the Sycamore-Penasquitos Project. Specifically, the DCOA provides Citizens Energy with an option to lease approximately 12.92 percent of the transfer capability in an underground segment of the Sycamore to Penasquitos 230 kV transmission project located in San Diego County for 30 years (“Underground Segment B”). (Appendix B-1 – Copy of DCOA, As Amended) To perfect its interest, Citizens Energy is obliged, among other things, (1) to exercise its option no later than the Target Closing Date, as that term is defined within the DCOA, (2) to pay SDG&E \$27 million in the form of prepaid rent, and (3) to assume all operating costs related to its interest in the Underground Segment B of the Sycamore-Penasquitos Project. Citizens Energy is further obligated to turn over operational control of its interest in Underground Segment B to the CAISO.

While Citizens Energy executed the DCOA with SDG&E, Citizens Energy will assign and transfer all of its rights and obligations under the DCOA and all of the regulatory approvals it has obtained to date to CSPT.^{1/}

^{1/} As Citizens Energy explained in its Petition for Declaratory Order to the Federal Energy Regulatory Commission (“FERC”), Citizens Energy is structured as a non-profit company that owns 100% of a for-profit holding company, Citizens Enterprises, which in turn wholly owns several for-profit subsidiaries, including Citizens Sycamore-Penasquitos Transmission LLC. Citizens Energy will utilize

1. Description of the Facilities To Be Placed Under CAISO Operational Control

The Sycamore-Penasquitos Project is comprised of a new 230 kV electric transmission line between the Sycamore Canyon and Penasquitos Substations. It will traverse approximately 14 miles in San Diego County, in southern California. The Sycamore-Penasquitos Project has three segments:

- **Segment A** which consists of an overhead alignment running between Sycamore Canyon Substation and Stonecroft Trail within an existing SDG&E right-of-way;
- **Segment B** which consists of a transmission line transitioning from an overhead position to an underground duct bank that will travel westerly along Pomerado Road, cross Interstate 15 then continue along secondary roads through the commercial area of Mira Mesa before transitioning back to an overhead line within an existing SDG&E right-of-way along the east side of Interstate Highway 805 at Carroll Road/Carroll Canyon Road; and
- **Segment C** which consists of an overhead alignment on the existing 230 kV steel poles within an existing SDG&E right-of-way heading northward into the Penasquitos Substation.

2. Description of Citizens Energy's Transmission Entitlement

Citizens Energy's Entitlement to its approximately 12.92 percent interest in Underground Segment B of the Sycamore-Penasquitos Project is set forth in the DCOA, a copy of which is contained in Appendix B-1. A summary of the Entitlement is set forth in matrix format in Appendix B-2.

3. Encumbrances

There are no Encumbrances as defined in the CAISO Tariff with respect to Citizens Energy's interest in the Underground Segment B of the Sycamore-Penasquitos Project at this time. However, in implementing Citizens Energy's Entitlement, CSPT anticipates that it will agree that during the term of its Entitlement it will act in such a way as to permit the CAISO to operate the Underground Segment B subject to the Transmission Control Agreement's SDG&E Appendix B, "SDG&E's Encumbrances, Local Furnishing Transmission," as such SDG&E Appendix B may be amended, modified, or supplemented from time to time pursuant to applicable

CSPT to effectuate the ultimate lease transaction with SDG&E, as contemplated by the DCOA. As Citizens Energy further explained to FERC, Citizens Energy relies on profits from the businesses it owns and operates to generate revenues for charitable and social programs.

law. Accordingly, Appendix B-3 of this Application lists such SDG&E Appendix B as an Encumbrance on the Underground Segment B.

4. Transmission Lines and Facilities To Be Placed Under ISO's Operational Control

CSPT intends to place all of its interests in the Underground Segment B of the Sycamore-Penasquitos Project under the CAISO's operational. CSPT's interest in the Underground Segment B will comprise the only interest in transmission facilities to which it owns or has an Entitlement.

5. Reliability Criteria

CSPT is not aware of any specific Local Reliability Criteria that are applicable to the Underground Segment B of the Sycamore-Penasquitos Project.

6. Maintenance Practices

Citizens Energy has agreed in the DCOA that SDG&E will be responsible for operation and maintenance of the Underground Segment B. Therefore, SDG&E's current maintenance practices will govern maintenance of the entire Sycamore-Penasquitos Project.

7. Temporary Waivers of Applicable Reliability Criteria

CSPT seeks no temporary waivers of Applicable Reliability Criteria.

8. Proposed Transmission Owner Tariff

CSPT's proposed Transmission Owner Tariff ("TO Tariff") is attached as Appendix C.

As part of this Application, CSPT has attached a draft TO Tariff. (Appendix C) CSPT's final TO Tariff will not go into effect until accepted for filing by FERC. CSPT additionally notes FERC granted its request for a Petition for Declaratory Order which approved its proposed formula rate methodology and request for recovery of abandoned facilities costs in the near future. *Citizens Energy Corp.*, 162 FERC ¶61,161 (2018). CSPT anticipates filing its Transmission Revenue Requirement ("TRR") and its proposed TO Tariff with FERC immediately following the filing of this Application. The commercial operation date of the Sycamore-Penasquitos Project is currently expected to be July, 2018.

9. Transmission Revenue Requirement Data Request Form/Notice Of FERC Filing

In lieu of a completed TRR Data Request form, CSPT hereby notifies the CAISO that it will file its TRR with FERC immediately following the filing of this Application.

10. Address and Contact Names:

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11. Other Information

CSPT will supply any other information required by the CAISO to process this Application in a timely manner.

12. Settlement Account Information

For confidentiality reasons, CSPT will provide this information in due course through a separate document.

13. MWh Demand Per Month

Not applicable.

14. Instructions for Encumbrances and Entitlements

Not applicable.

* * * *

In order to obtain regulatory approvals necessary for CSPT to exercise its option, finance its interest in the Underground Segment B of the Sycamore-Penasquitos Project and close the acquisition thereof within the time periods set

forth in the DCOA, CSPT requires CAISO Board of Governor action on this Application as expeditiously as possible.

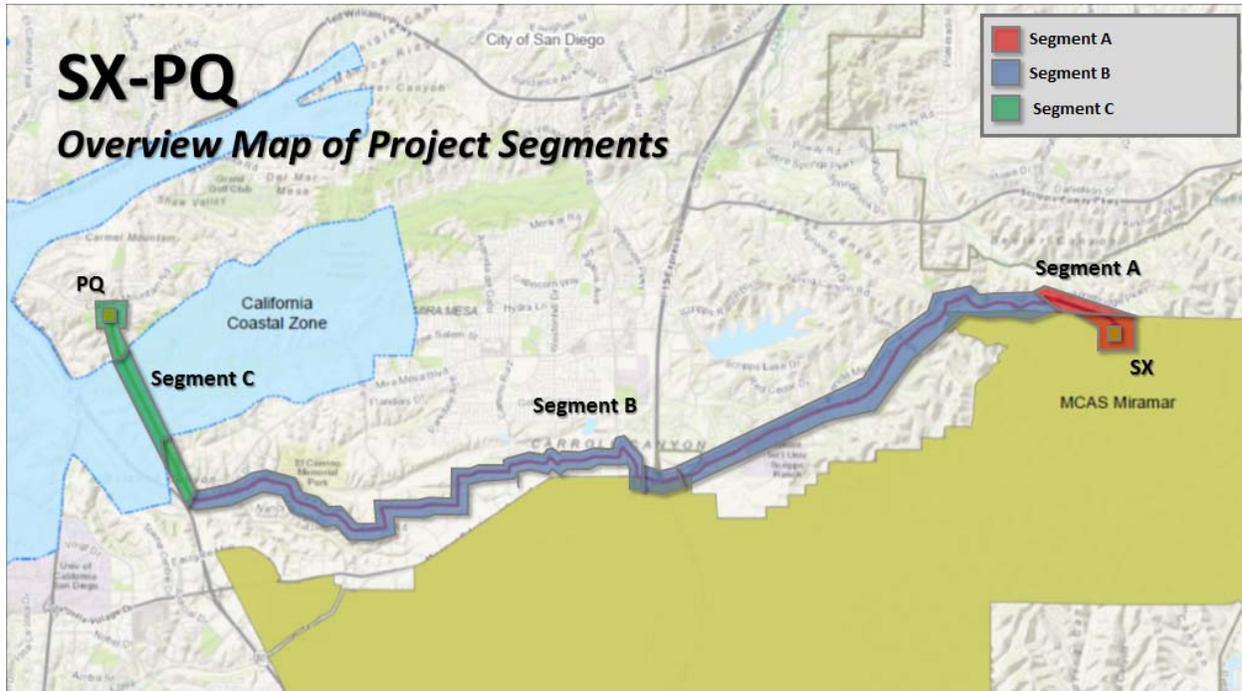
This application is submitted on this 13th day of April, 2018.

Signed:

/s/ Peter F. Smith

Peter F. Smith
Chief Executive Officer
Citizens Energy Corporation and Citizens
Sycamore-Penasquitos Transmission, LLC

Appendix A – MAP



Project Segments:

- **Segment A: Sycamore Canyon Substation – Stonebridge Parkway Segment**
(0.9 miles) New 230 kV steel poles in existing ROW
- **Segment B: Underground Segment**
(11.5 miles) New underground 230 kV line in existing franchise position (City streets)
- **Segment C: Carroll Canyon Road – Penasquitos Substation Segment**
(2.2 miles) New 230 kV conductor on existing steel structures

Appendix B – Entitlements

B-1

**Development, Coordination, and Option Agreement
of November 9, 2017, As Amended**

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY,

AND

CITIZENS ENERGY CORPORATION

DATED AS OF NOVEMBER 9, 2017

TABLE OF CONTENTS

ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION 1

 1.1 Definitions.....1

 1.2 Rules of Interpretation.6

ARTICLE II. TERM; OTHER AGREEMENTS.....6

 2.1 Term.....6

 2.2 Subsequent Agreements.....7

ARTICLE III. DEVELOPMENT, CONSTRUCTION AND OPERATION OF PROJECT.....7

 3.1 General Responsibility for Development and Construction of the Project.7

 3.2 Performance Standards.7

 3.3 Project Documents.....8

ARTICLE IV. OWNERSHIP AND OPTION8

 4.1 SDG&E’s Ownership.....8

 4.2 Option.8

 4.3 Regulatory Approval for Exercise of Option.....9

ARTICLE V. REGULATORY APPROVALS9

 5.1 Mutual Cooperation.9

ARTICLE VI. MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE.....10

 6.1 Meetings of the Parties.....10

 6.2 Sharing Information.10

 6.3 Project Schedule Revisions.....10

 6.4 Final Decisions.....10

ARTICLE VII. FORCE MAJEURE10

 7.1 Force Majeure.10

 7.2 Notification.11

ARTICLE VIII. WITHDRAWAL.....11

 8.1 Withdrawal.....11

8.2	Notice.....	11
8.3	Reinstatement.....	11
ARTICLE IX. EVENTS OF DEFAULT; REMEDIES		11
9.1	Events of Default.	11
9.2	Limitation on Damages.....	12
9.3	Remedies.....	12
ARTICLE X. DISPUTE RESOLUTION.....		12
10.1	Intent of the Parties.	12
10.2	Management Negotiations.	12
10.3	Arbitration.....	13
10.4	Enforcement of Award.....	14
10.5	Performance during Arbitration.....	14
ARTICLE XI. REPRESENTATIONS AND WARRANTIES.....		15
11.1	SDG&E.....	15
11.2	Citizens.	15
ARTICLE XII. MISCELLANEOUS		16
12.1	Notices.	16
12.2	Assignment.	17
12.3	Confidentiality.	18
12.4	Public Relations.	18
12.5	Governing Law.	18
12.6	No Amendments or Modifications.....	18
12.7	Delay and Waiver.	19
12.8	Entirety.....	19
12.9	Relationship of the Parties.	19
12.10	Good Faith.	19
12.11	Successors and Assigns.....	19
12.12	Third Parties.....	19
12.13	Headings.	19
12.14	Counterparts.....	19
12.15	Time is of the Essence.	20

TABLE OF EXHIBITS

EXHIBIT A FORM OF TRANSFER CAPABILITY LEASE

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

This DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT (“DCOA”) is made and entered into as of November 9, 2017 (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 Sycamore-Penasquitos 230 Kilovolt Transmission Line Project to connect the Sycamore Canyon Substation to the Penasquitos Substation in its service territory (as more fully defined herein, the “Project”);

WHEREAS, SDG&E and Citizens executed a Letter of Intent on May 31, 2013 (as amended, supplemented, or restated from time to time, the “LOI”), to provide nonbinding terms and conditions of an arrangement between SDG&E and Citizens regarding portions of the Project;

WHEREAS, subject to certain conditions specified herein, the Parties desire to enter into this definitive agreement as generally contemplated under the LOI whereby SDG&E will develop, design, permit, engineer, procure, construct and own the Project, and Citizens (or its subsidiary) 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 DCOA, hereby agree, subject to the terms and conditions of this DCOA, as follows:

ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION

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

“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.

“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.

“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.

“Citizens Percentage Interest” means the percentage equal to the ratio of the amount of the prepaid rent amount set forth in Section 4.2.4 divided by the aggregate of all costs incurred by SDG&E to develop, design, permit, engineer and construct the Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date of the Transfer Capability Lease, which is subject to adjustment pursuant to Section 3.5 of the Transfer Capability Lease, and which is expected as of the Effective Date hereunder to be approximately 12.92%.

“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 CAISO in accordance with the terms of the CAISO Agreements.

“CPCN Application” means the April 7, 2014 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 April 7, 2014.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sycamore-Penasquitos 230 KV Transmission Line Project” and all attachments thereto, issued by the CPUC on October 19, 2016.

“CPUC” means the California Public Utilities Commission.

“DCOA” 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” means the Final Environmental Impact Report, and all addendums, schedules, exhibits, attachments and appendices thereto, prepared by the CPUC, 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 the DCOA 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.

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

“NEPA” means the National Environmental Policy Act.

“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 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 Sycamore-Penasquitos 230 Kilovolt Transmission Line Project and more specifically “Alternative 5 (Pomerado Road to Miramar Area North Combination Underground/Overhead)” identified in the Final EIR, and reasonable alterations thereto, as generally depicted in Schedule 1.1 of the Transfer Capability Lease. For purposes hereof, the Project is divided into the following components: Segment A consisting of an overhead alignment running between Sycamore Canyon Substation and Stonecroft Trail within an existing SDG&E right-of-way (ROW); Segment B consisting of the transmission line transitioning from an overhead position into an underground duct bank that will travel westerly along Pomerado Road, cross Interstate 15 then continue along various secondary roads through the commercial area of Mira Mesa before transitioning back to an overhead position within an existing SDG&E ROW along the east side of Interstate Highway 805 at Carroll Road/Carroll Canyon Road; and Segment C consisting of an overhead alignment on existing 230-kV steel poles within the existing ROW heading northward into the Peñasquitos Substation, as generally depicted in Schedule 1.1 of the Transfer Capability Lease.

“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 Department of Defense, FERC, the City of San Diego, and the California 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 the date that is 31 days after the Commercial Operation Date, and as of the Effective Date, expected to be July 31, 2018, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCOA; provided, however, if the conditions precedent described in Section 4.3 have not been achieved by the Commercial Operation Date, then the Target Closing Date shall be extended until the date that is 31 days after such conditions precedent have been achieved but in no event beyond the date that is 210 days after the Commercial Operation Date; provided further that the Target Closing Date shall be extended beyond such 210 days if Section 4.3.1(a) has not been satisfied by such date and the Parties in their reasonable discretion agree that such Section 4.3.1(a) is ultimately likely to be satisfied.

“Target COD” means the target Commercial Operation Date, which as of the Effective Date is June 30, 2018, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCOA.

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

“Transfer Capability” means the maximum amount of power (in mega-watts) that can be transferred over part, or all, of the Underground Segment B 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, 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.

“Transfer Capability Lease” means an agreement substantially in the form of Exhibit A attached hereto.

“Underground Segment B” means the underground 230 kV transmission line segment of the Project along Stonebridge Parkway, Pomerado Road, Miramar Road, Black Mountain Road, Activity Road, Camino Ruiz, Miralani Drive, Arjons Drive, Trade Place, Trade Street, Camino Santa Fe, Carroll Road, and Carroll Canyon Road that extends from the east cable riser pole located near Stonebridge Parkway and Stonecroft Terrace to the west cable riser pole located near Carroll Canyon Road and Interstate 805, in each case, up to the termination on the cable riser poles but excluding the cable riser poles on each end, 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 Underground Segment B shall include only the 230 kV transmission line and shall not include any transmission facilities that may operate at a different voltage, or any substation facilities.

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

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. TERM; OTHER AGREEMENTS

2.1 Term. The “Term” of this DCOA 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 DCOA, or (iv) as otherwise provided for herein. The Transfer Capability Lease shall supersede this DCOA 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 DCOA shall be of no further force and effect.

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 one or more consents to collateral assignment, estoppels and other acknowledgements of the foregoing in a customary form that is reasonably acceptable to the Parties and a Party's lenders. 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 DCOA. 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 DCOA 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.

ARTICLE III. DEVELOPMENT, CONSTRUCTION AND OPERATION OF PROJECT

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.

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 complete construction of the Project on or before the Target
COD;

(h) to incur only those costs which are prudent in accomplishing their respective purposes.

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

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 the Citizens Percentage Interest of the Transfer Capability on the Underground Segment B.

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"):

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, the Citizens Percentage Interest of the Transfer Capability on the Underground Segment B 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 DCOA or a material breach of its obligations under any subsequent agreements between Citizens and SDG&E as contemplated in this DCOA that is not cured in accordance with the applicable subsequent agreement.

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.

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 delivery of the written notice under Section 4.2.2 above. SDG&E and Citizens shall execute, acknowledge and deliver the Transfer Capability Lease and any and all documents reasonably necessary to otherwise carry out the terms and conditions of this DCOA. 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.

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 \$27 million. Upon closing of the Option, 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.

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:

4.3.1 SDG&E's receipt of (a) a final, nonappealable order by the CPUC approving this lease under Section 851 of the California Public Utilities Code or otherwise, and (b) 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 (a) above, SDG&E will seek any necessary approvals from the CPUC no later than 30 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 30 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 (b) above, SDG&E will seek any necessary approvals from FERC no later than 60 days after the date on which the CAISO conditionally approves Citizens' request to become a Participating Transmission Owner.

4.3.2 Citizens receipt of a final, nonappealable order by FERC approving Citizens' transmission service tariff for recovery of its costs associated with its Transfer Capability in the Project consistent with the rate methodology described in Sections 4.2 and 4.3 of the Transfer Capability Lease, in form and substance acceptable to the Parties, in each Party's sole discretion. Citizens agrees that it will seek such approval from FERC no later than 60 days after the date on which the CAISO conditionally approves Citizens' request to become a Participating Transmission Owner and reasonably concurrently with SDG&E seeking the approval described in Section 4.3.1(b) above.

ARTICLE V. REGULATORY APPROVALS

5.1 Mutual Cooperation.

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.

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

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.

6.2 Sharing Information.

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.

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

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.

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 DCOA (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

7.1 Force Majeure. Notwithstanding anything in this DCOA 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 DCOA (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).

7.2 Notification. A Party unable to perform under this DCOA 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

8.1 Withdrawal. SDG&E shall have the right to withdraw from and terminate this DCOA 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.

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).

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 DCOA under Section 8.1 (Withdrawal) ("Project Recommencement"), then such termination shall no longer be effective and this DCOA shall be automatically reinstated with reasonable extensions to the dated terms of this DCOA. The effect of such Project Recommencement and reinstatement of this DCOA 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 DCOA.

ARTICLE IX. EVENTS OF DEFAULT; REMEDIES

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 DCOA 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 DCOA, 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 Balancing Authority 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.

9.2 Limitation on Damages. No Party shall be liable under this DCOA 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.

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 DCOA.

ARTICLE X. DISPUTE RESOLUTION

10.1 Intent of the Parties. The sole procedure to resolve any claim arising out of or relating to this DCOA 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.

10.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this DCOA 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 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.

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).

10.4 Enforcement of Award. By execution and delivery of this DCOA, 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.

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 DCOA 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

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

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.

