

October 23, 2020

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
S-Line Entitlement Agreement
Docket No. ER21-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits for filing and acceptance the S-Line Entitlement Agreement (Entitlement Agreement) between Citizens S-Line LLC (Citizens S-Line) and the CAISO.¹ The Entitlement Agreement provides that Citizens S-Line will finance upgrades to Imperial Irrigation District's (IID's) existing 230 kV S-Line in exchange for entitlement rights to incremental transfer capacity on the S-Line that Citizens S-Line will obtain on behalf of the CAISO. The Entitlement Agreement is necessary to effectuate a transmission project approved in the CAISO's transmission planning process that will provide economic benefits to CAISO ratepayers by alleviating limitations on the use of the CAISO system caused by parallel flows (loop flows) identified in planning study results. The approved project will materially reduce local capacity needs in the combined San Diego–Imperial Valley areas, as well as reduce market congestion on the CAISO system. The Entitlement Agreement is necessary because the system expansion approved in the CAISO transmission plan will be an upgrade to IID's existing facilities, which are not, and will not become, part of the CAISO Balancing Authority Area. The CAISO requests that the Commission accept the Entitlement Agreement effective December 23, 2020.

¹ The CAISO submits the Agreement pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2012), and Rule 205 of the Commission's Rules of Practice and Procedure, 18.C.F.R. § 385.205 (2013).

I. Background

A. Description of the S-Line Upgrades and the CAISO's Identification of Need for the Project

2017-2018 and 2018-2019 Transmission Planning Processes

As part of its annual transmission planning process, the CAISO selects high priority economic planning studies to determine the need for economic transmission projects. In the 2017-2018 CAISO Transmission Plan, after evaluating identified congestion and reviewing stakeholders' study requests, the CAISO selected three congested branch groups for detailed assessment. The IID 230 kV S-Line was one of the three branch groups selected. The S-Line congestion totaled \$6 million in 2015 and 2016. In addition, the thermal constraint on the S-Line, under an overlapping of a single line contingency of the Imperial Valley – North Gila 500kV line and an outage of the Termoelectrica de Mexicali (TDM) combined cycle power plant², has been identified as the critical constraint for the combined San Diego–Imperial Valley local capacity requirement (LCR) area. Based on the market congestion and study results, the CAISO decided to conduct an economic assessment of potential network upgrades to the IID 230 kV S-line to identify potential congestion and capacity benefits for CAISO ratepayers.

The S-Line is currently configured as an 18.1 mile, 230 kV single circuit wood pole transmission line running from the IID-owned El Centro switching substation to the Imperial Valley substation, which is jointly owned by San Diego Gas & Electric Company (SDG&E) and IID. The CAISO and IID examined upgrades to IID's existing S-line as a mitigation to existing S-Line thermal constraints under an overlapping contingency of a single 500kV line (Imperial Valley – North Gila) and TDM combined cycle power plant. The S-Line is a critical constraint for the CAISO's combined San Diego – Imperial Valley LCR area. The CAISO recognized that upgrades to the existing S-Line could provide economic benefits to the CAISO by alleviating limitations on the use of the CAISO system caused by parallel flows (loop flows) identified in planning study results prior to the 2017-2018 transmission planning process. Economic benefits to the CAISO would result from reducing local capacity needs in the combined San Diego-Imperial Valley areas and reducing market congestion on the CAISO system.

In the 2017-2018 transmission planning cycle, the CAISO conducted detailed congestion and local capacity benefit analyses to determine the need for transmission system expansion. The CAISO assessed congestion benefits using its Transmission Economic Assessment Methodology (TEAM). The CAISO observed congestion on the inter-tie between IID's El Centro substation and SDG&E's Imperial Valley substation in the production cost modeling simulation results. The CAISO studied mitigation solutions, which included upgrading the S-Line from its existing single circuit wood pole construction to a double circuit tower construction with each circuit rated at 786 MVA.

² TDM is owned by Sempra Energy and sells power to the CAISO market.

The CAISO also considered other alternatives to the S-Line Upgrade, including flow controllers—such as back-to-back HVDC converters and phase shifting transformers—and broader-scoped transmission upgrades.³

The CAISO's production cost modeling results showed the upgrade would completely mitigate S-Line congestion. The CAISO also identified local capacity benefits provided by the S-Line Upgrade. The 2017-2018 Transmission Plan found the S-Line Upgrade would reduce the San Diego-Imperial Valley local capacity requirement by approximately 213 MW, and removing an additional constraint at the El Centro #4 230/92 kV transformer would further increase the total benefits, potentially to a total of 500 MW. As shown in the 2017-2018 Transmission Plan, the S-Line Upgrade would provide significant net economic benefits to CAISO ratepayers. As a result of this analysis, the CAISO identified an economically-driven need to upgrade the existing 230 kV S-Line to mitigate thermal constraints consistent with CAISO tariff section 24.4.6.7.