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 DCOA. The execution, delivery and performance by SDG&E of this DCOA, and the consummation of the transactions and activities contemplated under this DCOA, have been duly authorized by all necessary corporate action required on the part of SDG&E. This DCOA 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.

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 DCOA, 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.

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

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.

11.2.2 Execution, Delivery and Enforceability. Citizens has full corporate power and authority to carry out its obligations under this DCOA. The execution, delivery and performance by Citizens of this DCOA, and the consummation of the transactions and activities contemplated under this DCOA, have been duly authorized by all necessary corporate action required on the part of Citizens. This DCOA 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.

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 DCOA, 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.

11.2.4 No Objection to Current Design. Citizens has reviewed SDG&E's CPCN Application, the Final EIR, 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

12.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile or e-mail (if facsimile numbers or e-mail addresses are identified below or by subsequent notice and provided a copy is also sent by overnight mail) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by facsimile transmission or e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. 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 – Electric Engineering & Construction
Fax: 858-650-6106

With a copy to:
San Diego Gas & Electric
8330 Century Park Court
San Diego, CA 92123
Attention: Assistant General Counsel – Commercial
Fax: 619-696-4443

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
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
Attention: Counsel to Citizens Energy Corporation
Fax: 202-289-8450

12.2 Assignment.

12.2.1 General. Any time prior to COD, Citizens shall not assign this DCOA, 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 DCOA, 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 DCOA 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. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of a Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of a Party if such interest constitutes more than thirty percent (30%) of the fair market value of the assets of such parent entity) to a person that is not an affiliate of such Party shall also constitute an assignment of this DCOA requiring the non-assigning Party's prior written consent. Any assignment in violation of this Section 12.2 (Assignment) shall be null and void. Notwithstanding anything to the contrary herein, SDG&E consents to the exercise of the Option and execution of the Transfer Capability Lease by Citizens Sycamore-Penasquitos Transmission LLC, a Delaware limited liability company, a wholly owned subsidiary of Citizens, or any other similar, wholly owned subsidiary of Citizens.

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 DCOA 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 DCOA (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 DCOA (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 DCOA (and the Project) on the revised terms.

12.3 Confidentiality. During the term of this DCOA and for a period of three years after the expiration or termination of this DCOA, 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.

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 Citizens Sycamore-Penasquitos Transmission's participation in the Project.

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

12.6 No Amendments or Modifications. This DCOA 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 DCOA, the Parties shall negotiate in good faith to amend or modify this DCOA to effectuate the same intent and essential purpose of this DCOA as of the Effective Date in light of the CAISO Agreements amendment or modification.

12.7 Delay and Waiver. Except as otherwise provided in this DCOA, 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 DCOA 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 DCOA, or any waiver of any provision or condition of this DCOA, must be in writing and shall be effective only to the extent specifically set forth in such writing.

12.8 Entirety. This DCOA 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 DCOA supersedes the LOI in its entirety.

12.9 Relationship of the Parties. Except as otherwise set forth herein, this DCOA 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.

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

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

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

12.13 Headings. The headings contained in this DCOA 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 DCOA.

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

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, Coordination, and Option Agreement as of the Effective Date.

SAN DIEGO GAS & ELECTRIC COMPANY

By:  

Name: JOHN D. JENKINS

Title: VP - ELEC. ENG. & CONST.

Date: NOVEMBER 1ST, 2017

CITIZENS ENERGY CORPORATION

By: 

Name: Peter F. Smith

Title: CEO

Date: November 7, 2017

**FIRST AMENDMENT TO
DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT**

This **FIRST AMENDMENT TO DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT** (this “Amendment”) is dated as of April 10, 2018, 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, on November 9, 2017 SDG&E and Citizens entered into that certain Development, Coordination, and Option Agreement (the “DCOA”) pursuant to which SDG&E would develop, design, permit, engineer, procure, construct and own a transmission project known as the Sycamore-Penasquitos 230 Kilovolt Transmission Line Project, and Citizens would have an option to lease certain interests or entitlements in the Project.

WHEREAS, the Parties desire to enter into this Amendment to, among other things, reflect changes in the federal income tax rate enacted under the Tax Cuts and Jobs Act.

WHEREAS, in furtherance of the foregoing, the Parties desire to amend the DCOA as set forth more particularly below.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the DCOA.

2. Amendments. Exhibit A of the DCOA (Form of Transfer Capability Lease) is hereby amended and restated in its entirety and replaced by Exhibit A (Form of Transfer Capability Lease) attached hereto.

3. Miscellaneous.

3.1 Amended Agreement. Any reference to the DCOA shall mean a reference to the DCOA as amended by this Amendment. Except as expressly set forth herein, the DCOA 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 DCOA. 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.

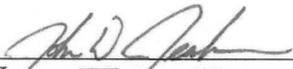
3.4 Full Force and Effect. Each Party confirms that the DCOA is in full force and effect and remains a binding obligation of the Parties.

[Signature pages follows]

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

SDG&E:

SAN DIEGO GAS & ELECTRIC COMPANY,
a California corporation

By: 
Name: JOHN JENKINS
Title: VP - ELECTRIC ENGINEERING &
CONSTRUCTION

CITIZENS:

CITIZENS ENERGY CORPORATION,
a Massachusetts non-profit corporation

By: 
Name: Peter F. Smith
Title: CEO

Exhibit A

FORM OF TRANSFER CAPABILITY LEASE

(attached)

Exhibit A

FORM OF TRANSFER CAPABILITY LEASE

TRANSFER CAPABILITY LEASE

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

CITIZENS SYCAMORE-PENASQUITOS TRANSMISSION LLC

DATED AS OF [*Note to form: insert date of execution*]

SYCAMORE-PENASQUITOS 230 KILOVOLT TRANSMISSION LINE PROJECT

UNDERGROUND SEGMENT B

TABLE OF CONTENTS

ARTICLE I.	DEFINITIONS; RULES OF INTERPRETATION.....	2
1.1	Definitions.....	2
1.2	Rules of Interpretation.	7
ARTICLE II.	LEASE; TERM.....	8
2.1	Lease.	8
2.2	Term.....	8
ARTICLE III.	COMPLETION OF CONSTRUCTION; UPGRADES AND REPAIRS; OPERATION AND MAINTENANCE; INTERCONNECTION.....	8
3.1	Completion of Construction.....	8
3.2	Operation and Maintenance.	8
3.3	Future Upgrades; Increases in Transfer Capability.	9
3.4	Future Replacement and Renewal; No Increases in Transfer Capability.....	9
3.5	Adjustment of Citizens Percentage Interest.....	9
3.6	Interconnection Facilities.....	11
ARTICLE IV.	RENT; RATE RECOVERY	11
4.1	Rent.	11
4.2	Regulation of Citizens Sycamore-Penasquitos Transmission’s Rates.....	11
4.3	Citizens Sycamore-Penasquitos Transmission’s Cost Recovery Methodology.	12
ARTICLE V.	MEETINGS; OTHER AGREEMENTS	15
5.1	Meetings.....	15
5.2	SDG&E Covenants.	16
5.3	Citizens Sycamore-Penasquitos Transmission Covenants.....	16
ARTICLE VI.	EVENTS OF DEFAULT; REMEDIES.....	18
6.1	Events of Default.	18
6.2	Remedies.....	19
6.3	Limitation on Liability.....	19
ARTICLE VII.	REPRESENTATIONS AND WARRANTIES.....	20

7.1	SDG&E.....	20
7.2	Citizens Sycamore-Penasquitos Transmission.	21
ARTICLE VIII.	TAXES AND ASSESSMENTS	21
8.1	Property Taxes.....	21
8.2	Section 467 Rental Agreement.	22
8.3	Tax Benefits.....	22
ARTICLE IX.	INSURANCE; INDEMNITY.....	23
9.1	Insurance.....	23
9.2	Indemnity.....	23
ARTICLE X.	CASUALTY; CONDEMNATION; FORCE MAJEURE	23
10.1	Condemnation.....	23
10.2	Casualty.....	23
10.3	Force Majeure.....	23
ARTICLE XI.	ASSIGNMENT AND SUBLETTING	24
11.1	No Sublet.....	24
11.2	Assignment.....	24
11.3	Form of Collateral Assignment.....	24
11.4	Right of First Refusal.....	24
ARTICLE XII.	DISPUTE RESOLUTION.....	25
12.1	Intent of the Parties.....	25
12.2	Management Negotiations.....	25
12.3	Arbitration.....	25
12.4	Enforcement of Award.....	27
12.5	Performance during Arbitration.....	27
ARTICLE XIII.	MISCELLANEOUS	27
13.1	Notices.....	27
13.2	Confidentiality.....	28
13.3	Public Relations.....	29
13.4	Governing Law.....	29
13.5	No Amendments or Modifications.....	29
13.6	Delay and Waiver.....	29
13.7	Entirety; Conflicts.....	29
13.8	Relationship of the Parties.....	29
13.9	Good Faith.....	29
13.10	Successors and Assigns.....	30
13.11	Third Parties.....	30

13.12	Headings.	30
13.13	Construction of Lease.	30
13.14	Counterparts.	30
13.15	Memorandum.	30
13.16	Subordinate to SDG&E Indenture.	30

TABLE OF SCHEDULES AND EXHIBITS

SCHEDULE 1.1 PROJECT DIAGRAM

EXHIBIT A MODEL FOR SDG&E REPRESENTATIVE RATE

EXHIBIT B ACCRUAL OF PREPAID RENT

EXHIBIT C LOCAL FURNISHING BOND ENCUMBRANCES

TRANSFER CAPABILITY LEASE

This TRANSFER CAPABILITY LEASE (this “Lease”) is made and entered into as of [Note to form: insert date of execution] (the “Effective Date”), by and between San Diego Gas & Electric Company, a California corporation (“SDG&E”), and Citizens Sycamore-Penasquitos Transmission LLC, a Delaware limited liability company (“Citizens Sycamore-Penasquitos Transmission”) and a wholly owned subsidiary of Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”). Each of SDG&E and Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 230 Kilovolt Transmission Line Project to connect the Sycamore Canyon Substation to the Penasquitos Substation in its service territory (as more fully defined herein, the “Project”).
- B. On November 9, 2017, SDG&E and Citizens Energy entered into a Development, Coordination, and Option Agreement, as amended pursuant to that certain First Amendment to Development, Coordination, and Option Agreement, dated as of April 10, 2018 (as amended, modified, or supplemented from time to time, the “DCOA”) pursuant to which SDG&E would develop, design, permit, engineer, procure, construct and own the Project, and Citizens Energy had an option (the “Option”) to lease certain interests or entitlements in the Project pursuant to a form of lease substantially similar to this Lease, and SDG&E and Citizens Energy agreed, among other things set forth in this Lease, to provide that Citizens Energy or Citizens Sycamore-Penasquitos Transmission could lease certain interests or entitlements in the Project if the Option was exercised and to provide that Citizens Sycamore-Penasquitos 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 [Note to form: insert date of exercise], Citizens Sycamore-Penasquitos Transmission notified SDG&E that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission will lease from SDG&E a portion 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

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 4.1.1.

“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 [Z]” means Appendix [Z] of SDG&E’s currently effective Transmission Owner Tariff (FERC Docket No [Note to form: insert applicable number on execution date]), which was accepted for filing by FERC on [Note to form: insert applicable date on execution date], as amended, modified, or supplemented from time to time.

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Underground Segment B are assessed against SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sycamore-Penasquitos 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 Underground Segment B are assessed against both SDG&E and Citizens Sycamore-Penasquitos 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 [Z] in effect as of the Effective Date defines an allocation of Property Taxes to Citizens Sycamore-Penasquitos 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.

“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 the percentage equal to the ratio of the amount of the Prepaid Rent divided by the aggregate of all costs incurred by SDG&E to develop, design, permit, engineer and construct the Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date of the Transfer Capability Lease, 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 Sycamore-Penasquitos 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 Underground Segment B.

“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 April 7, 2014 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 April 7, 2014.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sycamore-Penasquitos 230 KV Transmission Line Project” and all attachments thereto, issued by the CPUC on October 19, 2016.

“CPUC” means the California Public Utilities Commission.

“DCOA” 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.

“Expenses” has the meaning set forth in Section 5.3.1(b).

“FERC” means the Federal Energy Regulatory Commission.

“Final EIR” means the Final Environmental Impact Report, and all addendums, schedules, exhibits, attachments and appendices thereto, prepared by the CPUC, 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 DCOA 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.

“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.

“Net After-Tax Cash Flow” has the meaning set forth in Section 5.3.1(a).

“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.

“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 Underground Segment B.

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

“Project” means the Sycamore-Penasquitos 230 Kilovolt Transmission Line Project 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: Segment A consisting of an overhead alignment running between Sycamore Canyon Substation and Stonecroft Trail within an existing SDG&E right-of-way (ROW); Segment B consisting of

the transmission line transitioning from an overhead position into an underground duct bank that will travel westerly along Pomerado Road, cross Interstate 15 then continue along various secondary roads through the commercial area of Mira Mesa before transitioning back to an overhead position within an existing SDG&E ROW along the east side of Interstate Highway 805 at Carroll Road/Carroll Canyon Road, as more fully described in the definition of “Underground Segment B” below; and Segment C consisting of an overhead alignment on existing 230-kV steel poles within the existing ROW heading northward into the Peñasquitos 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 Underground Segment B, including without limitation real property assessments and taxes, water and sewer and other similar governmental charges levied upon or attributable to the Underground Segment B, assessments or charges levied upon or attributable to the Underground Segment B by any redevelopment agency, and any tax attributable to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Underground Segment B 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 Underground Segment B that is paid by SDG&E and that Citizens Sycamore-Penasquitos Transmission is required by Section 8.1 to reimburse.

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

“Revenues” has the meaning set forth in Section 5.3.1(c).

“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 Sycamore-Penasquitos Transmission.

“SDG&E Percentage Interest” means 100% less Citizens Percentage Interest.

“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 Underground Segment B 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.

“Underground Segment B” means the underground 230 kV transmission line segment of the Project along Stonebridge Parkway, Pomerado Road, Miramar Road, Black Mountain Road, Activity Road, Camino Ruiz, Miralani Drive, Arjons Drive, Trade Place, Trade Street, Camino Santa Fe, Carroll Road, and Carroll Canyon Road that extends from the east cable riser pole located near Stonebridge Parkway and Stonecroft Terrace to the west cable riser pole located near Carroll Canyon Road and Interstate 805, in each case, up to the termination on the cable riser poles but excluding the cable riser poles on each end, 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 Underground Segment B shall include only the 230 kV transmission line and shall not include any transmission facilities that may operate at a different voltage, or any substation facilities.

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

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

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 30th anniversary of the Commencement Date (the “Term”). At the conclusion the Term, Citizens Sycamore-Penasquitos Transmission shall have no further interest in the Project hereunder, the Citizens Transfer Capability shall revert to SDG&E, and Citizens Sycamore-Penasquitos 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. [*Note to form: Include the following if true: 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

3.1 Completion of Construction. SDG&E shall use commercially reasonable efforts to [*Note to form: Delete the following if COD has already occurred: 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.

3.2 Operation and Maintenance. Except to the extent that SDG&E has transferred Operational Control of the Underground Segment B to the System Operator, SDG&E shall be responsible for overseeing and performing all operations and maintenance services for the Underground Segment B (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.

3.2.1 Benefit and Burden Sharing. Except as provided in Section 9.2, SDG&E and Citizens intend to share the benefits and burdens of the Underground Segment B, 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 Underground Segment B, in accordance with their percentage share of the Transfer Capability in the Underground Segment B. 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 Underground Segment B. 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.

3.2.2 Insurance Proceeds. 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.

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 Sycamore-Penasquitos Transmission agrees that it will not oppose any upgrades sought before any Governmental Authority, System Operator, or Balancing Authority by SDG&E.

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.

3.5 Adjustment of Citizens Percentage Interest. The Citizens Percentage Interest shall be adjusted as described below. SDG&E shall give Citizens Sycamore-Penasquitos 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.

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 Underground Segment B, 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 Sycamore-Penasquitos 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 Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date.

3.5.2 Future Upgrades in Transfer Capability. To the extent that the Underground Segment B is upgraded pursuant to Section 3.3 resulting in increases or decreases in the Transfer Capability of the Underground Segment B, then all such increases or decreases in Transfer Capability resulting from such upgrade shall be allocated to SDG&E and the Citizens Percentage Interest and the SDG&E Percentage Interest shall be adjusted accordingly. For example, if the Underground Segment B were rated at 1000MW, a given upgrade to the Underground Segment B would cause the rating to increase by 200MW and at the time of the upgrade Citizens Sycamore-Penasquitos Transmission and SDG&E each held a 13% and 87% share of the Transfer Capability on the Underground Segment B, respectively, then the Citizens Percentage Interest on the Underground Segment B would decrease from 13% to 10.83% ($130\text{MW} / 1200\text{MW} = 10.83\%$) and the SDG&E Percentage Interest on the Underground Segment B would increase from 87% to 89.17% ($1070\text{MW} / 1200\text{MW} = 89.17\%$).

3.5.3 Future Replacement and Renewal. To the extent that SDG&E makes any additional capital investments in the Underground Segment B pursuant to Section 3.4 resulting in no increases in the Transfer Capability of the Underground Segment B, then (1) the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest of the Underground Segment B prior to such additional capital investment multiplied by the former net book value of the Underground Segment B prior to such additional capital investment divided by (b) the new net book value of the Underground Segment B (including all new funding of replacements or renewals as part of the new net book value); and (2) the SDG&E Percentage Interest shall be adjusted in accordance with its definition. For example, assume that the Underground Segment B has a net book value of \$100 million prior to replacement or renewals and requires additional capital investments of \$30 million for replacement costs pursuant to Section 3.4 (and thus would have a net book value of \$130 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 13% and SDG&E makes such \$30 million capital investment in the Underground Segment B, then the Citizens Percentage Interest would be reduced from 13% to 10% ($13\% \times \$100 / \$130 = 10.00\%$) and the SDG&E Percentage Interest would be increased from 87% to 90.00% ($100\% - 10.00\% = 90.00\%$). For purposes of this section, the “net book value” of the Underground Segment B shall be equal to SDG&E’s historical cost basis of the Underground Segment B less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Sycamore-Penasquitos Transmission pays to SDG&E shall not reduce the cost basis.

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 Underground Segment B resulting from changes to the configuration of adjoining systems or upgrades to adjoining systems, including the systems of SDG&E beyond the Underground Segment B.

3.6 Interconnection Facilities. Subject to the CAISO Agreement and rules governing interconnection, as between SDG&E and Citizens Sycamore-Penasquitos Transmission, SDG&E will be the interconnection agent for the Project and on behalf of Citizens Sycamore-Penasquitos 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

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

4.1.1 Prepaid Rent. Pursuant to Section 4.2.3 of the DCOA, concurrently with the commencement of this Lease on the Commencement Date, Citizens Sycamore-Penasquitos Transmission shall make a payment of \$27 million to SDG&E as prepaid rent (the “Prepaid Rent”).

4.1.2 Additional Rent. Citizens Sycamore-Penasquitos 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 Underground Segment B, sales, use and excise taxes, and other costs described in Appendix [Z] (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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission shall be required to pay such amount to SDG&E within 30 days after receipt of such invoice.

4.2 Regulation of Citizens Sycamore-Penasquitos Transmission’s Rates. Subject to Section 4.3, Citizens Sycamore-Penasquitos 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.

4.3 Citizens Sycamore-Penasquitos Transmission's Cost Recovery Methodology.

Citizens Sycamore-Penasquitos Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Sycamore-Penasquitos Transmission limited to the recovery of the following transmission costs. For the avoidance of doubt, Citizens Sycamore-Penasquitos 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.

4.3.1 Operating Costs. Citizens Sycamore-Penasquitos Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Sycamore-Penasquitos 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.