In the Transmission Plan, the CAISO assigned responsibility for the upgrade to IID's existing S-Line to IID, the owner and operator of the S-Line. In the 2018-2019 Transmission Plan, the CAISO modified the S-Line Upgrade to provide for an appropriately sized single 230 kV circuit configuration, which provides even greater local capacity requirement reduction value to the CAISO compared to the original double-circuit line.⁴

II. Contractual Arrangements Necessary to Implement the S-Line Upgrade

IID has engaged Citizens-S-Line to fund its S-Line upgrade. The nature of the S-Line Upgrade and IID's ownership of the underlying facilities requires a unique set of contractual arrangements to ensure the proper funding, construction, and entitlement rights related to the project. The CAISO, IID, and Citizens S-Line have negotiated three separate bilateral agreements to implement the S-Line Upgrade. These agreements are (1) the Entitlement Agreement between the CAISO and Citizens S-Line; (2) the Development Agreement between IID and Citizens S-Line; and (3) the Incremental Transfer Capability Lease Agreement between IID and Citizens S-Line. These agreements are described in detail below.

The Entitlement Agreement between CAISO and Citizens S-Line is the subject of this filing. The Entitlement Agreement generally provides that Citizens S-Line will finance up to \$40 million of capital costs for the S-Line Project and lease incremental transfer capability created by the project from IID and on behalf of the CAISO. The S-Line Entitlement Agreement also provides that Citizens S-Line will become a CAISO

³ Broader-scoped alternatives studied in the 2017-2018 transmission planning process included the Renewable Energy Express transmission project, which proposed converting a portion of the existing AC Southwest Powerlink to a DC system with terminals at North Gila substation, Imperial Valley substation, and Miguel substation.

⁴ The single circuit configuration provides greater local capacity requirement reduction because a single circuit has higher impedance than two circuits, thereby decreasing the loading on the next binding constraint.

Participating Transmission Owner and will transfer its entitlement rights to the CAISO upon receipt from IID consistent with the Transmission Control Agreement. The provisions of the Entitlement Agreement are described in detail below.

The Development Agreement between IID and Citizens S-Line (Development Agreement) defines the obligations of Citizens S-Line and IID to develop and fund the S-Line Project. Under the Development Agreement, Citizens S-Line will pay funds when due to IID under the terms of the S-Line Incremental Transfer Capability Lease. IID is responsible for engineering, procurement, and construction of the project, including permitting and other regulatory approvals that might be required.

The S-Line Incremental Transfer Capability Lease between IID and Citizens S-Line (Lease) is an appendix to the S-Line Development Agreement that will be executed on the commercial operation date of the S-Line Project. The Lease provides that Citizens S-Line will obtain a 40-year lease right to incremental transfer capability on the S-Line created by the project. The Lease also provides that IID will operate and maintain the S-Line and that the S-Line will remain located in IID's balancing authority area.

Together, these agreements ensure the S-Line Upgrade will be built consistent with the CAISO's technical specifications and that resulting entitlement will be turned over to the CAISO's operational control.

Finally, the CAISO notes the funding and construction of the project is a key element to a settlement agreement between the CAISO and IID ("Settlement Agreement"). The Settlement Agreement provides that the CAISO will fund up to \$40 million toward the project to obtain an increased entitlement to transfer capability of the upgraded S-Line. The Settlement Agreement also provides that federal district court litigation between the CAISO and IID will be dismissed once certain terms of the Settlement Agreement—including terms related to the funding and construction of the S-Line upgrades—are met. The Settlement Agreement specifically provides that it is subject to finding a new or existing Participating Transmission Owner to fund the S-Line upgrades and obtain the relevant entitlements on behalf of the CAISO. This Entitlement Agreement meets that portion of the CAISO's Settlement Agreement obligations.

III. The S-Line Entitlement Agreement

The Entitlement Agreement is modeled on the CAISO's *pro forma* Approved Project Sponsor Agreement (APSA) and governs the relationship between Citizens S-Line and the CAISO during project construction and leading up to the transfer of the S-Line upgrade's incremental transfer capability from Citizens S-Line to the CAISO. Citizens S-Line's costs will be recovered through the CAISO's regional transmission access charge. IID will be responsible for funding actual capital costs for the project above \$40 million. IID will remain responsible for all operation and maintenance costs for the S-Line.

A. The Entitlement Agreement Provides that Citizens S-Line Will Obtain an Entitlement to Incremental Transfer Capability on the S-Line.

The project and the transformer upgrades at IID's El Centro Switching Station⁵ will increase transfer capability on the S-Line. The Entitlement Agreement provides that Citizens S-Line will lease the CAISO portion of this incremental transfer capability on the S-Line from IID. Citizens S-Line will enter into the CAISO Transmission Control Agreement to become a participating transmission owner⁶ effective upon receipt of its entitlement to the S-Line incremental transfer capability from IID and will turn over its leased incremental transfer capability to the CAISO's Operational Control as an entitlement. IID will continue to own and maintain operational control of the S-Line transmission facility before and after the upgrade. For the purposes of calculating the S-Line upgrade incremental transfer capability, the current total transfer capability of the S-Line is 350 MW North to South and 350 MW South to North.

Neither the project nor the CAISO's entitlement to the S-Line upgrade incremental transfer capability will reduce or otherwise negatively affect IID's rights to the current total transfer capability on the S-Line prior to the upgrade. As the owner and operator of the project (and the S-Line), IID will continue to establish the total transfer capability on the S-Line, consistent with applicable reliability standards. IID will inform the CAISO of any changes in total transfer capability, and Citizens S-Line's entitlement right that will be turned over to CAISO operational control in accordance with the transmission control agreement.

When the El Centro Switching Station transformer upgrades are completed, the increases in the total transfer capability of the S-Line due to such transformer upgrades above the S-Line upgrade incremental transfer capability will be shared equally between IID and Citizens S-Line. If the total transfer capability of the S-Line (as established after the El Centro Switching Station transformer upgrades are completed) decreases in the future, the reduction will be applied in the following order:

1. Any shared increase associated with the El Centro Switching Station transformer upgrades is reduced in equal amounts for both IID and Citizens S-Line until the shared increase is reduced to zero,
2. Citizens S-Line's entitlement to the S-Line upgrade incremental transfer capability will be reduced until it is reduced to zero,

⁵ El Centro Switching Station Upgrades: IID will undertake El Centro Switching Station upgrades by installation of Bank No. 5 transformation that will include a 332 MVA 230/92kV transformer. These upgrades will be at the sole cost of IID, and neither the CAISO nor Citizens will have any responsibility for the cost of these upgrades. The incremental capacity in the S-Line created by the El Centro Switching Station Upgrades will be shared equally between the CAISO and IID.

⁶ Citizens S-Line is controlled by Citizens Energy Corporation, which owns and operates two existing CAISO participating transmission owners Citizens Sycamore-Penasquitos Transmission LLC and Citizens Sunrise Transmission LLC.

3. The remaining IID rights to the total transfer capability will be reduced, and
4. For planned and forced outages on the S-Line, Citizens S-Line and IID will take reductions based on the then existing total transfer capability of the S-Line in the order reflected in steps 1, 2, and 3 above.

B. The Entitlement Agreement Governs Citizens S-Line's Construction, Financing, and Ownership Obligations and Provides that Citizens S-Line Will Become a CAISO Participating Transmission Owner.

The CAISO's existing *pro forma* APSA governs the relationship between the CAISO and approved transmission project sponsors for the financing, construction, and ownership of regional transmission facilities subject to the competitive solicitation process. Similar to the APSA, the Entitlement Agreement defines project construction requirements, network interconnection, financing obligations, and ownership requirements. The Entitlement Agreement is necessary because neither IID nor Citizens S-Line is a CAISO participating transmission owner. Citizens S-Line will not be subject to the CAISO tariff until such time as Citizens S-Line enters into the Transmission Control Agreement and turns over the entitlement to CAISO operational control. The Entitlement Agreement "bridges the gap" until the tariff and the Transmission Control Agreement govern the relationship with the CAISO.

The recitals of the Entitlement Agreement lay out the framework for the project including identifying IID as the owner and operator of the S-Line and the relationship that IID will have, through Citizens S-Line, with both the CAISO and SDG&E. Article 1 provides definitions for certain terms in the Entitlement Agreement. It also provides that other terms have the definition given to them in the section in which they occur or in Appendix A of the CAISO tariff. A definition critical to this Entitlement Agreement is "CAISO's Operational Control as an Entitlement." Because the entitlement is located in another balancing authority area, this definition specifically defines the rights and obligations of the CAISO and IID once Citizens S-Line has turned over the entitlement to CAISO operational control.