4.3.2 Capital Requirements. Citizens Sycamore-Penasquitos 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 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. *[Note to form: The final model as of the Effective Date should be populated with the actual Moody's Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which will be known at the time of execution.]*

(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 Sycamore-Penasquitos Transmission allocated to the Citizens Transfer Capability. The phrase “Financing Costs” shall mean (a) with respect to any bridge financing that Citizens Sycamore-Penasquitos Transmission may consummate prior to the term financing that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission and its lenders), lawyers’ fees (for Citizens Sycamore-Penasquitos Transmission and its lenders), and interest associated with such bridge financing, and (b) with respect to the term financing that Citizens Sycamore-Penasquitos Transmission will consummate for the final acquisition of its Transfer Capability, all reasonable and customary consultants’ fees (for Citizens Sycamore-Penasquitos Transmission and its lenders), lawyers’ fees (for Citizens Sycamore-Penasquitos 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 10.05%, (2) SDG&E’s capital structure fixed at 55.23% equity and 44.77% debt, and (3) SDG&E’s federal income tax rate fixed at 21.00% and state income tax rate fixed at 8.84%. 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 plus 48 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) immediately above) of the SDG&E return on equity in clause (1) immediately above 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 [3.71%], Costs of Transfer Capability equal to [\$29,000,000], and an AFUDC amount equal to [\$1,944,386]. *[Note to form: The bracketed numbers above and the final example as of the Effective Date should be populated with the actual Moody’s Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which should be known at the time of execution.]*

(c) At the time Citizens Sycamore-Penasquitos Transmission makes the compliance filing related to its application made on *[Note to form: insert applicable date on execution date]* in FERC Docket No. *[Note to form: insert applicable docket number on execution date]* 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 [Note to form: insert applicable date on execution date] in FERC Dockets Nos. [Note to form: insert applicable docket numbers on execution date], Citizens Sycamore-Penasquitos 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 such annual fixed rate is no greater than the SDG&E Representative Rate (which also shall include any adjustments described in Section 8.3). [Note to form: adjust this section to match the applicable FERC filings and orders on execution date]

(d) For purposes of determining whether Citizens Sycamore-Penasquitos 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) against Citizens Sycamore-Penasquitos 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) at such time as Citizens Sycamore-Penasquitos Transmission consummates the debt financing transaction for this Lease of the Citizens Transfer Capability and at such time as Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission is not able to demonstrate to the FERC that its fixed annual rate (excluding any of the adjustments described under Section 8.3) 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 Sycamore-Penasquitos 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 its fixed annual rate (excluding any of the adjustments described under Section 8.3) shall be equal to the SDG&E Representative Rate (which also does not include any of the adjustments described under Section 8.3).

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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's rates, Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission may acquire, finance, operate and maintain its leasehold interest in the Underground Segment B. SDG&E acknowledges that among other things, Citizens Sycamore-Penasquitos Transmission will seek recovery of and SDG&E will support Citizens Sycamore-Penasquitos Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Underground Segment B (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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission through its rates that were originally incurred by SDG&E were prudently incurred.

4.3.4 Credits. Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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

5.1 Meetings. Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Underground Segment B. 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 Sycamore-Penasquitos Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Underground Segment B no less than once per year, and (ii) promptly inform Citizens Sycamore-Penasquitos Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Sycamore-Penasquitos Transmission or the Citizens Transfer Capability or that would result in a payment obligation by Citizens Sycamore-Penasquitos Transmission pursuant to Section 3.2.1. Citizens Sycamore-Penasquitos Transmission shall provide SDG&E with periodic reports regarding Citizens Sycamore-Penasquitos Transmission's activities associated with its interest in the Underground Segment B including Citizens

Sycamore-Penasquitos Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

5.2 SDG&E Covenants.

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 Sycamore-Penasquitos Transmission can recover any and all of the costs specified in Section 4.3.1 and Section 4.3.2 as if Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's cost recovery.

5.2.2 Information Sharing. Upon reasonable notice and during regular business hours, SDG&E shall allow Citizens Sycamore-Penasquitos Transmission access to the Project site and provide other information related to the Project as may be reasonably requested by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission to allow Citizens Sycamore-Penasquitos 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.

5.3 Citizens Sycamore-Penasquitos Transmission Covenants.

5.3.1 Low Income Energy Programs. Citizens Sycamore-Penasquitos Transmission and SDG&E have agreed that with respect to each calendar year during the Term that Citizens Sycamore-Penasquitos Transmission shall pay one-half of Citizens Sycamore-Penasquitos 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 persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment, which shall be selected by Citizens Sycamore-Penasquitos 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

Sycamore-Penasquitos Transmission shall pay, by no later than April 30 of the following calendar year, to programs or entities assisting low income persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment an amount equal to or greater than Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission shall provide to SDG&E a certificate from an officer of Citizens Sycamore-Penasquitos Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission if Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission plus (v) payments made by Citizens Sycamore-Penasquitos Transmission to programs or entities assisting low income persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment, 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission associated with the Citizens Transfer Capability as approved by the FERC, (ii) proceeds of any business interruption or other insurance received by Citizens Sycamore-Penasquitos Transmission, plus (iii) the proceeds of any condemnation awards relating to the Lease received by Citizens Sycamore-Penasquitos Transmission, plus (iv) all investment income on balances of funds held in the accounts of Citizens Sycamore-Penasquitos Transmission, plus (v) at the maturity of all of Citizens Sycamore-Penasquitos Transmission’s indebtedness, all balances of funds held in reserve accounts of Citizens Sycamore-Penasquitos Transmission, in all cases, to the extent derived from, or associated with, the Citizens Transfer Capability.

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

5.3.3 Control. At all times during the Term, Citizens Sycamore-Penasquitos 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.

5.3.4 Local Furnishing Bonds. Citizens Sycamore-Penasquitos 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

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:

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.

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.

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.

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 Sycamore-Penasquitos Transmission.

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

6.1.6 Bankruptcy. Such Party becomes bankrupt.

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.

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

(EXCEPT TO THE EXTENT SUCH DAMAGES ARE THIRD PARTY CLAIMS FOR WHICH A PARTY IS LIABLE AND FOR WHICH THE OTHER PARTY HAS AN INDEMNITY OBLIGATION HEREUNDER), 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

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

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.

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.

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. *[Note to form: confirm that there will not be any outstanding regulatory consents required upon the Effective Date.]*

7.2 Citizens Sycamore-Penasquitos Transmission. As of the Effective Date, Citizens Sycamore-Penasquitos Transmission represents and warrants as follows:

7.2.1 Organization and Existence. Citizens Sycamore-Penasquitos 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.

7.2.2 Execution, Delivery and Enforceability. Citizens Sycamore-Penasquitos Transmission has full company power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission. This Lease has been duly and validly executed and delivered by Citizens Sycamore-Penasquitos Transmission and constitutes the valid and legally binding obligations of Citizens Sycamore-Penasquitos Transmission, enforceable against Citizens Sycamore-Penasquitos 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.

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 certificate of formation or operating agreement of Citizens Sycamore-Penasquitos Transmission or any material agreement to which Citizens Sycamore-Penasquitos 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. *[Note to form: confirm that there will not be any outstanding regulatory consents required upon the Effective Date.]*

7.2.4 No Objection to Current Design. Citizens Sycamore-Penasquitos 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, and the CPCN Decision.

ARTICLE VIII. TAXES AND ASSESSMENTS

8.1 Property Taxes. The Parties contemplate that the Property Taxes on the Underground Segment B will be assessed by the California State Board of Equalization. If the Property Taxes on the Underground Segment B are assessed against and paid by SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sycamore-Penasquitos 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 Underground Segment B

are assessed against and paid by both SDG&E and Citizens Sycamore-Penasquitos Transmission, then the Additional Rent for any period shall be adjusted so that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission bears the cost of the Applicable Portion of Property Taxes either by reimbursement to SDG&E or payment directly to taxing authorities.

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 Sycamore-Penasquitos 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. *[Note to form: include the final Exhibit B in the final execution version]*

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 Underground Segment B and may be entitled to receive tax credits or benefits, including bonus tax depreciation deductions, in connection with its ownership of the Underground Segment B that Citizens Sycamore-Penasquitos Transmission may not be entitled to receive in connection with its ownership of a leasehold interest in the Underground Segment B. To the same extent that SDG&E seeks such tax credits or benefits related to its interest in the Underground Segment B, SDG&E shall also seek such tax credits or benefits related to Citizens Sycamore-Penasquitos Transmission’s interest in the Underground Segment B. To the extent SDG&E realizes such tax credits or benefits related to Citizens Sycamore-Penasquitos Transmission’s interest in the Underground Segment B 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission’s interest in the Underground Segment B, 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

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 Underground Segment B toward the repair, reconstruction, or replacement of the Underground Segment B, then subject to the SDG&E Indenture, SDG&E shall pay to Citizens Sycamore-Penasquitos Transmission a pro rata share of such insurance proceeds to the extent of its interest remaining in the Underground Segment B. If SDG&E does apply the insurance proceeds it receives directly attributable to the damage or destruction of the Underground Segment B toward the repair, reconstruction, or replacement of the Underground Segment B and SDG&E incurs additional capital costs (including any deductibles) beyond such insurance proceeds for the repair, reconstruction or replacement of the Underground Segment B, 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).

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

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.

10.2 Casualty. In the event of a casualty affecting the Underground Segment B, SDG&E shall seek to restore service on the Underground Segment B consistent with its general practices applicable to its transmission system.

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

11.1 No Sublet. Citizens Sycamore-Penasquitos Transmission shall not sublet all or any portion of the Citizens Transfer Capability.

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 Sycamore-Penasquitos Transmission shall also require any third party assignee to continue to make contributions 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 Underground Segment B 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.

11.3 Form of Collateral Assignment. In connection with any financing or refinancing of the Citizens Transfer Capability, Citizens Sycamore-Penasquitos Transmission and SDG&E shall, and Citizens Sycamore-Penasquitos 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.

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 Sycamore-Penasquitos Transmission of all or any portion of its interest in this Lease. In the event Citizens Sycamore-Penasquitos Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Sycamore-Penasquitos Transmission in this Lease that Citizens Sycamore-Penasquitos Transmission desires to accept, Citizens Sycamore-Penasquitos 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 making the contributions 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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

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.

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.

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 existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 13.2.

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.

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

13.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile or e-mail (if facsimile numbers or e-mail addresses are identified below or by subsequent notice and provided a copy is also sent by overnight mail) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by facsimile transmission or e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. 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 – [Electric Engineering & Construction]
Fax: [858-650-6106]

With a copy to:
San Diego Gas & Electric
8330 Century Park Court
San Diego, CA 92123
Attention: Assistant General Counsel – Commercial
Fax: [619-696-4443]

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

With copies to:
Duncan & Allen
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
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

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.

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 Citizens Sycamore-Penasquitos Transmission's participation in the Project.

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.

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.

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.

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 DCOA, the terms of this Lease shall govern and prevail.

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.

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

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.

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.

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.

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.

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

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 San Diego County, California. Nothing contained therein shall be deemed or construed to in any way modify or otherwise affect any of the terms and conditions of this Lease or to create any inference about the characterization of the leasehold interest as real property or personalty. Further, nothing in this Lease or therein shall be deemed an assignment, in whole or in part, of any right or interest in SDG&E's franchise agreement with the City of San Diego, SDG&E's franchise agreement with the County of San Diego, SDG&E's crossing/encroachment permit with the State of California Department of Transportation (CalTrans), or SDG&E's other rights-of-way, easements, or other real property entitlements along the alignment of the Underground Segment B. The provisions of this Lease will control with regard to any provisions of this Lease that may be in conflict with the Memorandum.

13.16 Subordinate to SDG&E Indenture. Citizens Sycamore-Penasquitos Transmission acknowledges and agrees that at all times this Lease, Citizens Sycamore-Penasquitos Transmission's rights arising under this Lease, and all liens, encumbrances, or recordings securing or evidencing any of the foregoing are and shall be subject to and subordinate to the SDG&E Indenture, any modifications, amendments, renewals or extensions thereof, and all liens, encumbrances, or recordings securing or evidencing the SDG&E Indenture.

[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:
Title:

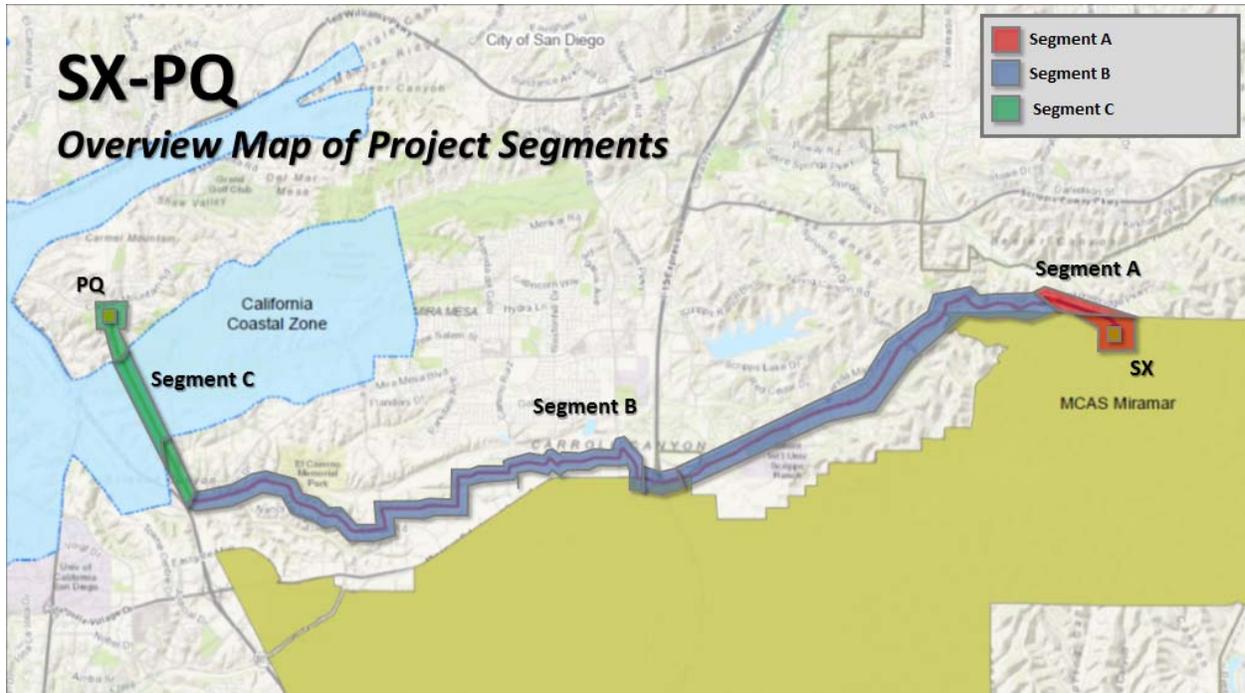
**CITIZENS SYCAMORE-PENASQUITOS
TRANSMISSION:**

CITIZENS SYCAMORE-PENASQUITOS
TRANSMISSION LLC,
a Delaware limited liability company

By: _____
Name:
Title:

SCHEDULE 1.1

Project Diagram



Project Segments:

- **Segment A: Sycamore Canyon Substation – Stonebridge Parkway Segment**
(0.9 miles) New 230 kV steel poles in existing ROW
- **Segment B: Underground Segment**
(11.5 miles) New underground 230 kV line in existing franchise position (City streets)
- **Segment C: Carroll Canyon Road – Penasquitos Substation Segment**
(2.2 miles) New 230 kV conductor on existing steel structures

Exhibit A

Model for SDG&E Representative Rate

(See attached CD entitled “Exhibit A to Transfer Capability Lease, dated [*insert date at time of execution*]” containing the model in a Microsoft Excel worksheet file)

[Note to form: The final model as of the Effective Date will be populated with the actual Moody’s Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which will be known at the time of execution. The Model template for the SDG&E Representative Rate at the time of execution of the First Amendment to Development, Coordination, and Option Agreement is the file titled “SXPQ SDGE Representative Rate Model Tax Reform Update v3.xlsx”]

Exhibit B

Accrual of Prepaid Rent

[Note to form: The final table as of the Effective Date will be populated with the actual Prepaid Rent and AFR which will be known at the time of execution. At the time of execution of the DCOA, the model template for determining the values below is the file titled "LD2D-#313963-v2-SXPQ_Citizens_Lease_Amortization_Prepaid_Rent.XLS."]

Project: Sycamore-Penasquitos
 Lessor: SDG&E
 Lessee: Citizens Sycamore-Penasquitos Transmission
 Interest Rate: 0.75% (110% LT SA AFR 05/2017)/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)
		\$27,000,000						\$27,000,000	
1	\$341,586	-	\$341,586	1.000000	\$341,586	201,825	(\$341,586)	26,860,239	(\$139,761)
2	341,586	-	341,586	1.000000	341,586	200,780	(341,586)	26,719,433	(140,806)
3	341,586	-	341,586	1.000000	341,586	199,728	(341,586)	26,577,574	(141,859)
4	341,586	-	341,586	1.000000	341,586	198,667	(341,586)	26,434,655	(142,919)
5	341,586	-	341,586	1.000000	341,586	197,599	(341,586)	26,290,668	(143,987)
6	341,586	-	341,586	1.000000	341,586	196,523	(341,586)	26,145,604	(145,064)
7	341,586	-	341,586	1.000000	341,586	195,438	(341,586)	25,999,456	(146,148)
8	341,586	-	341,586	1.000000	341,586	194,346	(341,586)	25,852,216	(147,240)
9	341,586	-	341,586	1.000000	341,586	193,245	(341,586)	25,703,874	(148,341)
10	341,586	-	341,586	1.000000	341,586	192,136	(341,586)	25,554,425	(149,450)
11	341,586	-	341,586	1.000000	341,586	191,019	(341,586)	25,403,857	(150,567)
12	341,586	-	341,586	1.000000	341,586	189,894	(341,586)	25,252,165	(151,693)
13	341,586	-	341,586	1.000000	341,586	188,760	(341,586)	25,099,339	(152,826)
14	341,586	-	341,586	1.000000	341,586	187,618	(341,586)	24,945,370	(153,969)
15	341,586	-	341,586	1.000000	341,586	186,467	(341,586)	24,790,250	(155,120)
16	341,586	-	341,586	1.000000	341,586	185,307	(341,586)	24,633,971	(156,279)
17	341,586	-	341,586	1.000000	341,586	184,139	(341,586)	24,476,523	(157,447)
18	341,586	-	341,586	1.000000	341,586	182,962	(341,586)	24,317,899	(158,624)
19	341,586	-	341,586	1.000000	341,586	181,776	(341,586)	24,158,089	(159,810)
20	341,586	-	341,586	1.000000	341,586	180,582	(341,586)	23,997,084	(161,005)
21	341,586	-	341,586	1.000000	341,586	179,378	(341,586)	23,834,876	(162,208)
22	341,586	-	341,586	1.000000	341,586	178,166	(341,586)	23,671,455	(163,421)
23	341,586	-	341,586	1.000000	341,586	176,944	(341,586)	23,506,813	(164,642)