Article 2 governs the effective date, term, and termination of the Entitlement Agreement. The Entitlement Agreement is effective upon execution, subject to Commission acceptance. Except for certain specified sections, the Entitlement Agreement terminates when Citizens S-Line turns the entitlement over to CAISO operational control. The exceptions are necessary for provisions that must continue in effect after the Entitlement Agreement terminates, such as the requirement to provide final cost information after the Entitlement Agreement terminates. Some of these are only relevant if the Agreement terminates because of the transfer of the facilities to the CAISO's operational control. Others, such as provisions concerning indemnity and liability, remain relevant regardless of the reason for termination.

Article 3 describes the interaction between the CAISO tariff, the Transmission Control Agreement, and the Entitlement Agreement. This article, similar to the APSA, provides a section that allows Citizens S-Line to forego the tariff and Transmission Control Agreement process to become a participating transmission owner because the CAISO has already determined the project to be necessary in its transmission planning process.

Article 4 describes Citizens S-Line's obligations including: (1) contracting with IID to build, reconnect and operate the S-Line; (2) coordination with SDG&E to re-connect the upgraded S-Line upgrade the interconnection at Imperial Valley in accordance with the joint-owned facilities agreement; (3) establishing performance standards consistent with applicable laws and regulations, reliability standards and good utility practice; and (4) establishing the lease that will give the CAISO ratepayers the right to schedule on the incremental transfer capability and any other capability that may become part of Citizens S-Line's entitlement, including the incremental transfer capability created by and resulting specifically from the S-Line Upgrade Project and 50% of the incremental transfer capability created by and specifically resulting from EL Centro Switching Station transformer upgrades. Because SDG&E is a CAISO participating transmission owner, any costs it incurs at the jointly-owned Imperial Valley 230 kV substation will be recovered through SDG&E's regional transmission revenue requirement consistent with Section 24.15.2 of the CAISO tariff.

C. The Entitlement Agreement Contains Project Details, Construction Milestones, and a Communication Framework.

Article 5 sets forth Citizens S-Line's engineering, procurement, and construction obligations in connection with the project. Under section 5.1, Citizens S-Line is required to ensure through the Development Agreement that IID designs, procures, constructs, and owns and installs the project consistent with the CAISO's functional specifications identified in Appendix A. Any changes to those specifications must be approved by the CAISO. Section 5.2 provides for information exchange between the parties regarding the project and necessary design revisions.

Section 5.3 contains the CAISO tariff section 24.6.1 requirement that Citizens S-Line provide a detailed construction plan within 120 days from the effective date of the Entitlement Agreement and provide construction status reports every 90 days until the project is energized. Following up on these reporting requirements, section 5.5 provides the process to be followed if the project encounters delay, particularly an unreasonable delay beyond the date in Appendix B. Section 5.5 survives termination of the Entitlement Agreement.

Section 5.6 provides procedures for modification of the project. Citizens S-Line will receive advance notification of any modifications to the project specifications in Appendix A. Citizens S-Line may modify the project only with the approval of the CAISO, unless a regulatory authority directs the modification. Under such a

circumstance, section 5.6.3 requires Citizens S-Line to notify the CAISO within 30 calendar days after the siting agency has issued an order directing a modification.

Article 6 requires operating communications with the CAISO consistent with the CAISO tariff and the interconnecting entity. It also provides that Citizens S-Line will require IID to provide the dedicated data circuit necessary to provide Citizens S-Line's data to the CAISO and SDG&E as set forth in Appendix C, Security Arrangements Details.

Article 7 establishes the obligation of each party to perform its operational responsibilities prior to the CAISO's assumption of operational control in accordance with applicable reliability requirements and other requirements made applicable by the CAISO's procedures or the Entitlement Agreement. It also requires Citizens S-Line to contract with IID to establish procedures for start-up, testing, and energization of the project.

D. Citizens S-Line's Transmission Revenue Requirement and Obligations Under the Entitlement Agreement.

Article 8 provides for project cost recovery, billing, and payment. Section 8.1 provides that Citizens S-Line may seek Commission approval of a transmission revenue requirement before the project becomes operational. If approved, the CAISO will collect that revenue requirement through the regional access charge.

Section 8.3 contains the same refund obligation included in the APSA. In this section, Citizens S-Line agrees to make all refunds and adjustments to its transmission revenue requirement, in accordance with the CAISO tariff, unless the Commission orders otherwise. This section is applicable to all approved project sponsors and participating transmission owners, whether subject to Commission rate jurisdiction or not. Section 8.3 survives termination of the Entitlement Agreement.