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	341,586	-	341,586	1.000000	341,586	175,713	(341,586)	23,340,940	(165,873)
25	341,586	-	341,586	1.000000	341,586	174,474	(341,586)	23,173,827	(167,113)
26	341,586	-	341,586	1.000000	341,586	173,224	(341,586)	23,005,465	(168,362)
27	341,586	-	341,586	1.000000	341,586	171,966	(341,586)	22,835,845	(169,621)
28	341,586	-	341,586	1.000000	341,586	170,698	(341,586)	22,664,956	(170,888)
29	341,586	-	341,586	1.000000	341,586	169,421	(341,586)	22,492,790	(172,166)
30	341,586	-	341,586	1.000000	341,586	168,134	(341,586)	22,319,338	(173,453)
31	341,586	-	341,586	1.000000	341,586	166,837	(341,586)	22,144,588	(174,749)
32	341,586	-	341,586	1.000000	341,586	165,531	(341,586)	21,968,533	(176,056)
33	341,586	-	341,586	1.000000	341,586	164,215	(341,586)	21,791,161	(177,372)
34	341,586	-	341,586	1.000000	341,586	162,889	(341,586)	21,612,464	(178,697)
35	341,586	-	341,586	1.000000	341,586	161,553	(341,586)	21,432,431	(180,033)
36	341,586	-	341,586	1.000000	341,586	160,207	(341,586)	21,251,052	(181,379)
37	341,586	-	341,586	1.000000	341,586	158,852	(341,586)	21,068,317	(182,735)
38	341,586	-	341,586	1.000000	341,586	157,486	(341,586)	20,884,216	(184,101)
39	341,586	-	341,586	1.000000	341,586	156,110	(341,586)	20,698,739	(185,477)
40	341,586	-	341,586	1.000000	341,586	154,723	(341,586)	20,511,876	(186,863)
41	341,586	-	341,586	1.000000	341,586	153,326	(341,586)	20,323,616	(188,260)
42	341,586	-	341,586	1.000000	341,586	151,919	(341,586)	20,133,949	(189,667)
43	341,586	-	341,586	1.000000	341,586	150,501	(341,586)	19,942,863	(191,085)
44	341,586	-	341,586	1.000000	341,586	149,073	(341,586)	19,750,350	(192,513)
45	341,586	-	341,586	1.000000	341,586	147,634	(341,586)	19,556,397	(193,953)
46	341,586	-	341,586	1.000000	341,586	146,184	(341,586)	19,360,995	(195,402)
47	341,586	-	341,586	1.000000	341,586	144,723	(341,586)	19,164,132	(196,863)
48	341,586	-	341,586	1.000000	341,586	143,252	(341,586)	18,965,798	(198,334)
49	341,586	-	341,586	1.000000	341,586	141,769	(341,586)	18,765,981	(199,817)
50	341,586	-	341,586	1.000000	341,586	140,276	(341,586)	18,564,670	(201,311)
51	341,586	-	341,586	1.000000	341,586	138,771	(341,586)	18,361,855	(202,815)
52	341,586	-	341,586	1.000000	341,586	137,255	(341,586)	18,157,523	(204,332)
53	341,586	-	341,586	1.000000	341,586	135,727	(341,586)	17,951,664	(205,859)
54	341,586	-	341,586	1.000000	341,586	134,189	(341,586)	17,744,266	(207,398)
55	341,586	-	341,586	1.000000	341,586	132,638	(341,586)	17,535,319	(208,948)
56	341,586	-	341,586	1.000000	341,586	131,077	(341,586)	17,324,809	(210,510)
57	341,586	-	341,586	1.000000	341,586	129,503	(341,586)	17,112,725	(212,083)
58	341,586	-	341,586	1.000000	341,586	127,918	(341,586)	16,899,056	(213,669)
59	341,586	-	341,586	1.000000	341,586	126,320	(341,586)	16,683,791	(215,266)
60	341,586	-	341,586	1.000000	341,586	124,711	(341,586)	16,466,915	(216,875)
61	341,586	-	341,586	1.000000	341,586	123,090	(341,586)	16,248,419	(218,496)

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	341,586	-	341,586	1.000000	341,586	121,457	(341,586)	16,028,290	(220,129)
63	341,586	-	341,586	1.000000	341,586	119,811	(341,586)	15,806,515	(221,775)
64	341,586	-	341,586	1.000000	341,586	118,154	(341,586)	15,583,082	(223,433)
65	341,586	-	341,586	1.000000	341,586	116,484	(341,586)	15,357,979	(225,103)
66	341,586	-	341,586	1.000000	341,586	114,801	(341,586)	15,131,194	(226,785)
67	341,586	-	341,586	1.000000	341,586	113,106	(341,586)	14,902,713	(228,481)
68	341,586	-	341,586	1.000000	341,586	111,398	(341,586)	14,672,525	(230,189)
69	341,586	-	341,586	1.000000	341,586	109,677	(341,586)	14,440,615	(231,909)
70	341,586	-	341,586	1.000000	341,586	107,944	(341,586)	14,206,973	(233,643)
71	341,586	-	341,586	1.000000	341,586	106,197	(341,586)	13,971,583	(235,389)
72	341,586	-	341,586	1.000000	341,586	104,438	(341,586)	13,734,435	(237,149)
73	341,586	-	341,586	1.000000	341,586	102,665	(341,586)	13,495,513	(238,921)
74	341,586	-	341,586	1.000000	341,586	100,879	(341,586)	13,254,806	(240,707)
75	341,586	-	341,586	1.000000	341,586	99,080	(341,586)	13,012,299	(242,507)
76	341,586	-	341,586	1.000000	341,586	97,267	(341,586)	12,767,980	(244,319)
77	341,586	-	341,586	1.000000	341,586	95,441	(341,586)	12,521,834	(246,146)
78	341,586	-	341,586	1.000000	341,586	93,601	(341,586)	12,273,848	(247,986)
79	341,586	-	341,586	1.000000	341,586	91,747	(341,586)	12,024,009	(249,839)
80	341,586	-	341,586	1.000000	341,586	89,879	(341,586)	11,772,302	(251,707)
81	341,586	-	341,586	1.000000	341,586	87,998	(341,586)	11,518,714	(253,588)
82	341,586	-	341,586	1.000000	341,586	86,102	(341,586)	11,263,230	(255,484)
83	341,586	-	341,586	1.000000	341,586	84,193	(341,586)	11,005,836	(257,394)
84	341,586	-	341,586	1.000000	341,586	82,269	(341,586)	10,746,518	(259,318)
85	341,586	-	341,586	1.000000	341,586	80,330	(341,586)	10,485,262	(261,256)
86	341,586	-	341,586	1.000000	341,586	78,377	(341,586)	10,222,053	(263,209)
87	341,586	-	341,586	1.000000	341,586	76,410	(341,586)	9,956,876	(265,177)
88	341,586	-	341,586	1.000000	341,586	74,428	(341,586)	9,689,718	(267,159)
89	341,586	-	341,586	1.000000	341,586	72,431	(341,586)	9,420,562	(269,156)
90	341,586	-	341,586	1.000000	341,586	70,419	(341,586)	9,149,394	(271,168)
91	341,586	-	341,586	1.000000	341,586	68,392	(341,586)	8,876,200	(273,195)
92	341,586	-	341,586	1.000000	341,586	66,350	(341,586)	8,600,963	(275,237)
93	341,586	-	341,586	1.000000	341,586	64,292	(341,586)	8,323,669	(277,294)
94	341,586	-	341,586	1.000000	341,586	62,219	(341,586)	8,044,302	(279,367)
95	341,586	-	341,586	1.000000	341,586	60,131	(341,586)	7,762,846	(281,455)
96	341,586	-	341,586	1.000000	341,586	58,027	(341,586)	7,479,287	(283,559)
97	341,586	-	341,586	1.000000	341,586	55,908	(341,586)	7,193,609	(285,679)
98	341,586	-	341,586	1.000000	341,586	53,772	(341,586)	6,905,794	(287,814)
99	341,586	-	341,586	1.000000	341,586	51,621	(341,586)	6,615,829	(289,966)

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)
100	341,586	-	341,586	1.000000	341,586	49,453	(341,586)	6,323,696	(292,133)
101	341,586	-	341,586	1.000000	341,586	47,270	(341,586)	6,029,379	(294,317)
102	341,586	-	341,586	1.000000	341,586	45,070	(341,586)	5,732,862	(296,517)
103	341,586	-	341,586	1.000000	341,586	42,853	(341,586)	5,434,129	(298,733)
104	341,586	-	341,586	1.000000	341,586	40,620	(341,586)	5,133,163	(300,966)
105	341,586	-	341,586	1.000000	341,586	38,370	(341,586)	4,829,947	(303,216)
106	341,586	-	341,586	1.000000	341,586	36,104	(341,586)	4,524,464	(305,483)
107	341,586	-	341,586	1.000000	341,586	33,820	(341,586)	4,216,698	(307,766)
108	341,586	-	341,586	1.000000	341,586	31,520	(341,586)	3,906,632	(310,067)
109	341,586	-	341,586	1.000000	341,586	29,202	(341,586)	3,594,247	(312,384)
110	341,586	-	341,586	1.000000	341,586	26,867	(341,586)	3,279,528	(314,719)
111	341,586	-	341,586	1.000000	341,586	24,514	(341,586)	2,962,456	(317,072)
112	341,586	-	341,586	1.000000	341,586	22,144	(341,586)	2,643,014	(319,442)
113	341,586	-	341,586	1.000000	341,586	19,757	(341,586)	2,321,184	(321,830)
114	341,586	-	341,586	1.000000	341,586	17,351	(341,586)	1,996,949	(324,236)
115	341,586	-	341,586	1.000000	341,586	14,927	(341,586)	1,670,290	(326,659)
116	341,586	-	341,586	1.000000	341,586	12,485	(341,586)	1,341,189	(329,101)
117	341,586	-	341,586	1.000000	341,586	10,025	(341,586)	1,009,628	(331,561)
118	341,586	-	341,586	1.000000	341,586	7,547	(341,586)	675,588	(334,039)
119	341,586	-	341,586	1.000000	341,586	5,050	(341,586)	339,052	(336,536)
120	341,586	-	341,586	1.000000	341,586	2,534	(341,586)	0	(339,052)
Totals	\$40,990,365	\$27,000,000	\$40,990,365		\$40,990,365	13,990,365	(\$40,990,365)		(\$27,000,000)

	A	B
Present Value	\$27,000,000	\$27,000,000

See Fraction Computation Above *

Rent Allocation **\$341,586**

Exhibit C

Local Furnishing Bond Encumbrances

[Note to form: update this exhibit as of the Effective Date]

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 December 15, 2016, these interconnection points include:

1. the point at the International Border where SDG&E's wholly-owned interest in 230kV TL 23040 (Otay Mesa – Tijuana I) connects with CFE's ownership interest in TL 23040;
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 500kV TL 50004 (Imperial Valley – East County) interconnects with the Imperial Valley Substation facilities owned in part by Imperial Irrigation District (“IID”);
4. the point where SDG&E’s wholly-owned 500kV TL 50005 (Imperial Valley – Ocotillo) connects to the Imperial Valley Substation facilities owned in part by IID;
5. 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;
6. 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; and,
7. the point where SDG&E’s wholly-owned Narrows Substation interconnects with transmission facilities owned in whole or in part 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 facilities which are not connected directly to the Local T/D System (“Owned/Leased Remote SDG&E Generating Units”).
 - i. As of December 15, 2016, Owned/Leased Remote SDG&E Generating Units consist of only SDG&E’s 480 MW Desert Star Energy Center.
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 Federal Energy Regulatory Commission, and such ruling has become final and non-appealable, 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 B - Entitlements (Continued)

B-2

Entitlements Matrix

**APPENDIX B-2
ENTITLEMENTS**

Appendix B-2 to Citizens Sycamore-Penasquitos Transmission, LLC PTO Application, Dated April 13, 2018

	Point of Receipt-Delivery	Parties	Direction	Contract Title	FERC No.	Contract Termination	Contract Amount
1	Sycamore Canyon Substation*	SDG&E and Citizens Sycamore-Penasquitos Transmission LLC	Bidirectional	Development, Coordination, and Option Agreement of November 9, 2018, As Amended	NA	2048	NA
2	Peñasquitos Substation*	SDG&E and Citizens Sycamore-Penasquitos Transmission LLC	Bidirectional	Development, Coordination, and Option Agreement of November 9, 2018, As Amended	NA	2048	NA
3							
4							
5							
6							
7							
8							
9							
10							
11							

* Citizens Sycamore-Penasquitos Transmission’s interests are limited to the underground segment of the transmission line between the referenced substations.

Appendix B - Entitlements (Continued)

B-3

Encumbrances Matrix

**APPENDIX B-3
ENCUMBRANCES**

Appendix B-3 to Citizens Sycamore-Penasquitos Transmission, LLC PTO Application, Dated April 13, 2018

	Point of Receipt-Delivery	Parties	Direction	Contract Title	FERC No.	Contract Start Date	Contract Termination	Contract Amount
1	Sycamore Canyon Substation*	SDG&E and Citizens Sycamore-Penasquitos Transmission LLC	Bidirectional	Development, Coordination, and Option Agreement of November 9, 2018, As Amended, SDG&E Appendix B, SDG&E's Local Encumbrances, Local Furnishing	NA	2018	2048	NA
2	Peñasquitos Substation*	SDG&E and Citizens Sycamore-Penasquitos Transmission LLC	Bidirectional	Development, Coordination, and Option Agreement of November 9, 2018, As Amended, SDG&E Appendix B, SDG&E's Local Encumbrances, Local Furnishing	NA	2018	2048	NA
3								
4								
5								

* Citizens Sycamore-Penasquitos Transmission's interests are limited to the underground segment of the transmission line between the referenced substations.

Appendix C

Proposed Transmission Owner Tariff

April 13, 2018

Citizens Sycamore-Penasquitos Transmission LLC

**Transmission Owner Tariff
(Proposed)**

[DATE]

Table of Contents

Section	Page
1. Preamble	6
1.1 Transmission Access for Participating TOs	6
1.2 Transmission Access for Wheeling Customers	6
1.3 Transmission Access for End-User.....	6
2. Effective Date	6
2.1 Termination	6
3. TO Definitions	6
3.1 Access Charge.....	6
3.2 AGC.....	7
3.3 Ancillary Services.....	7
3.4 Applicable Reliability Criteria.....	7
3.5 Available Transfer Capacity	7
3.6 Base Transmission Revenue Requirement.....	7
3.7 Black Start.....	7
3.8 Business Day.....	8
3.9 Citizens Sycamore-Penasquitos Transmission LLC	8
3.10 Completed Application Date.....	8
3.11 Completed Interconnection Application	8
3.12 Congestion	8
3.13 Congestion Management	8
3.14 Converted Rights	8
3.15 CPUC.....	8
3.16 Demand.....	8
3.17 Direct Assignment Facilities.....	8
3.18 Dispatch	8
3.19 Distribution System	8
3.20 Eligible Customer	8
3.21 Encumbrance	9
3.22 End-Use Customer or End-User	9
3.23 Energy.....	9
3.24 Entitlement.....	9
3.25 Existing Contracts.....	9
3.26 Existing Rights.....	9
3.27 Expedited Interconnection Agreement	9
3.28 Facilities Study Agreement.....	9
3.29 Facility or Facilities Study.....	10
3.30 FERC	10
3.31 FPA	10
3.32 Generating Unit.....	10
3.33 Generation.....	10

3.34	Good Utility Practice	10
3.35	Gross Load.....	10
3.36	High Voltage Access Charge	11
3.37	High Voltage Transmission Facility	11
3.38	High Voltage Transmission Revenue Requirement.....	11
3.39	High Voltage Utility-Specific Rate.....	11
3.40	High Voltage Wheeling Access Charge	11
3.41	Independent System Operator.....	12
3.42	ISO ADR Procedures.....	12
3.43	ISO Controlled Grid.....	12
3.44	ISO Protocols.....	11
3.45	ISO Tariff	12
3.46	Interconnection	12
3.47	Interconnection Agreement.....	12
3.48	Interconnection Application.....	12
3.49	Interest	12
3.50	Load	13
3.51	Local Publicly Owned Electric Utility.....	13
3.52	Local Regulatory Authority	12
3.53	Local Reliability Criteria	13
3.54	Low Voltage Access Charge.....	13
3.55	Low Voltage Transmission Revenue Requirement	13
3.56	Low Voltage Wheeling Access Charge	13
3.57	Market Participant.....	13
3.58	Metered Subsystem (“MSS”).....	13
3.59	NERC.....	14
3.60	New High Voltage Transmission Facility.....	14
3.61	New Participating TO	13
3.62	Non-Load Serving Participating TO	14
3.63	Non-Participating TO	14
3.64	Non-Spinning Reserve.....	14
3.65	Operational Control	14
3.66	Original Participating TO	14
3.67	Participating TO (“PTO”).....	15
3.68	Participating Agreement	15
3.69	Physical Scheduling Plant.....	14
3.70	Project	15
3.71	Project Proponent.....	15
3.72	Project Sponsor	16
3.73	Regional Transmission Group (“RTG”)	16
3.74	Regulation.....	16
3.75	Regulatory Authority	16
3.76	Reliability Criteria	16
3.77	Reliability Upgrade.....	16

3.78	Request for Expedited Interconnection Procedures	17
3.79	Scheduling Coordinator	17
3.80	Scheduling Point	17
3.81	Spinning Reserve	17
3.82	System Impact Study	16
3.83	System Impact Study Agreement.....	17
3.84	TO Tariff.....	17
3.85	Transmission Charge	17
3.86	Transmission Control Agreement (“TCA”).....	17
3.87	Transmission Owner (“TO”).....	18
3.88	Transmission Revenue Balancing Account Adjustment (“TRBAA”).....	18
3.89	Transmission Revenue Credit.....	18
3.90	Transmission Revenue Requirement (“TRR”)	18
3.91	Transmission System Rights (“TSRs”).....	17
3.92	Uncontrollable Force	18
3.93	Utility Distribution Company (“UDC”).....	18
3.94	Voltage Support	18
3.95	Western Electricity Coordinating Council (“WECC”)	18
3.96	Wheeling Access Charge	18
3.97	Wheeling Out.....	18
3.98	Wheeling Through	18
3.99	Wheeling.....	18
3.100	Wholesale Customer	19
4.	Eligibility	19
5.	Access Charges and Transmission Rates	19
5.1	Low Voltage Access Charge.....	19
5.2	Wheeling Access Charge	19
5.3	Transmission Revenue Requirement	19
5.4	Transmission System Rights.....	10
5.5	Transmission Revenue Balancing Account Adjustment	19
6.	Ancillary Services – Applicability and Charges	20
7.	Billing and Payment.....	21
8.	Obligation to Interconnect or Construct Transmission Expansions and	
	Facility Upgrades	22
8.1	Participating TO Obligation to Interconnect	22
8.2	Participating TO Obligation to Construct Transmission Expansion or	
	Facility Upgrades	24
8.3	Request for FERC Deference Regarding Need Determination	25
9.	Expansion Process	25
9.1	Determination of Facilities	25
9.2	Obligation to Build	27
9.3	Provisions Relating To Transmission Construction On the Systems of Other TOs ..	29
10.	Interconnection Process	30
10.1	Applicability	30

10.2	Applications	30
10.3	Interconnection Application	30
10.4	Review of Completed Interconnection Application	31
10.5	Notice of Need for System Impact Study	32
10.6	Impact Study Cost Reimbursement Agreement	33
10.7	System Impact Study Procedures	34
10.8	Notice of Need for Facilities Study	34
10.9	Facilities Study Procedures	35
10.10	Partial Interim Service	35
10.11	Expedited Interconnection Procedures	36
11.	Uncontrollable Forces and Indemnification.....	36
11.1	Procedures to Follow of Uncontrollable Force Occurs	36
11.2	Indemnification	37
12.	Regulatory Filings.....	37
12.1	Open Access	37
13.	Creditworthiness	37
13.1	UDCs, MSSs, and Scheduling Coordinators Using the Participating TO’s Low Voltage Transmission Facilities	37
13.2	End-Users	38
14.	Disputes	38
15.	[Reserved].....	38
16.	Miscellaneous	38
16.1	Notices	38
16.2	Waiver	39
16.3	Confidentiality	39
16.4	TO Tariff Supersedes Existing Tariffs	40
16.5	Titles	40
16.6	Severability	40
16.7	Preservation of Obligations	40
16.8	Governing Law	40
16.9	Appendices Incorporated	40
16.10	Conflict with ISO Tariff	40
16.11	Conflicting Operating Instructions	40
16.12	Conflict With Transfer Capability Lease	40

Appendix I	Development Coordination Option Agreement, As Amended (November 9, 2018).....	
Appendix II	Transfer Capability Lease dated as of [Date]	
Appendix III	Transmission Revenue Requirement and TRBAA	
Appendix IV	Notices	

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 Sycamore-Penasquitos Transmission, LLC 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, or the Transfer Capability Lease has been executed, whichever is later, and shall continue to be effective, as amended from time to time, so long as Citizens Sycamore-Penasquitos Transmission LLC is a party to the Transmission Control Agreement.

2.1 Termination. This TO Tariff may be terminated by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission LLC ("Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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’ approximately 12.92% interest in the underground segment of San Diego Gas & Electric Company’s 230 kV Sycamore to Pensacitos transmission line located in San Diego County, California along the Stonebridge Parkway, Pomerado Road, Miramar Road, Black Mountain Road, Activity Road, Camino Ruiz, Miralani Drive, Arjons Drive, Trade Place, Trade Street, Camino Santa Fe, Carroll Road, and Carroll Canyon Road that extends from the east cable riser pole located near Stonebridge Parkway and Stonecroft Terrace to the west cable riser pole located near Carroll Canyon Road and Interstate 805, in each case, up to the termination on the cable riser poles but excluding the cable riser poles on each end (“Underground Segment B”) as that interest is defined in the Development Coordination Option Agreement dated as of November 9, 2017, As Amended and the Transfer Capability Lease dated as of [Date] attached hereto as Appendices I and II, respectively. For avoidance of doubt, the Underground Segment B shall include only the 230 kV transmission line and shall not include any transmission facilities that may operate at a different 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's exclusive transmission entitlement on the Project. Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 vat 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 Counsel 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 Sycamore-Penasquitos Transmission is a Non-Load-Serving Participant TO, the ISO shall charge for and collect the Low Voltage Access Charge on Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's Low Voltage Transmission Facilities are directly connected. The rate for Citizens Sycamore-Penasquitos Transmission's Low Voltage Access Charge Shall be Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's TRR is set forth in Appendix III.

5.4 Transmission System Rights. Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 party 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.

10. Interconnection Process

10.1 Applicability. All requests for Interconnection directly to the ISO Controlled Grid from parties eligible to request such Interconnection consistent with Section 210(a) of the FPA shall be processed pursuant to the provisions of this Section 10. All requests for Interconnection of wholesale generation directly to the ISO Controlled Grid shall be processed pursuant to the provisions of the ISO Tariff.

10.2 Applications. Except as provided in Section 10.2.1, a party requesting Interconnection shall submit a written Interconnection Application which provides the information required in Section 10.3 to the Participating TO and shall send a copy of the application to the ISO. The Participating TO shall timestamp the application to establish study priority.

10.3 Interconnection Application. An Interconnection Application shall provide all the information listed in 18 CFR § 2.20, including, but not limited to, the following: (i) the identity, address, telephone number, and facsimile number of the entity requesting Interconnection; (ii) the Interconnection point(s) to the ISO Controlled Grid contemplated by the applicant; (iii) the resultant (or new) maximum amount of Interconnection capacity contemplated by the applicant; (iv) the proposed date for energizing the Interconnection and the term of the Interconnection service, and (v) such other information as the Participating TO reasonably required to process the application. In addition to the information specified above, the following information may also be provided in order to properly evaluate system conditions: (vi) If the applicant is a wholesale load, the electrical location of the source of the power (if known) to be transmitted pursuant to applicant's request for Interconnection. If the source of the power is not known, a system purchase will be assumed. If the location of the load is not known, a system sale will be assumed; and, in addition, if an applicant proposes to perform or cause a third party to perform any required System Impact Study or any required Facilities Study, it shall so indicate in its Interconnection Application. The results of any study or studies performed by an applicant must be approved by both the ISO and the Participating TO. Within ten (10) Business

Days after receipt of an Interconnection Application, the Participating TO and the ISO if applicable shall determine whether the application is complete (“Completed Interconnection Agreement”). Whenever possible, the participating TO will attempt to remedy deficiencies in the Interconnection Application through informal communications with the applicant. If such efforts are unsuccessful, the Participating TO shall return the Interconnection Application to the applicant. The Participating TO will treat the information in the Interconnection Agreement, including the applicant’s identity, as confidential at the request of the applicant except to the extent that disclosure of the information is required by this TO Tariff, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practice, or pursuant to RTG or ISO transmission information sharing agreements. The Participating TO shall treat this information consistent with the standards of conduct contained in Part 37 of FERC’s regulations.

10.3.1 Amendment to Completed Interconnection Application. An applicant shall only be limited to amending its Completed Interconnection Application once. Such amendment shall occur on or before ten (10) Business Days following the date the Participating TO tenders any Facilities Study Agreement. Specifically, an applicant may submit an amendment to its Completed Interconnection Application to reflect a revised configuration for its New Facility. The amended Completed Interconnection Application shall be treated in accordance with Section 25 of the ISO Tariff and Section 10.5 of this TO Tariff; the applicant’s Completed Interconnection Application shall be deemed withdrawn; and the applicant shall maintain its existing queue position, if (a) the amended Completed Interconnection Application is received by the Participating TO within ten (10) Business Days of the Participating TO’s tender of a Facilities Study Agreement; and (b) the applicant has not submitted a previous amendment to the Completed Interconnection Application. In the event an applicant amends its Completed Interconnection Application, it will be responsible for any additional study costs that result from that amendment, including costs associated with revisions to studies for other applicants holding later queue positions.

10.4 Review of Completed Interconnection Application. After receiving a Completed Interconnection Application, the Participating TO and the ISO, if applicable, will determine on a non-discriminatory basis whether a System Impact Study is required. Whenever the Participating TO, and the ISO, if applicable, determines that a System impact Study is not required and that neither Reliability Upgrades nor changes in existing operating procedures are required, the Participating TO shall notify the applicant within fifteen (15) Business Days of the Completed Application Date. If the Interconnection can be accommodated without any Direct Assignment Facilities, then within thirty (30) Business Days of such notice from the Participating TO, the applicant shall request the Participating TO to tender to the applicant an Interconnection Agreement within thirty (30)

Business Days of such request. The Participating TO shall tender to the applicant an Interconnection Agreement as provide in Section 8.1.3. If the Participating TO determines upon review of the Completed Interconnection Application, that Direct Assignment Facilities are required, the Participating TO shall tender to the applicant a Facilities Study Agreement within twenty (20) Business Days of the Completed Application Date and continue the Interconnection process pursuant to Section 10.8.

10.5 Notice of Need for System Impact Study. If the Participating TO, and the ISO, if applicable, determines that a System Impact Study is necessary to accommodate the requested Interconnection, the Participating TO shall so inform the applicant as soon as practicable. In such cases, the Participating TO shall within twenty (20) Business Days of receipt of a Completed Interconnection Application, tender a System Impact Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be completed by the Participating TO, the estimated time required to complete it, and such other provisions as the parties may reasonably require, and pursuant to which the applicant shall agree to reimburse the Participating TO for the reasonable actual costs of performing the required System Impact Study. A description of the Participating TO's transmission assessment practices for completing a System Impact Study shall be provided in the Participating TO's FERC Form 715. Alternatively, if the applicant will perform the System Impact Study, the Participating TO shall within twenty (20) Business Days of receipt of a Completed Interconnection Application, tender a System Impact Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be reviewed by the Participating TO; the estimated time required to complete it; and such other provisions as the parties may reasonably require, and pursuant to which the applicant shall agree to reimburse the Participating TO for the reasonable actual costs of reviewing the required System Impact Study. For an Interconnection request to remain a Completed Interconnection Application, the applicant shall execute the System Impact Study Agreement and return it to the Participating TO within ten (10) Business Days together with payment for the reasonable estimated cost of performing the System Impact Study or reviewing the applicant's System Impact Study. Alternatively, if the applicant request the Participating TO to proceed with the System Impact Study or review thereof and commits 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 System Impact Study provided that such request is accompanied by payment of the reasonable estimated cost of the System Impact Study, and the parties shall submit the disputed terms for resolution under the ISO's ADR Procedures. If the applicant elects not to execute a System Impact Study Agreement, and does not request that the Participating TO proceed with the System Impact Study or review thereof, its application shall be deemed withdrawn, and the applicant shall reimburse to the Participating TO all costs reasonably incurred in processing the application.

10.6 Impact Study Cost Reimbursement and Agreement.

10.6.1 Cost Reimbursement. The System Impact Study Agreement shall clearly specify the charge, based on the Participating TO's estimate of the cost and time for completion of the System Impact Study. The charge shall not exceed the reasonable actual cost of the study. In performing the System Impact Study, the Participating TO shall rely, to the extent reasonably practicable, on existing transmission planning studies. The applicant will not be assessed a charge for such existing studies; however, the applicant will be responsible for the reasonable charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact on the applicant's request.

10.6.2 Multiple Parties. If multiple parties request Interconnection at the same location, the participating TO may conduct a single System Impact Study. The costs of that study shall be pro-rated among the parties requesting Interconnection.

10.7 System Impact Study Procedures. Upon receipt of an executed System Impact Study Agreement or initiation of the ISO ADR Procedures and receipt of payment for estimated study costs, the Participating TO will use due diligence to either (a) complete the required System Impact Study within a sixty (60) calendar day period or (b) complete its review of an applicant's System Impact Study within thirty (30) calendar days of its receipt of the completed study. The System Impact Study will identify whether any Direct Assignment Facilities or Reliability Upgrades are necessary to deliver a New Facility's full output over the ISO Controlled Grid, or any transmission additions or upgrades are necessary to serve a wholesale load. The System Impact Study will also identify any adverse impact on Encumbrances existing as of the applicant's Completed Application Date. In the event that the Participating TO is unable to complete the required System Impact Study within such time period, it shall so notify the applicant, in writing, and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the applicant and the ISO. The Participating TO shall notify the applicant and the ISO immediately upon completion of the System Impact Study.

10.7.1 Procedures Upon Completion of System Impact Study. Within fifteen (15) Business Days of completion of the System Impact Study or review and approval of an applicant's System Impact Study, the Participating TO shall notify the applicant whether the transmission system will be adequate to accommodate all of a request for Interconnection. If no costs are likely to be incurred for any Direct Assignment Facilities, any Reliability Upgrades, or implementing any operating procedures, then within thirty (30) Business Days of receipt of written approval of the applicant's

System Impact Study from the Participating TO and the ISO the applicant shall request the Participating TO to tender an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to the applicant an Interconnection Agreement as provided in Section 8.1.3. If costs are likely to be incurred to accommodate a request for Interconnection, the Participating TO shall tender to the applicant a Facilities Study Agreement pursuant to Section 10.8.

10.8 Notice of Need for Facilities Study. If a System Impact Study indicates that additions or upgrades to the ISO Controlled Grid are needed to satisfy an applicant's request for interconnection, the Participating TO shall, within fifteen (15) Business Days of the date of the System Impact Study or the completion of review and approval of the applicant's System Impact Study by the Participating TO, tender to the applicant a Facilities Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be completed by the Participating TO; the estimated time required to complete the required study; and such other provisions as the parties may reasonably require, and pursuant to which the applicant agrees to reimburse the Participating TO for the reasonable actual costs of performing the required Facilities Study. Alternatively, if the applicant will perform the Facilities Study, the Participating TO shall within fifteen (15) Business Days of the completion date of the System Impact Study or the completion of review and approval of the applicant's System Impact Study, tender a Facilities Study Agreement that defines the scope, content, assumptions and terms of reference for such study to be reviewed by the Participating TO; the estimated time required to complete the required review; and such other provisions as the parties may reasonably require, and pursuant to which the applicant agrees to reimburse the Participating TO for the reasonable actual costs of reviewing the required Facilities study. For an Interconnection request to remain a Completed Interconnection Application, the applicant shall execute the Facility Studies Agreement and return it to the Participating TO within ten (10) Business Days together with payment for the reasonable estimated costs of performing the Facilities Study or reviewing the applicant's Facilities Study. Alternatively, if the applicant request the Participating TO to proceed with the Facilities Study to review thereof and commits to abide by 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 provided that such request is accompanied by payment for the reasonable estimated cost of the Facilities Study, and the parties shall submit the disputed terms for resolution under the ISO ADR Procedures. If the applicant elects not to execute a Facilities Study Agreement and does not request that the Participating TO proceed with the Facilities Study or review thereof, its application shall be deemed withdrawn and the applicant shall reimburse to the Participating TO all costs reasonably incurred in processing the application not covered by the System Impact Study Agreement.

- 10.9 Facilities Study Procedures.** Upon receipt of an executed Facilities Study Agreement or initiation of the ISO ADR Procedures and receipt of payment for the estimated study costs, the Participating TO will use due diligence to either (a) complete the required Facilities Study within a sixty (60) calendar day period or (b) complete its review of an applicant's Facilities Study within thirty (30) calendar days of its receipt of the Completed Study. In the event that Participating TO is unable to complete the required Facilities Study within such time period, it shall so notify the applicant, in writing, and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed Facilities Study shall be made available to the applicant.
- 10.9.1 Execution of Interconnection Agreement.** Within thirty (30) Business Days of receipt of the completed Facilities Study performed by the Participating TO or receipt of written approval of the applicant's Facilities Study from the Participating TO, the applicant shall request the Participating TO to tender an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to the applicant an Interconnection Agreement as provided in Section 8.1.3.
- 10.10 Partial Interim Service.** If the Participating TO determines that there will not be adequate transmission capability to satisfy the full amount requested in a Completed Interconnection Application, the Participating TO nonetheless shall be obligated to offer and provide the portion of the requested Interconnection that can be accommodated without any additional Direct Assignments Facilities or Reliability Upgrades. However, the Participating TO shall not be obligated to provide the incremental amount of requested Interconnection that requires such additional facilities or upgrades until such facilities or upgrades have been placed in service.
- 10.11 Expedited Interconnection Procedures.** In lieu of the procedures set forth above, the applicant shall have the option to expedite the processing of its Completed Interconnection Application. In order to exercise this option, the applicant shall submit in writing a Request for Expedited Interconnection Procedures to the Participating TO within ten (10) Business Days after receiving a copy of the System Impact Study for the proposed Interconnection. Within ten (10) Business Days after receiving a Request for Expedited Procedures, the Participating TO shall tender an Expedited Interconnection Agreement that requires the applicant to compensate the Participating TO for all costs reasonably incurred pursuant to the terms of this TO Tariff for processing the Completed Interconnection Application and providing the requested Interconnection. While the Participating TO agrees to provide the applicant with its best estimate of the costs of any needed Direct Assignment Facilities and, if applicable, Reliability Upgrades, and such other charges that may be incurred, unless otherwise agreed by the parties, such estimate shall not be binding and the applicant must agree in writing to compensate the Participating TO for all actual Interconnection costs

reasonably incurred pursuant to the provisions of this TO Tariff. The applicant shall execute and return such Expedited Service Agreement within ten (10) Business Days of its receipt or the applicant's request for Interconnection will cease to be a Completed Interconnection Application and will be deemed terminated and withdrawn, In that event, the applicant shall reimburse the Participating TO for all costs reasonably incurred in processing the application not covered by the terms of the System Impact Study Agreement.

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 Option Agreement dated as of November 9, 2017, As Amended 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.

APPENDIX I
DEVELOPMENT COORDINATION OPTION AGREEMENT DATED AS OF
NOVEMBER 9, 2017, AS AMENDED

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY,

AND

CITIZENS ENERGY CORPORATION

DATED AS OF NOVEMBER 9, 2017

TABLE OF CONTENTS

ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION 1

 1.1 Definitions..... 1

 1.2 Rules of Interpretation. 6

ARTICLE II. TERM; OTHER AGREEMENTS..... 6

 2.1 Term..... 6

 2.2 Subsequent Agreements..... 7

ARTICLE III. DEVELOPMENT, CONSTRUCTION AND OPERATION OF PROJECT..... 7

 3.1 General Responsibility for Development and Construction of the Project. 7

 3.2 Performance Standards. 7

 3.3 Project Documents..... 8

ARTICLE IV. OWNERSHIP AND OPTION 8

 4.1 SDG&E’s Ownership..... 8

 4.2 Option. 8

 4.3 Regulatory Approval for Exercise of Option..... 9

ARTICLE V. REGULATORY APPROVALS 9

 5.1 Mutual Cooperation. 9

ARTICLE VI. MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE..... 10

 6.1 Meetings of the Parties..... 10

 6.2 Sharing Information. 10

 6.3 Project Schedule Revisions..... 10

 6.4 Final Decisions..... 10

ARTICLE VII. FORCE MAJEURE 10

 7.1 Force Majeure. 10

 7.2 Notification. 11

ARTICLE VIII. WITHDRAWAL..... 11

 8.1 Withdrawal..... 11

8.2	Notice.....	11
8.3	Reinstatement.....	11
ARTICLE IX. EVENTS OF DEFAULT; REMEDIES		11
9.1	Events of Default.....	11
9.2	Limitation on Damages.....	12
9.3	Remedies.....	12
ARTICLE X. DISPUTE RESOLUTION.....		12
10.1	Intent of the Parties.....	12
10.2	Management Negotiations.....	12
10.3	Arbitration.....	13
10.4	Enforcement of Award.....	14
10.5	Performance during Arbitration.....	14
ARTICLE XI. REPRESENTATIONS AND WARRANTIES.....		15
11.1	SDG&E.....	15
11.2	Citizens.....	15
ARTICLE XII. MISCELLANEOUS.....		16
12.1	Notices.....	16
12.2	Assignment.....	17
12.3	Confidentiality.....	18
12.4	Public Relations.....	18
12.5	Governing Law.....	18
12.6	No Amendments or Modifications.....	18
12.7	Delay and Waiver.....	19
12.8	Entirety.....	19
12.9	Relationship of the Parties.....	19
12.10	Good Faith.....	19
12.11	Successors and Assigns.....	19
12.12	Third Parties.....	19
12.13	Headings.....	19
12.14	Counterparts.....	19
12.15	Time is of the Essence.....	20

TABLE OF EXHIBITS

EXHIBIT A FORM OF TRANSFER CAPABILITY LEASE

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

This DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT (“DCOA”) is made and entered into as of November 9, 2017 (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 Sycamore-Penasquitos 230 Kilovolt Transmission Line Project to connect the Sycamore Canyon Substation to the Penasquitos Substation in its service territory (as more fully defined herein, the “Project”);

WHEREAS, SDG&E and Citizens executed a Letter of Intent on May 31, 2013 (as amended, supplemented, or restated from time to time, the “LOI”), to provide nonbinding terms and conditions of an arrangement between SDG&E and Citizens regarding portions of the Project;

WHEREAS, subject to certain conditions specified herein, the Parties desire to enter into this definitive agreement as generally contemplated under the LOI whereby SDG&E will develop, design, permit, engineer, procure, construct and own the Project, and Citizens (or its subsidiary) 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 DCOA, hereby agree, subject to the terms and conditions of this DCOA, as follows:

ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION

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

“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.

“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.

“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.

“Citizens Percentage Interest” means the percentage equal to the ratio of the amount of the prepaid rent amount set forth in Section 4.2.4 divided by the aggregate of all costs incurred by SDG&E to develop, design, permit, engineer and construct the Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date of the Transfer Capability Lease, which is subject to adjustment pursuant to Section 3.5 of the Transfer Capability Lease, and which is expected as of the Effective Date hereunder to be approximately 12.92%.

“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 CAISO in accordance with the terms of the CAISO Agreements.

“CPCN Application” means the April 7, 2014 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 April 7, 2014.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sycamore-Penasquitos 230 KV Transmission Line Project” and all attachments thereto, issued by the CPUC on October 19, 2016.

“CPUC” means the California Public Utilities Commission.

“DCOA” 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” means the Final Environmental Impact Report, and all addendums, schedules, exhibits, attachments and appendices thereto, prepared by the CPUC, 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 the DCOA 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.

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

“NEPA” means the National Environmental Policy Act.

“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 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 Sycamore-Penasquitos 230 Kilovolt Transmission Line Project and more specifically “Alternative 5 (Pomerado Road to Miramar Area North Combination Underground/Overhead)” identified in the Final EIR, and reasonable alterations thereto, as generally depicted in Schedule 1.1 of the Transfer Capability Lease. For purposes hereof, the Project is divided into the following components: Segment A consisting of an overhead alignment running between Sycamore Canyon Substation and Stonecroft Trail within an existing SDG&E right-of-way (ROW); Segment B consisting of the transmission line transitioning from an overhead position into an underground duct bank that will travel westerly along Pomerado Road, cross Interstate 15 then continue along various secondary roads through the commercial area of Mira Mesa before transitioning back to an overhead position within an existing SDG&E ROW along the east side of Interstate Highway 805 at Carroll Road/Carroll Canyon Road; and Segment C consisting of an overhead alignment on existing 230-kV steel poles within the existing ROW heading northward into the Peñasquitos Substation, as generally depicted in Schedule 1.1 of the Transfer Capability Lease.

“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 Department of Defense, FERC, the City of San Diego, and the California 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 the date that is 31 days after the Commercial Operation Date, and as of the Effective Date, expected to be July 31, 2018, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCOA; provided, however, if the conditions precedent described in Section 4.3 have not been achieved by the Commercial Operation Date, then the Target Closing Date shall be extended until the date that is 31 days after such conditions precedent have been achieved but in no event beyond the date that is 210 days after the Commercial Operation Date; provided further that the Target Closing Date shall be extended beyond such 210 days if Section 4.3.1(a) has not been satisfied by such date and the Parties in their reasonable discretion agree that such Section 4.3.1(a) is ultimately likely to be satisfied.

“Target COD” means the target Commercial Operation Date, which as of the Effective Date is June 30, 2018, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCOA.

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

“Transfer Capability” means the maximum amount of power (in mega-watts) that can be transferred over part, or all, of the Underground Segment B 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, 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.

“Transfer Capability Lease” means an agreement substantially in the form of Exhibit A attached hereto.

“Underground Segment B” means the underground 230 kV transmission line segment of the Project along Stonebridge Parkway, Pomerado Road, Miramar Road, Black Mountain Road, Activity Road, Camino Ruiz, Miralani Drive, Arjons Drive, Trade Place, Trade Street, Camino Santa Fe, Carroll Road, and Carroll Canyon Road that extends from the east cable riser pole located near Stonebridge Parkway and Stonecroft Terrace to the west cable riser pole located near Carroll Canyon Road and Interstate 805, in each case, up to the termination on the cable riser poles but excluding the cable riser poles on each end, 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 Underground Segment B shall include only the 230 kV transmission line and shall not include any transmission facilities that may operate at a different voltage, or any substation facilities.

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

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. TERM; OTHER AGREEMENTS

2.1 Term. The “Term” of this DCOA 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 DCOA, or (iv) as otherwise provided for herein. The Transfer Capability Lease shall supersede this DCOA 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 DCOA shall be of no further force and effect.

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 one or more consents to collateral assignment, estoppels and other acknowledgements of the foregoing in a customary form that is reasonably acceptable to the Parties and a Party's lenders. 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 DCOA. 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 DCOA 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.

ARTICLE III. DEVELOPMENT, CONSTRUCTION AND OPERATION OF PROJECT

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.

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 complete construction of the Project on or before the Target
COD;

(h) to incur only those costs which are prudent in accomplishing their respective purposes.

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

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 the Citizens Percentage Interest of the Transfer Capability on the Underground Segment B.

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"):

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, the Citizens Percentage Interest of the Transfer Capability on the Underground Segment B 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 DCOA or a material breach of its obligations under any subsequent agreements between Citizens and SDG&E as contemplated in this DCOA that is not cured in accordance with the applicable subsequent agreement.

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.

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 delivery of the written notice under Section 4.2.2 above. SDG&E and Citizens shall execute, acknowledge and deliver the Transfer Capability Lease and any and all documents reasonably necessary to otherwise carry out the terms and conditions of this DCOA. 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.

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 \$27 million. Upon closing of the Option, 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.

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:

4.3.1 SDG&E's receipt of (a) a final, nonappealable order by the CPUC approving this lease under Section 851 of the California Public Utilities Code or otherwise, and (b) 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 (a) above, SDG&E will seek any necessary approvals from the CPUC no later than 30 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 30 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 (b) above, SDG&E will seek any necessary approvals from FERC no later than 60 days after the date on which the CAISO conditionally approves Citizens' request to become a Participating Transmission Owner.

4.3.2 Citizens receipt of a final, nonappealable order by FERC approving Citizens' transmission service tariff for recovery of its costs associated with its Transfer Capability in the Project consistent with the rate methodology described in Sections 4.2 and 4.3 of the Transfer Capability Lease, in form and substance acceptable to the Parties, in each Party's sole discretion. Citizens agrees that it will seek such approval from FERC no later than 60 days after the date on which the CAISO conditionally approves Citizens' request to become a Participating Transmission Owner and reasonably concurrently with SDG&E seeking the approval described in Section 4.3.1(b) above.

ARTICLE V. REGULATORY APPROVALS

5.1 Mutual Cooperation.

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.

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

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.

6.2 Sharing Information.

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.

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

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.

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 DCOA (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

7.1 Force Majeure. Notwithstanding anything in this DCOA 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 DCOA (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).

7.2 Notification. A Party unable to perform under this DCOA 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

8.1 Withdrawal. SDG&E shall have the right to withdraw from and terminate this DCOA 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.

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).

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 DCOA under Section 8.1 (Withdrawal) ("Project Recommencement"), then such termination shall no longer be effective and this DCOA shall be automatically reinstated with reasonable extensions to the dated terms of this DCOA. The effect of such Project Recommencement and reinstatement of this DCOA 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 DCOA.

ARTICLE IX. EVENTS OF DEFAULT; REMEDIES

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 DCOA 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 DCOA, 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 Balancing Authority 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.

9.2 Limitation on Damages. No Party shall be liable under this DCOA 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.

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 DCOA.

ARTICLE X. DISPUTE RESOLUTION

10.1 Intent of the Parties. The sole procedure to resolve any claim arising out of or relating to this DCOA 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.

10.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this DCOA 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 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.

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).

10.4 Enforcement of Award. By execution and delivery of this DCOA, 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.

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 DCOA 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

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

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.

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 DCOA. The execution, delivery and performance by SDG&E of this DCOA, and the consummation of the transactions and activities contemplated under this DCOA, have been duly authorized by all necessary corporate action required on the part of SDG&E. This DCOA 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.

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 DCOA, 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.

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

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.

11.2.2 Execution, Delivery and Enforceability. Citizens has full corporate power and authority to carry out its obligations under this DCOA. The execution, delivery and performance by Citizens of this DCOA, and the consummation of the transactions and activities contemplated under this DCOA, have been duly authorized by all necessary corporate action required on the part of Citizens. This DCOA 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.

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 DCOA, 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.

11.2.4 No Objection to Current Design. Citizens has reviewed SDG&E's CPCN Application, the Final EIR, 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

12.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile or e-mail (if facsimile numbers or e-mail addresses are identified below or by subsequent notice and provided a copy is also sent by overnight mail) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by facsimile transmission or e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. 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 – Electric Engineering & Construction
Fax: 858-650-6106

With a copy to:
San Diego Gas & Electric
8330 Century Park Court
San Diego, CA 92123
Attention: Assistant General Counsel – Commercial
Fax: 619-696-4443

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
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
Attention: Counsel to Citizens Energy Corporation
Fax: 202-289-8450

12.2 Assignment.

12.2.1 General. Any time prior to COD, Citizens shall not assign this DCOA, 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 DCOA, 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 DCOA 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. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of a Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of a Party if such interest constitutes more than thirty percent (30%) of the fair market value of the assets of such parent entity) to a person that is not an affiliate of such Party shall also constitute an assignment of this DCOA requiring the non-assigning Party's prior written consent. Any assignment in violation of this Section 12.2 (Assignment) shall be null and void. Notwithstanding anything to the contrary herein, SDG&E consents to the exercise of the Option and execution of the Transfer Capability Lease by Citizens Sycamore-Penasquitos Transmission LLC, a Delaware limited liability company, a wholly owned subsidiary of Citizens, or any other similar, wholly owned subsidiary of Citizens.

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 DCOA 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 DCOA (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 DCOA (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 DCOA (and the Project) on the revised terms.

12.3 Confidentiality. During the term of this DCOA and for a period of three years after the expiration or termination of this DCOA, 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.

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 Citizens Sycamore-Penasquitos Transmission's participation in the Project.

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

12.6 No Amendments or Modifications. This DCOA 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 DCOA, the Parties shall negotiate in good faith to amend or modify this DCOA to effectuate the same intent and essential purpose of this DCOA as of the Effective Date in light of the CAISO Agreements amendment or modification.

12.7 Delay and Waiver. Except as otherwise provided in this DCOA, 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 DCOA 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 DCOA, or any waiver of any provision or condition of this DCOA, must be in writing and shall be effective only to the extent specifically set forth in such writing.

12.8 Entirety. This DCOA 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 DCOA supersedes the LOI in its entirety.

12.9 Relationship of the Parties. Except as otherwise set forth herein, this DCOA 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.

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

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

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

12.13 Headings. The headings contained in this DCOA 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 DCOA.

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

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, Coordination, and Option Agreement as of the Effective Date.

SAN DIEGO GAS & ELECTRIC COMPANY

By:  

Name: JOHN D. JENKINS

Title: VP - ELEC. ENG. & CONST.

Date: NOVEMBER 1ST, 2017

CITIZENS ENERGY CORPORATION

By: 

Name: Peter F. Smith

Title: CEO

Date: November 7, 2017

**FIRST AMENDMENT TO
DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT**

This **FIRST AMENDMENT TO DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT** (this "Amendment") is dated as of April 10, 2018, 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, on November 9, 2017 SDG&E and Citizens entered into that certain Development, Coordination, and Option Agreement (the "DCOA") pursuant to which SDG&E would develop, design, permit, engineer, procure, construct and own a transmission project known as the Sycamore-Penasquitos 230 Kilovolt Transmission Line Project, and Citizens would have an option to lease certain interests or entitlements in the Project.

WHEREAS, the Parties desire to enter into this Amendment to, among other things, reflect changes in the federal income tax rate enacted under the Tax Cuts and Jobs Act.

WHEREAS, in furtherance of the foregoing, the Parties desire to amend the DCOA as set forth more particularly below.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the DCOA.

2. Amendments. Exhibit A of the DCOA (Form of Transfer Capability Lease) is hereby amended and restated in its entirety and replaced by Exhibit A (Form of Transfer Capability Lease) attached hereto.

3. Miscellaneous.

3.1 Amended Agreement. Any reference to the DCOA shall mean a reference to the DCOA as amended by this Amendment. Except as expressly set forth herein, the DCOA 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 DCOA. 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.

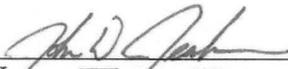
3.4 Full Force and Effect. Each Party confirms that the DCOA is in full force and effect and remains a binding obligation of the Parties.

[Signature pages follows]

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

SDG&E:

SAN DIEGO GAS & ELECTRIC COMPANY,
a California corporation

By: 
Name: JOHN JENKINS
Title: VP - ELECTRIC ENGINEERING &
CONSTRUCTION

CITIZENS:

CITIZENS ENERGY CORPORATION,
a Massachusetts non-profit corporation

By: 
Name: Peter F. Smith
Title: CEO

APPENDIX II
TRANSFER CAPABILITY LEASE DATED AS OF [DATE]

Exhibit A

FORM OF TRANSFER CAPABILITY LEASE

TRANSFER CAPABILITY LEASE

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

CITIZENS SYCAMORE-PENASQUITOS TRANSMISSION LLC

DATED AS OF [*Note to form: insert date of execution*]

SYCAMORE-PENASQUITOS 230 KILOVOLT TRANSMISSION LINE PROJECT

UNDERGROUND SEGMENT B

TABLE OF CONTENTS

ARTICLE I.	DEFINITIONS; RULES OF INTERPRETATION.....	2
1.1	Definitions.....	2
1.2	Rules of Interpretation.	7
ARTICLE II.	LEASE; TERM.....	8
2.1	Lease.	8
2.2	Term.....	8
ARTICLE III.	COMPLETION OF CONSTRUCTION; UPGRADES AND REPAIRS; OPERATION AND MAINTENANCE; INTERCONNECTION.....	8
3.1	Completion of Construction.....	8
3.2	Operation and Maintenance.	8
3.3	Future Upgrades; Increases in Transfer Capability.	9
3.4	Future Replacement and Renewal; No Increases in Transfer Capability.....	9
3.5	Adjustment of Citizens Percentage Interest.....	9
3.6	Interconnection Facilities.....	11
ARTICLE IV.	RENT; RATE RECOVERY	11
4.1	Rent.	11
4.2	Regulation of Citizens Sycamore-Penasquitos Transmission’s Rates.....	11
4.3	Citizens Sycamore-Penasquitos Transmission’s Cost Recovery Methodology.	12
ARTICLE V.	MEETINGS; OTHER AGREEMENTS	15
5.1	Meetings.....	15
5.2	SDG&E Covenants.	16
5.3	Citizens Sycamore-Penasquitos Transmission Covenants.....	16
ARTICLE VI.	EVENTS OF DEFAULT; REMEDIES.....	18
6.1	Events of Default.	18
6.2	Remedies.....	19
6.3	Limitation on Liability.....	19
ARTICLE VII.	REPRESENTATIONS AND WARRANTIES.....	20

7.1	SDG&E.....	20
7.2	Citizens Sycamore-Penasquitos Transmission.	21
ARTICLE VIII.	TAXES AND ASSESSMENTS	21
8.1	Property Taxes.....	21
8.2	Section 467 Rental Agreement.	22
8.3	Tax Benefits.....	22
ARTICLE IX.	INSURANCE; INDEMNITY.....	23
9.1	Insurance.....	23
9.2	Indemnity.....	23
ARTICLE X.	CASUALTY; CONDEMNATION; FORCE MAJEURE	23
10.1	Condemnation.....	23
10.2	Casualty.....	23
10.3	Force Majeure.....	23
ARTICLE XI.	ASSIGNMENT AND SUBLETTING	24
11.1	No Sublet.....	24
11.2	Assignment.....	24
11.3	Form of Collateral Assignment.....	24
11.4	Right of First Refusal.....	24
ARTICLE XII.	DISPUTE RESOLUTION.....	25
12.1	Intent of the Parties.....	25
12.2	Management Negotiations.....	25
12.3	Arbitration.....	25
12.4	Enforcement of Award.....	27
12.5	Performance during Arbitration.....	27
ARTICLE XIII.	MISCELLANEOUS	27
13.1	Notices.....	27
13.2	Confidentiality.....	28
13.3	Public Relations.....	29
13.4	Governing Law.....	29
13.5	No Amendments or Modifications.....	29
13.6	Delay and Waiver.....	29
13.7	Entirety; Conflicts.....	29
13.8	Relationship of the Parties.....	29
13.9	Good Faith.....	29
13.10	Successors and Assigns.....	30
13.11	Third Parties.....	30

13.12	Headings.	30
13.13	Construction of Lease.	30
13.14	Counterparts.	30
13.15	Memorandum.	30
13.16	Subordinate to SDG&E Indenture.	30

TABLE OF SCHEDULES AND EXHIBITS

SCHEDULE 1.1 PROJECT DIAGRAM

EXHIBIT A MODEL FOR SDG&E REPRESENTATIVE RATE

EXHIBIT B ACCRUAL OF PREPAID RENT

EXHIBIT C LOCAL FURNISHING BOND ENCUMBRANCES

TRANSFER CAPABILITY LEASE

This TRANSFER CAPABILITY LEASE (this “Lease”) is made and entered into as of [Note to form: insert date of execution] (the “Effective Date”), by and between San Diego Gas & Electric Company, a California corporation (“SDG&E”), and Citizens Sycamore-Penasquitos Transmission LLC, a Delaware limited liability company (“Citizens Sycamore-Penasquitos Transmission”) and a wholly owned subsidiary of Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”). Each of SDG&E and Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 230 Kilovolt Transmission Line Project to connect the Sycamore Canyon Substation to the Penasquitos Substation in its service territory (as more fully defined herein, the “Project”).
- B. On November 9, 2017, SDG&E and Citizens Energy entered into a Development, Coordination, and Option Agreement, as amended pursuant to that certain First Amendment to Development, Coordination, and Option Agreement, dated as of April 10, 2018 (as amended, modified, or supplemented from time to time, the “DCOA”) pursuant to which SDG&E would develop, design, permit, engineer, procure, construct and own the Project, and Citizens Energy had an option (the “Option”) to lease certain interests or entitlements in the Project pursuant to a form of lease substantially similar to this Lease, and SDG&E and Citizens Energy agreed, among other things set forth in this Lease, to provide that Citizens Energy or Citizens Sycamore-Penasquitos Transmission could lease certain interests or entitlements in the Project if the Option was exercised and to provide that Citizens Sycamore-Penasquitos 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 [Note to form: insert date of exercise], Citizens Sycamore-Penasquitos Transmission notified SDG&E that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission will lease from SDG&E a portion 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

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 4.1.1.

“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 [Z]” means Appendix [Z] of SDG&E’s currently effective Transmission Owner Tariff (FERC Docket No [Note to form: insert applicable number on execution date]), which was accepted for filing by FERC on [Note to form: insert applicable date on execution date], as amended, modified, or supplemented from time to time.

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Underground Segment B are assessed against SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sycamore-Penasquitos 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 Underground Segment B are assessed against both SDG&E and Citizens Sycamore-Penasquitos 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 [Z] in effect as of the Effective Date defines an allocation of Property Taxes to Citizens Sycamore-Penasquitos 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.

“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 the percentage equal to the ratio of the amount of the Prepaid Rent divided by the aggregate of all costs incurred by SDG&E to develop, design, permit, engineer and construct the Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date of the Transfer Capability Lease, 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 Sycamore-Penasquitos 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 Underground Segment B.

“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 April 7, 2014 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 April 7, 2014.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sycamore-Penasquitos 230 KV Transmission Line Project” and all attachments thereto, issued by the CPUC on October 19, 2016.

“CPUC” means the California Public Utilities Commission.

“DCOA” 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.

“Expenses” has the meaning set forth in Section 5.3.1(b).

“FERC” means the Federal Energy Regulatory Commission.

“Final EIR” means the Final Environmental Impact Report, and all addendums, schedules, exhibits, attachments and appendices thereto, prepared by the CPUC, 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 DCOA 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.

“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.

“Net After-Tax Cash Flow” has the meaning set forth in Section 5.3.1(a).

“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.

“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 Underground Segment B.

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

“Project” means the Sycamore-Penasquitos 230 Kilovolt Transmission Line Project 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: Segment A consisting of an overhead alignment running between Sycamore Canyon Substation and Stonecroft Trail within an existing SDG&E right-of-way (ROW); Segment B consisting of

the transmission line transitioning from an overhead position into an underground duct bank that will travel westerly along Pomerado Road, cross Interstate 15 then continue along various secondary roads through the commercial area of Mira Mesa before transitioning back to an overhead position within an existing SDG&E ROW along the east side of Interstate Highway 805 at Carroll Road/Carroll Canyon Road, as more fully described in the definition of “Underground Segment B” below; and Segment C consisting of an overhead alignment on existing 230-kV steel poles within the existing ROW heading northward into the Peñasquitos 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 Underground Segment B, including without limitation real property assessments and taxes, water and sewer and other similar governmental charges levied upon or attributable to the Underground Segment B, assessments or charges levied upon or attributable to the Underground Segment B by any redevelopment agency, and any tax attributable to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Underground Segment B 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 Underground Segment B that is paid by SDG&E and that Citizens Sycamore-Penasquitos Transmission is required by Section 8.1 to reimburse.

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

“Revenues” has the meaning set forth in Section 5.3.1(c).

“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 Sycamore-Penasquitos Transmission.

“SDG&E Percentage Interest” means 100% less Citizens Percentage Interest.

“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 Underground Segment B 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.

“Underground Segment B” means the underground 230 kV transmission line segment of the Project along Stonebridge Parkway, Pomerado Road, Miramar Road, Black Mountain Road, Activity Road, Camino Ruiz, Miralani Drive, Arjons Drive, Trade Place, Trade Street, Camino Santa Fe, Carroll Road, and Carroll Canyon Road that extends from the east cable riser pole located near Stonebridge Parkway and Stonecroft Terrace to the west cable riser pole located near Carroll Canyon Road and Interstate 805, in each case, up to the termination on the cable riser poles but excluding the cable riser poles on each end, 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 Underground Segment B shall include only the 230 kV transmission line and shall not include any transmission facilities that may operate at a different voltage, or any substation facilities.

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

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

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 30th anniversary of the Commencement Date (the “Term”). At the conclusion the Term, Citizens Sycamore-Penasquitos Transmission shall have no further interest in the Project hereunder, the Citizens Transfer Capability shall revert to SDG&E, and Citizens Sycamore-Penasquitos 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. [*Note to form: Include the following if true: 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

3.1 Completion of Construction. SDG&E shall use commercially reasonable efforts to [*Note to form: Delete the following if COD has already occurred: 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.

3.2 Operation and Maintenance. Except to the extent that SDG&E has transferred Operational Control of the Underground Segment B to the System Operator, SDG&E shall be responsible for overseeing and performing all operations and maintenance services for the Underground Segment B (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.

3.2.1 Benefit and Burden Sharing. Except as provided in Section 9.2, SDG&E and Citizens intend to share the benefits and burdens of the Underground Segment B, 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 Underground Segment B, in accordance with their percentage share of the Transfer Capability in the Underground Segment B. 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 Underground Segment B. 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.

3.2.2 Insurance Proceeds. 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.

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 Sycamore-Penasquitos Transmission agrees that it will not oppose any upgrades sought before any Governmental Authority, System Operator, or Balancing Authority by SDG&E.

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.

3.5 Adjustment of Citizens Percentage Interest. The Citizens Percentage Interest shall be adjusted as described below. SDG&E shall give Citizens Sycamore-Penasquitos 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.

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 Underground Segment B, 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 Sycamore-Penasquitos 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 Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date.

3.5.2 Future Upgrades in Transfer Capability. To the extent that the Underground Segment B is upgraded pursuant to Section 3.3 resulting in increases or decreases in the Transfer Capability of the Underground Segment B, then all such increases or decreases in Transfer Capability resulting from such upgrade shall be allocated to SDG&E and the Citizens Percentage Interest and the SDG&E Percentage Interest shall be adjusted accordingly. For example, if the Underground Segment B were rated at 1000MW, a given upgrade to the Underground Segment B would cause the rating to increase by 200MW and at the time of the upgrade Citizens Sycamore-Penasquitos Transmission and SDG&E each held a 13% and 87% share of the Transfer Capability on the Underground Segment B, respectively, then the Citizens Percentage Interest on the Underground Segment B would decrease from 13% to 10.83% ($130\text{MW} / 1200\text{MW} = 10.83\%$) and the SDG&E Percentage Interest on the Underground Segment B would increase from 87% to 89.17% ($1070\text{MW} / 1200\text{MW} = 89.17\%$).

3.5.3 Future Replacement and Renewal. To the extent that SDG&E makes any additional capital investments in the Underground Segment B pursuant to Section 3.4 resulting in no increases in the Transfer Capability of the Underground Segment B, then (1) the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest of the Underground Segment B prior to such additional capital investment multiplied by the former net book value of the Underground Segment B prior to such additional capital investment divided by (b) the new net book value of the Underground Segment B (including all new funding of replacements or renewals as part of the new net book value); and (2) the SDG&E Percentage Interest shall be adjusted in accordance with its definition. For example, assume that the Underground Segment B has a net book value of \$100 million prior to replacement or renewals and requires additional capital investments of \$30 million for replacement costs pursuant to Section 3.4 (and thus would have a net book value of \$130 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 13% and SDG&E makes such \$30 million capital investment in the Underground Segment B, then the Citizens Percentage Interest would be reduced from 13% to 10% ($13\% \times \$100 / \$130 = 10.00\%$) and the SDG&E Percentage Interest would be increased from 87% to 90.00% ($100\% - 10.00\% = 90.00\%$). For purposes of this section, the “net book value” of the Underground Segment B shall be equal to SDG&E’s historical cost basis of the Underground Segment B less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Sycamore-Penasquitos Transmission pays to SDG&E shall not reduce the cost basis.

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 Underground Segment B resulting from changes to the configuration of adjoining systems or upgrades to adjoining systems, including the systems of SDG&E beyond the Underground Segment B.

3.6 Interconnection Facilities. Subject to the CAISO Agreement and rules governing interconnection, as between SDG&E and Citizens Sycamore-Penasquitos Transmission, SDG&E will be the interconnection agent for the Project and on behalf of Citizens Sycamore-Penasquitos 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

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

4.1.1 Prepaid Rent. Pursuant to Section 4.2.3 of the DCOA, concurrently with the commencement of this Lease on the Commencement Date, Citizens Sycamore-Penasquitos Transmission shall make a payment of \$27 million to SDG&E as prepaid rent (the "Prepaid Rent").

4.1.2 Additional Rent. Citizens Sycamore-Penasquitos 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 Underground Segment B, sales, use and excise taxes, and other costs described in Appendix [Z] (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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission shall be required to pay such amount to SDG&E within 30 days after receipt of such invoice.

4.2 Regulation of Citizens Sycamore-Penasquitos Transmission's Rates. Subject to Section 4.3, Citizens Sycamore-Penasquitos 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.

4.3 Citizens Sycamore-Penasquitos Transmission's Cost Recovery Methodology.

Citizens Sycamore-Penasquitos Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Sycamore-Penasquitos Transmission limited to the recovery of the following transmission costs. For the avoidance of doubt, Citizens Sycamore-Penasquitos 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.

4.3.1 Operating Costs. Citizens Sycamore-Penasquitos Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Sycamore-Penasquitos 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.

4.3.2 Capital Requirements. Citizens Sycamore-Penasquitos 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 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. *[Note to form: The final model as of the Effective Date should be populated with the actual Moody's Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which will be known at the time of execution.]*

(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 Sycamore-Penasquitos Transmission allocated to the Citizens Transfer Capability. The phrase “Financing Costs” shall mean (a) with respect to any bridge financing that Citizens Sycamore-Penasquitos Transmission may consummate prior to the term financing that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission and its lenders), lawyers’ fees (for Citizens Sycamore-Penasquitos Transmission and its lenders), and interest associated with such bridge financing, and (b) with respect to the term financing that Citizens Sycamore-Penasquitos Transmission will consummate for the final acquisition of its Transfer Capability, all reasonable and customary consultants’ fees (for Citizens Sycamore-Penasquitos Transmission and its lenders), lawyers’ fees (for Citizens Sycamore-Penasquitos 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 10.05%, (2) SDG&E’s capital structure fixed at 55.23% equity and 44.77% debt, and (3) SDG&E’s federal income tax rate fixed at 21.00% and state income tax rate fixed at 8.84%. 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 plus 48 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) immediately above) of the SDG&E return on equity in clause (1) immediately above 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 [3.71%], Costs of Transfer Capability equal to [\$29,000,000], and an AFUDC amount equal to [\$1,944,386]. *[Note to form: The bracketed numbers above and the final example as of the Effective Date should be populated with the actual Moody’s Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which should be known at the time of execution.]*

(c) At the time Citizens Sycamore-Penasquitos Transmission makes the compliance filing related to its application made on *[Note to form: insert applicable date on execution date]* in FERC Docket No. *[Note to form: insert applicable docket number on execution date]* 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 [Note to form: insert applicable date on execution date] in FERC Dockets Nos. [Note to form: insert applicable docket numbers on execution date], Citizens Sycamore-Penasquitos 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 such annual fixed rate is no greater than the SDG&E Representative Rate (which also shall include any adjustments described in Section 8.3). [Note to form: adjust this section to match the applicable FERC filings and orders on execution date]

(d) For purposes of determining whether Citizens Sycamore-Penasquitos 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) against Citizens Sycamore-Penasquitos 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) at such time as Citizens Sycamore-Penasquitos Transmission consummates the debt financing transaction for this Lease of the Citizens Transfer Capability and at such time as Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission is not able to demonstrate to the FERC that its fixed annual rate (excluding any of the adjustments described under Section 8.3) 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 Sycamore-Penasquitos 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 its fixed annual rate (excluding any of the adjustments described under Section 8.3) shall be equal to the SDG&E Representative Rate (which also does not include any of the adjustments described under Section 8.3).

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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's rates, Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission may acquire, finance, operate and maintain its leasehold interest in the Underground Segment B. SDG&E acknowledges that among other things, Citizens Sycamore-Penasquitos Transmission will seek recovery of and SDG&E will support Citizens Sycamore-Penasquitos Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Underground Segment B (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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission through its rates that were originally incurred by SDG&E were prudently incurred.

4.3.4 Credits. Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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

5.1 Meetings. Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Underground Segment B. 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 Sycamore-Penasquitos Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Underground Segment B no less than once per year, and (ii) promptly inform Citizens Sycamore-Penasquitos Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Sycamore-Penasquitos Transmission or the Citizens Transfer Capability or that would result in a payment obligation by Citizens Sycamore-Penasquitos Transmission pursuant to Section 3.2.1. Citizens Sycamore-Penasquitos Transmission shall provide SDG&E with periodic reports regarding Citizens Sycamore-Penasquitos Transmission's activities associated with its interest in the Underground Segment B including Citizens

Sycamore-Penasquitos Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

5.2 SDG&E Covenants.

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 Sycamore-Penasquitos Transmission can recover any and all of the costs specified in Section 4.3.1 and Section 4.3.2 as if Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's cost recovery.

5.2.2 Information Sharing. Upon reasonable notice and during regular business hours, SDG&E shall allow Citizens Sycamore-Penasquitos Transmission access to the Project site and provide other information related to the Project as may be reasonably requested by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission to allow Citizens Sycamore-Penasquitos 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.

5.3 Citizens Sycamore-Penasquitos Transmission Covenants.

5.3.1 Low Income Energy Programs. Citizens Sycamore-Penasquitos Transmission and SDG&E have agreed that with respect to each calendar year during the Term that Citizens Sycamore-Penasquitos Transmission shall pay one-half of Citizens Sycamore-Penasquitos 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 persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment, which shall be selected by Citizens Sycamore-Penasquitos 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

Sycamore-Penasquitos Transmission shall pay, by no later than April 30 of the following calendar year, to programs or entities assisting low income persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment an amount equal to or greater than Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission shall provide to SDG&E a certificate from an officer of Citizens Sycamore-Penasquitos Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission if Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission plus (v) payments made by Citizens Sycamore-Penasquitos Transmission to programs or entities assisting low income persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment, 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission associated with the Citizens Transfer Capability as approved by the FERC, (ii) proceeds of any business interruption or other insurance received by Citizens Sycamore-Penasquitos Transmission, plus (iii) the proceeds of any condemnation awards relating to the Lease received by Citizens Sycamore-Penasquitos Transmission, plus (iv) all investment income on balances of funds held in the accounts of Citizens Sycamore-Penasquitos Transmission, plus (v) at the maturity of all of Citizens Sycamore-Penasquitos Transmission’s indebtedness, all balances of funds held in reserve accounts of Citizens Sycamore-Penasquitos Transmission, in all cases, to the extent derived from, or associated with, the Citizens Transfer Capability.

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

5.3.3 Control. At all times during the Term, Citizens Sycamore-Penasquitos 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.

5.3.4 Local Furnishing Bonds. Citizens Sycamore-Penasquitos 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

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:

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.

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.

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.

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 Sycamore-Penasquitos Transmission.

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

6.1.6 Bankruptcy. Such Party becomes bankrupt.

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.

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

(EXCEPT TO THE EXTENT SUCH DAMAGES ARE THIRD PARTY CLAIMS FOR WHICH A PARTY IS LIABLE AND FOR WHICH THE OTHER PARTY HAS AN INDEMNITY OBLIGATION HEREUNDER), 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

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

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.

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.

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. *[Note to form: confirm that there will not be any outstanding regulatory consents required upon the Effective Date.]*

7.2 Citizens Sycamore-Penasquitos Transmission. As of the Effective Date, Citizens Sycamore-Penasquitos Transmission represents and warrants as follows:

7.2.1 Organization and Existence. Citizens Sycamore-Penasquitos 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.

7.2.2 Execution, Delivery and Enforceability. Citizens Sycamore-Penasquitos Transmission has full company power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission. This Lease has been duly and validly executed and delivered by Citizens Sycamore-Penasquitos Transmission and constitutes the valid and legally binding obligations of Citizens Sycamore-Penasquitos Transmission, enforceable against Citizens Sycamore-Penasquitos 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.

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 certificate of formation or operating agreement of Citizens Sycamore-Penasquitos Transmission or any material agreement to which Citizens Sycamore-Penasquitos 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. *[Note to form: confirm that there will not be any outstanding regulatory consents required upon the Effective Date.]*

7.2.4 No Objection to Current Design. Citizens Sycamore-Penasquitos 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, and the CPCN Decision.

ARTICLE VIII. TAXES AND ASSESSMENTS

8.1 Property Taxes. The Parties contemplate that the Property Taxes on the Underground Segment B will be assessed by the California State Board of Equalization. If the Property Taxes on the Underground Segment B are assessed against and paid by SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sycamore-Penasquitos 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 Underground Segment B

are assessed against and paid by both SDG&E and Citizens Sycamore-Penasquitos Transmission, then the Additional Rent for any period shall be adjusted so that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission bears the cost of the Applicable Portion of Property Taxes either by reimbursement to SDG&E or payment directly to taxing authorities.

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 Sycamore-Penasquitos 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. *[Note to form: include the final Exhibit B in the final execution version]*

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 Underground Segment B and may be entitled to receive tax credits or benefits, including bonus tax depreciation deductions, in connection with its ownership of the Underground Segment B that Citizens Sycamore-Penasquitos Transmission may not be entitled to receive in connection with its ownership of a leasehold interest in the Underground Segment B. To the same extent that SDG&E seeks such tax credits or benefits related to its interest in the Underground Segment B, SDG&E shall also seek such tax credits or benefits related to Citizens Sycamore-Penasquitos Transmission’s interest in the Underground Segment B. To the extent SDG&E realizes such tax credits or benefits related to Citizens Sycamore-Penasquitos Transmission’s interest in the Underground Segment B 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission’s interest in the Underground Segment B, 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

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 Underground Segment B toward the repair, reconstruction, or replacement of the Underground Segment B, then subject to the SDG&E Indenture, SDG&E shall pay to Citizens Sycamore-Penasquitos Transmission a pro rata share of such insurance proceeds to the extent of its interest remaining in the Underground Segment B. If SDG&E does apply the insurance proceeds it receives directly attributable to the damage or destruction of the Underground Segment B toward the repair, reconstruction, or replacement of the Underground Segment B and SDG&E incurs additional capital costs (including any deductibles) beyond such insurance proceeds for the repair, reconstruction or replacement of the Underground Segment B, 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).

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

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.

10.2 Casualty. In the event of a casualty affecting the Underground Segment B, SDG&E shall seek to restore service on the Underground Segment B consistent with its general practices applicable to its transmission system.

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

11.1 No Sublet. Citizens Sycamore-Penasquitos Transmission shall not sublet all or any portion of the Citizens Transfer Capability.

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 Sycamore-Penasquitos Transmission shall also require any third party assignee to continue to make contributions 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 Underground Segment B 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.

11.3 Form of Collateral Assignment. In connection with any financing or refinancing of the Citizens Transfer Capability, Citizens Sycamore-Penasquitos Transmission and SDG&E shall, and Citizens Sycamore-Penasquitos 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.

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 Sycamore-Penasquitos Transmission of all or any portion of its interest in this Lease. In the event Citizens Sycamore-Penasquitos Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Sycamore-Penasquitos Transmission in this Lease that Citizens Sycamore-Penasquitos Transmission desires to accept, Citizens Sycamore-Penasquitos 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 making the contributions 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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

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.

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.

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 existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 13.2.

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.

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

13.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile or e-mail (if facsimile numbers or e-mail addresses are identified below or by subsequent notice and provided a copy is also sent by overnight mail) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by facsimile transmission or e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. 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 – [Electric Engineering & Construction]
Fax: [858-650-6106]

With a copy to:
San Diego Gas & Electric
8330 Century Park Court
San Diego, CA 92123
Attention: Assistant General Counsel – Commercial
Fax: [619-696-4443]

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

With copies to:
Duncan & Allen
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
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

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.

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 Citizens Sycamore-Penasquitos Transmission's participation in the Project.

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.

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.

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.

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 DCOA, the terms of this Lease shall govern and prevail.

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.

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

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.

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.

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.

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.

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

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 San Diego County, California. Nothing contained therein shall be deemed or construed to in any way modify or otherwise affect any of the terms and conditions of this Lease or to create any inference about the characterization of the leasehold interest as real property or personalty. Further, nothing in this Lease or therein shall be deemed an assignment, in whole or in part, of any right or interest in SDG&E's franchise agreement with the City of San Diego, SDG&E's franchise agreement with the County of San Diego, SDG&E's crossing/encroachment permit with the State of California Department of Transportation (CalTrans), or SDG&E's other rights-of-way, easements, or other real property entitlements along the alignment of the Underground Segment B. The provisions of this Lease will control with regard to any provisions of this Lease that may be in conflict with the Memorandum.

13.16 Subordinate to SDG&E Indenture. Citizens Sycamore-Penasquitos Transmission acknowledges and agrees that at all times this Lease, Citizens Sycamore-Penasquitos Transmission's rights arising under this Lease, and all liens, encumbrances, or recordings securing or evidencing any of the foregoing are and shall be subject to and subordinate to the SDG&E Indenture, any modifications, amendments, renewals or extensions thereof, and all liens, encumbrances, or recordings securing or evidencing the SDG&E Indenture.

[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:
Title:

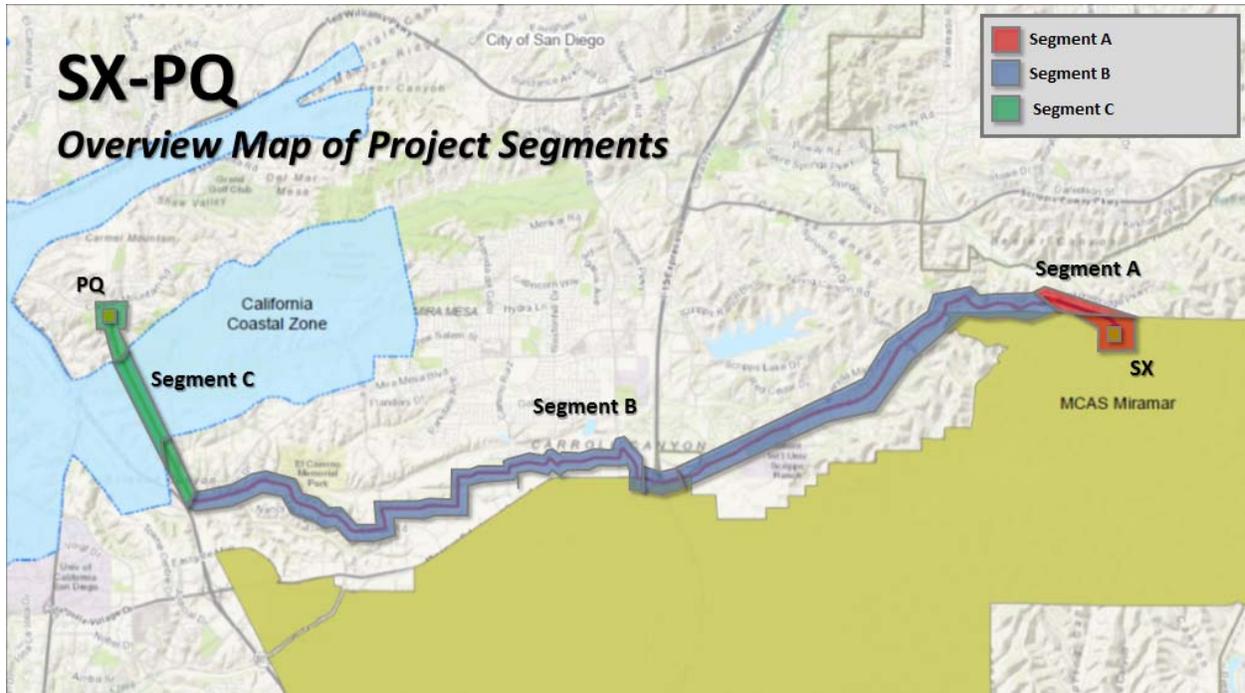
**CITIZENS SYCAMORE-PENASQUITOS
TRANSMISSION:**

CITIZENS SYCAMORE-PENASQUITOS
TRANSMISSION LLC,
a Delaware limited liability company

By: _____
Name:
Title:

SCHEDULE 1.1

Project Diagram



Project Segments:

- **Segment A: Sycamore Canyon Substation – Stonebridge Parkway Segment**
(0.9 miles) New 230 kV steel poles in existing ROW
- **Segment B: Underground Segment**
(11.5 miles) New underground 230 kV line in existing franchise position (City streets)
- **Segment C: Carroll Canyon Road – Penasquitos Substation Segment**
(2.2 miles) New 230 kV conductor on existing steel structures

Exhibit A

Model for SDG&E Representative Rate

(See attached CD entitled “Exhibit A to Transfer Capability Lease, dated [*insert date at time of execution*]” containing the model in a Microsoft Excel worksheet file)

[Note to form: The final model as of the Effective Date will be populated with the actual Moody’s Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which will be known at the time of execution. The Model template for the SDG&E Representative Rate at the time of execution of the First Amendment to Development, Coordination, and Option Agreement is the file titled “SXPQ SDGE Representative Rate Model Tax Reform Update v3.xlsx”]

Exhibit B

Accrual of Prepaid Rent

[Note to form: The final table as of the Effective Date will be populated with the actual Prepaid Rent and AFR which will be known at the time of execution. At the time of execution of the DCOA, the model template for determining the values below is the file titled "LD2D-#313963-v2-SXPQ_Citizens_Lease_Amortization_Prepaid_Rent.XLS."]

Project: Sycamore-Penasquitos
 Lessor: SDG&E
 Lessee: Citizens Sycamore-Penasquitos Transmission
 Interest Rate: 0.75% (110% LT SA AFR 05/2017)/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)
		\$27,000,000						\$27,000,000	
1	\$341,586	-	\$341,586	1.000000	\$341,586	201,825	(\$341,586)	26,860,239	(\$139,761)
2	341,586	-	341,586	1.000000	341,586	200,780	(341,586)	26,719,433	(140,806)
3	341,586	-	341,586	1.000000	341,586	199,728	(341,586)	26,577,574	(141,859)
4	341,586	-	341,586	1.000000	341,586	198,667	(341,586)	26,434,655	(142,919)
5	341,586	-	341,586	1.000000	341,586	197,599	(341,586)	26,290,668	(143,987)
6	341,586	-	341,586	1.000000	341,586	196,523	(341,586)	26,145,604	(145,064)
7	341,586	-	341,586	1.000000	341,586	195,438	(341,586)	25,999,456	(146,148)
8	341,586	-	341,586	1.000000	341,586	194,346	(341,586)	25,852,216	(147,240)
9	341,586	-	341,586	1.000000	341,586	193,245	(341,586)	25,703,874	(148,341)
10	341,586	-	341,586	1.000000	341,586	192,136	(341,586)	25,554,425	(149,450)
11	341,586	-	341,586	1.000000	341,586	191,019	(341,586)	25,403,857	(150,567)
12	341,586	-	341,586	1.000000	341,586	189,894	(341,586)	25,252,165	(151,693)
13	341,586	-	341,586	1.000000	341,586	188,760	(341,586)	25,099,339	(152,826)
14	341,586	-	341,586	1.000000	341,586	187,618	(341,586)	24,945,370	(153,969)
15	341,586	-	341,586	1.000000	341,586	186,467	(341,586)	24,790,250	(155,120)
16	341,586	-	341,586	1.000000	341,586	185,307	(341,586)	24,633,971	(156,279)
17	341,586	-	341,586	1.000000	341,586	184,139	(341,586)	24,476,523	(157,447)
18	341,586	-	341,586	1.000000	341,586	182,962	(341,586)	24,317,899	(158,624)
19	341,586	-	341,586	1.000000	341,586	181,776	(341,586)	24,158,089	(159,810)
20	341,586	-	341,586	1.000000	341,586	180,582	(341,586)	23,997,084	(161,005)
21	341,586	-	341,586	1.000000	341,586	179,378	(341,586)	23,834,876	(162,208)
22	341,586	-	341,586	1.000000	341,586	178,166	(341,586)	23,671,455	(163,421)
23	341,586	-	341,586	1.000000	341,586	176,944	(341,586)	23,506,813	(164,642)

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	341,586	-	341,586	1.000000	341,586	175,713	(341,586)	23,340,940	(165,873)
25	341,586	-	341,586	1.000000	341,586	174,474	(341,586)	23,173,827	(167,113)
26	341,586	-	341,586	1.000000	341,586	173,224	(341,586)	23,005,465	(168,362)
27	341,586	-	341,586	1.000000	341,586	171,966	(341,586)	22,835,845	(169,621)
28	341,586	-	341,586	1.000000	341,586	170,698	(341,586)	22,664,956	(170,888)
29	341,586	-	341,586	1.000000	341,586	169,421	(341,586)	22,492,790	(172,166)
30	341,586	-	341,586	1.000000	341,586	168,134	(341,586)	22,319,338	(173,453)
31	341,586	-	341,586	1.000000	341,586	166,837	(341,586)	22,144,588	(174,749)
32	341,586	-	341,586	1.000000	341,586	165,531	(341,586)	21,968,533	(176,056)
33	341,586	-	341,586	1.000000	341,586	164,215	(341,586)	21,791,161	(177,372)
34	341,586	-	341,586	1.000000	341,586	162,889	(341,586)	21,612,464	(178,697)
35	341,586	-	341,586	1.000000	341,586	161,553	(341,586)	21,432,431	(180,033)
36	341,586	-	341,586	1.000000	341,586	160,207	(341,586)	21,251,052	(181,379)
37	341,586	-	341,586	1.000000	341,586	158,852	(341,586)	21,068,317	(182,735)
38	341,586	-	341,586	1.000000	341,586	157,486	(341,586)	20,884,216	(184,101)
39	341,586	-	341,586	1.000000	341,586	156,110	(341,586)	20,698,739	(185,477)
40	341,586	-	341,586	1.000000	341,586	154,723	(341,586)	20,511,876	(186,863)
41	341,586	-	341,586	1.000000	341,586	153,326	(341,586)	20,323,616	(188,260)
42	341,586	-	341,586	1.000000	341,586	151,919	(341,586)	20,133,949	(189,667)
43	341,586	-	341,586	1.000000	341,586	150,501	(341,586)	19,942,863	(191,085)
44	341,586	-	341,586	1.000000	341,586	149,073	(341,586)	19,750,350	(192,513)
45	341,586	-	341,586	1.000000	341,586	147,634	(341,586)	19,556,397	(193,953)
46	341,586	-	341,586	1.000000	341,586	146,184	(341,586)	19,360,995	(195,402)
47	341,586	-	341,586	1.000000	341,586	144,723	(341,586)	19,164,132	(196,863)
48	341,586	-	341,586	1.000000	341,586	143,252	(341,586)	18,965,798	(198,334)
49	341,586	-	341,586	1.000000	341,586	141,769	(341,586)	18,765,981	(199,817)
50	341,586	-	341,586	1.000000	341,586	140,276	(341,586)	18,564,670	(201,311)
51	341,586	-	341,586	1.000000	341,586	138,771	(341,586)	18,361,855	(202,815)
52	341,586	-	341,586	1.000000	341,586	137,255	(341,586)	18,157,523	(204,332)
53	341,586	-	341,586	1.000000	341,586	135,727	(341,586)	17,951,664	(205,859)
54	341,586	-	341,586	1.000000	341,586	134,189	(341,586)	17,744,266	(207,398)
55	341,586	-	341,586	1.000000	341,586	132,638	(341,586)	17,535,319	(208,948)
56	341,586	-	341,586	1.000000	341,586	131,077	(341,586)	17,324,809	(210,510)
57	341,586	-	341,586	1.000000	341,586	129,503	(341,586)	17,112,725	(212,083)
58	341,586	-	341,586	1.000000	341,586	127,918	(341,586)	16,899,056	(213,669)
59	341,586	-	341,586	1.000000	341,586	126,320	(341,586)	16,683,791	(215,266)
60	341,586	-	341,586	1.000000	341,586	124,711	(341,586)	16,466,915	(216,875)
61	341,586	-	341,586	1.000000	341,586	123,090	(341,586)	16,248,419	(218,496)

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)
62	341,586	-	341,586	1.000000	341,586	121,457	(341,586)	16,028,290	(220,129)
63	341,586	-	341,586	1.000000	341,586	119,811	(341,586)	15,806,515	(221,775)
64	341,586	-	341,586	1.000000	341,586	118,154	(341,586)	15,583,082	(223,433)
65	341,586	-	341,586	1.000000	341,586	116,484	(341,586)	15,357,979	(225,103)
66	341,586	-	341,586	1.000000	341,586	114,801	(341,586)	15,131,194	(226,785)
67	341,586	-	341,586	1.000000	341,586	113,106	(341,586)	14,902,713	(228,481)
68	341,586	-	341,586	1.000000	341,586	111,398	(341,586)	14,672,525	(230,189)
69	341,586	-	341,586	1.000000	341,586	109,677	(341,586)	14,440,615	(231,909)
70	341,586	-	341,586	1.000000	341,586	107,944	(341,586)	14,206,973	(233,643)
71	341,586	-	341,586	1.000000	341,586	106,197	(341,586)	13,971,583	(235,389)
72	341,586	-	341,586	1.000000	341,586	104,438	(341,586)	13,734,435	(237,149)
73	341,586	-	341,586	1.000000	341,586	102,665	(341,586)	13,495,513	(238,921)
74	341,586	-	341,586	1.000000	341,586	100,879	(341,586)	13,254,806	(240,707)
75	341,586	-	341,586	1.000000	341,586	99,080	(341,586)	13,012,299	(242,507)
76	341,586	-	341,586	1.000000	341,586	97,267	(341,586)	12,767,980	(244,319)
77	341,586	-	341,586	1.000000	341,586	95,441	(341,586)	12,521,834	(246,146)
78	341,586	-	341,586	1.000000	341,586	93,601	(341,586)	12,273,848	(247,986)
79	341,586	-	341,586	1.000000	341,586	91,747	(341,586)	12,024,009	(249,839)
80	341,586	-	341,586	1.000000	341,586	89,879	(341,586)	11,772,302	(251,707)
81	341,586	-	341,586	1.000000	341,586	87,998	(341,586)	11,518,714	(253,588)
82	341,586	-	341,586	1.000000	341,586	86,102	(341,586)	11,263,230	(255,484)
83	341,586	-	341,586	1.000000	341,586	84,193	(341,586)	11,005,836	(257,394)
84	341,586	-	341,586	1.000000	341,586	82,269	(341,586)	10,746,518	(259,318)
85	341,586	-	341,586	1.000000	341,586	80,330	(341,586)	10,485,262	(261,256)
86	341,586	-	341,586	1.000000	341,586	78,377	(341,586)	10,222,053	(263,209)
87	341,586	-	341,586	1.000000	341,586	76,410	(341,586)	9,956,876	(265,177)
88	341,586	-	341,586	1.000000	341,586	74,428	(341,586)	9,689,718	(267,159)
89	341,586	-	341,586	1.000000	341,586	72,431	(341,586)	9,420,562	(269,156)
90	341,586	-	341,586	1.000000	341,586	70,419	(341,586)	9,149,394	(271,168)
91	341,586	-	341,586	1.000000	341,586	68,392	(341,586)	8,876,200	(273,195)
92	341,586	-	341,586	1.000000	341,586	66,350	(341,586)	8,600,963	(275,237)
93	341,586	-	341,586	1.000000	341,586	64,292	(341,586)	8,323,669	(277,294)
94	341,586	-	341,586	1.000000	341,586	62,219	(341,586)	8,044,302	(279,367)
95	341,586	-	341,586	1.000000	341,586	60,131	(341,586)	7,762,846	(281,455)
96	341,586	-	341,586	1.000000	341,586	58,027	(341,586)	7,479,287	(283,559)
97	341,586	-	341,586	1.000000	341,586	55,908	(341,586)	7,193,609	(285,679)
98	341,586	-	341,586	1.000000	341,586	53,772	(341,586)	6,905,794	(287,814)
99	341,586	-	341,586	1.000000	341,586	51,621	(341,586)	6,615,829	(289,966)

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)
100	341,586	-	341,586	1.000000	341,586	49,453	(341,586)	6,323,696	(292,133)
101	341,586	-	341,586	1.000000	341,586	47,270	(341,586)	6,029,379	(294,317)
102	341,586	-	341,586	1.000000	341,586	45,070	(341,586)	5,732,862	(296,517)
103	341,586	-	341,586	1.000000	341,586	42,853	(341,586)	5,434,129	(298,733)
104	341,586	-	341,586	1.000000	341,586	40,620	(341,586)	5,133,163	(300,966)
105	341,586	-	341,586	1.000000	341,586	38,370	(341,586)	4,829,947	(303,216)
106	341,586	-	341,586	1.000000	341,586	36,104	(341,586)	4,524,464	(305,483)
107	341,586	-	341,586	1.000000	341,586	33,820	(341,586)	4,216,698	(307,766)
108	341,586	-	341,586	1.000000	341,586	31,520	(341,586)	3,906,632	(310,067)
109	341,586	-	341,586	1.000000	341,586	29,202	(341,586)	3,594,247	(312,384)
110	341,586	-	341,586	1.000000	341,586	26,867	(341,586)	3,279,528	(314,719)
111	341,586	-	341,586	1.000000	341,586	24,514	(341,586)	2,962,456	(317,072)
112	341,586	-	341,586	1.000000	341,586	22,144	(341,586)	2,643,014	(319,442)
113	341,586	-	341,586	1.000000	341,586	19,757	(341,586)	2,321,184	(321,830)
114	341,586	-	341,586	1.000000	341,586	17,351	(341,586)	1,996,949	(324,236)
115	341,586	-	341,586	1.000000	341,586	14,927	(341,586)	1,670,290	(326,659)
116	341,586	-	341,586	1.000000	341,586	12,485	(341,586)	1,341,189	(329,101)
117	341,586	-	341,586	1.000000	341,586	10,025	(341,586)	1,009,628	(331,561)
118	341,586	-	341,586	1.000000	341,586	7,547	(341,586)	675,588	(334,039)
119	341,586	-	341,586	1.000000	341,586	5,050	(341,586)	339,052	(336,536)
120	341,586	-	341,586	1.000000	341,586	2,534	(341,586)	0	(339,052)
Totals	\$40,990,365	\$27,000,000	\$40,990,365		\$40,990,365	13,990,365	(\$40,990,365)		(\$27,000,000)

	A	B
Present Value	\$27,000,000	\$27,000,000

See Fraction Computation Above *

Rent Allocation **\$341,586**

Exhibit C

Local Furnishing Bond Encumbrances

[Note to form: update this exhibit as of the Effective Date]

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 December 15, 2016, these interconnection points include:

1. the point at the International Border where SDG&E's wholly-owned interest in 230kV TL 23040 (Otay Mesa – Tijuana I) connects with CFE's ownership interest in TL 23040;
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 500kV TL 50004 (Imperial Valley – East County) interconnects with the Imperial Valley Substation facilities owned in part by Imperial Irrigation District (“IID”);
4. the point where SDG&E’s wholly-owned 500kV TL 50005 (Imperial Valley – Ocotillo) connects to the Imperial Valley Substation facilities owned in part by IID;
5. 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;
6. 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; and,
7. the point where SDG&E’s wholly-owned Narrows Substation interconnects with transmission facilities owned in whole or in part 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 facilities which are not connected directly to the Local T/D System (“Owned/Leased Remote SDG&E Generating Units”).
 - i. As of December 15, 2016, Owned/Leased Remote SDG&E Generating Units consist of only SDG&E’s 480 MW Desert Star Energy Center.
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 Federal Energy Regulatory Commission, and such ruling has become final and non-appealable, 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 Effective _____, 2018

1. The Transmission Revenue Requirement shall be \$3,331,612, which is composed of a Base Transmission Revenue Requirement of \$3,331,612 and an initial TRBAA of zero.
2. The Base Transmission Revenue Requirement consists of a Transmission Capital Cost Revenue Requirement associated with Citizens Sycamore-Penasquitos Transmission's share of the Sycamore to Penasquitos Project of \$2,821,612, and a Transmission Operating Cost Revenue Requirement associated with Citizens Sycamore-Penasquitos Transmission's share of the Sycamore to Penasquitos Project of \$510,000.
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 Sycamore-Penasquitos Transmission's share of the Sycamore to Penasquitos Project will remain fixed for the thirty year term of Citizens Sycamore-Penasquitos Transmission's lease of Transfer Capability in the Sycamore to Penasquitos 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 Sycamore-Penasquitos 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 costs included in the Transmission Operating Cost Revenue Requirement associated with Citizens Sycamore to Penasquitos Transmission's share of the Sycamore to Penasquitos Project are those directly attributable to Citizens Sycamore to Penasquitos Transmission's Transfer Capability on the Project. The costs are in two parts; (1) those costs billed to Citizens Sycamore-Penasquitos Transmission by SDG&E, the operator of the Project, and (2) those costs incurred directly by Citizens Sycamore-Penasquitos Transmission in managing and administering its Transfer Capability. The Transmission Operating Cost Revenue Requirement is the sum of those two parts, and is established each year as described in paragraphs 5, 6, 7 and 8 below.
5. The costs billed to Citizens Sycamore-Penasquitos Transmission by SDG&E are those billed pursuant to the Transfer Capability Lease. The costs included in this Transmission Operating Cost Revenue Requirement are

those costs specified under the provisions of Appendix XII to the SDG&E Transmission Owner Tariff.

6. Pursuant to Appendix XII, SDG&E will submit to FERC on or before October 31 of each year an informational filing showing the Citizens Sycamore-Penasquitos Rate in effect for the period January 1 through December 31 of the subsequent year. Citizens Sycamore-Penasquitos Transmission shall include in the Transmission Operating Cost Revenue Requirement effective January 1 each year the Citizens Sycamore-Penasquitos Rate amount specified in the SDG&E informational filing each year. Appendix XII to the SDG&E Transmission Owner Tariff states that in the event of a challenge to any of the costs reflected in rates derived in Appendix XII, SDG&E shall bear the burden of demonstrating that such costs and expenditures included for recovery were prudently incurred, accurate and consistent with the formula. Therefore, Citizens Sycamore-Penasquitos Transmission shall not bear the burden of demonstrating that such portion of its costs and expenditures included for recovery that were specified in Appendix XII to the SDG&E Transmission Owner Tariff were prudently incurred, accurate and consistent with the formula. However, Citizens Sycamore-Penasquitos Transmission will adjust its Transmission Operating Cost Revenue Requirement to reflect any required changes to the Citizens Sycamore-Penasquitos Rate pursuant to a FERC Order and revised billing by SDG&E. The initial Citizens Sycamore-Penasquitos Rate for the period through December 31, 2019 is \$360,000 per year as specified in the SDG&E filing in FERC Docket ER18-____-000. The amount shall be extrapolated as necessary to be properly reflected in an annual Transmission Revenue Requirement calculation.

7. The costs incurred directly by Citizens Sycamore-Penasquitos Transmission in managing and administering its Transfer Capability are those recorded by Citizens Sycamore-Penasquitos Transmission in FERC accounts 561.4, 923, 924, 925, 928, and 930.2. Citizens Sycamore-Penasquitos Transmission shall include in the Transmission Operating Cost Revenue Requirement effective January 1 each year the sum of the amounts recorded in the above FERC accounts for the second calendar year prior to the January 1 effective date, plus or minus a true-up adjustment equal to the difference between the total amount recorded in the above FERC accounts for the calendar year (or part thereof for the initial period) and the amount recovered through the Transmission Operating Cost Revenue Requirement for that calendar year (or part thereof for the initial period). Interest will be calculated on the true-up adjustment in accordance with FERC Regulation 35.19(a) for each month of the period January through December (or part thereof for the initial period), and such interest will be fully amortized over the twelve month period commencing in January. The initial amount of costs incurred directly

by Citizens Sycamore-Penasquitos Transmission in managing and administering its Transfer Capability is estimated and shall be \$150,000 per year for the period through December 31, 2019. The amount shall be extrapolated as necessary to be properly reflected in an annual Transmission Revenue Requirement calculation.

8. Citizens Sycamore-Penasquitos Transmission shall submit to FERC on or before October 31 of each year an Informational Filing showing Citizens Sycamore-Penasquitos Transmission's Transmission Operating Cost Revenue Requirement to be in effect for the Period January 1 through December 31 of the subsequent year (the "Informational Filing"). The Informational Filing shall not subject the Formula set forth in this Appendix III to modification. The Informational Filing shall only be contestable with respect to the prudence of the Citizens Sycamore-Penasquitos Transmission costs and expenditures included for recovery, the accuracy of the data and the consistency with the Formula of the changes in data shown in the Informational Filing. In the event of a challenge to any of the costs reflected in the Transmission Operating Cost Revenue Requirement derived under this Appendix III, Citizens Sycamore-Penasquitos Transmission shall, except with respect to the SDG&E costs and expenditures as provided in Appendix XII to the SDG&E Transmission Owner Tariff, bear the burden of demonstrating that such costs and expenditures included for recovery were prudently incurred, accurate and consistent with the Formula. Any revisions to the Transmission Revenue Requirement resulting from a FERC Order will be provided to the CAISO for its use in the calculation of the refunds due under the Transmission Access Charge methodology in accordance with the CAISO Tariff.
9. All of Citizens Sycamore-Penasquitos 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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