Articles 9 and 10 are standard provisions addressing regulatory requirements, governing laws, and notices. Article 11 contains standard provisions concerning force majeure. Section 11.1.2 authorizes revision of the Entitlement Agreement, including milestones and cost containment provisions, following a force majeure event.

Article 12, which provides the terms and conditions for default, allows a 30-day opportunity to cure a breach. A breach is defined as a failure to perform or observe a material term or condition of the Entitlement Agreement. To the extent that bankruptcy or reorganization made it impossible for Citizens S-Line to continue, the CAISO could select an alternative project sponsor under section 5.5. Section 12.3 addresses Citizens S-Line's right under section 14.1 to assign the Entitlement Agreement for financial security collateral purposes if it gives notice to the CAISO, including assignee contact information. Section 12.3 states that if the CAISO has received notice of assignment for collateral security purposes, the CAISO will provide any notice of contract breach provided by Citizens S-Line to the collateral assignee, and the collateral

assignee has the right, but not the obligation, to cure the breach on behalf of Citizens S-Line. This provision would allow the Entitlement Agreement to continue in place under certain circumstances and could prevent the need for choosing a new project sponsor if the collateral assignee is able to cure the breach on behalf of Citizens S-Line.

Articles 13 through 21 are standard contract provisions from other CAISO *pro forma* agreements with some minor changes. They cover indemnity and consequential damages, assignment, severability, comparability, confidentiality, information access and audit rights, disputes, representations and warranties, and covenants, respectively. Article 13, regarding indemnity, survives termination of the Entitlement Agreement.

E. The Entitlement Agreement Appendices Describe Project Technical Details, Project Milestones, and Security Arrangements.

Appendix A describes the project technical details regarding the transmission line specifications for phasing, bus configuration, and line ratings, among other things. The Appendix also describes the El Centro Switching Station upgrades and the associated cost responsibility along with the transfer capability allocation between Citizens S-Line and IID.

Appendix B establishes the milestones for the project and recognizes the impact COVID-19 may have on procurement and construction. Milestone dates in this appendix can be modified by written agreement of the representatives of each party. Appendix C describes the security arrangements required by the CAISO in detail and provides links to specific information security requirements.

Appendix D provides the names, address, email address and phone numbers for the each party's representatives. Appendix E provides the capital costs for the development, construction, and commissioning of the project. Appendix E survives the termination of the Entitlement Agreement.

Due to concerns raised by IID regarding the characterization of the project, the use by the CAISO of the entitlement and the project being in, and remaining in, the IID balancing authority area, Appendix F was drafted as an example of language that could be used to incorporate Citizens S-Line as a participating transmission owner into the Transmission Control Agreement. The language is similar to prior Commission-approved Transmission Control Agreement amendments to incorporate other new participating transmission owners, including Citizens Sycamore – Penaquitos, LLC, Citizens Sunrise, LLC, DesertLink, LLC, and Horizon West Transmission, LLC.

IV. Effective Date

The CAISO requests that the Entitlement Agreement be made effective on December 23, 2020.

V. Request for Confidential Treatment of Critical Energy Infrastructure Information (CEII)

The CAISO is submitting both a confidential version and a public version of this filing. The confidential version contains CEII, specifically engineering data regarding the current and proposed configuration of the relevant portions of the transmission system. Pursuant to 18 C.F.R. § 388.113, the CAISO requests confidential treatment for CEII within included in Attachment A to this filing, which provides a details diagram of the proposed transmission system. The CAISO has redacted this information from the public version of this filing. This information is CEII because contains detailed design information about proposed critical infrastructure that relates details about the production, generation, transportation, transmission, or distribution of energy. The CAISO requests that the Commission designate the confidential materials as CEII for five years, with re-designation as appropriate.

VI. Communications

Pursuant to Rule 203(b)(3) of the Commission's Rules of Practice and Procedure, the CAISO requests that all correspondence, pleadings, and other communications regarding this filing should be directed to following:

Roger E. Collanton
General Counsel
Anna McKenna
Assistant General Counsel
Jordan Pinjuv
Senior Counsel

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7222
E-mail: jpjuv@caiso.com

VII. Service

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, and all parties listed in Appendix F of the transmission control agreement and all approved project sponsors listed on the CAISO website. In addition, the CAISO has posted a copy of the filing on the CAISO website.

VIII. Contents of Filing

Besides this transmittal letter, this filing includes:

Attachment A	Executed S-Line Entitlement Agreement (public version)
Attachment B	CEII Executed S-Line Entitlement Agreement

IX. Conclusion

For the reasons set forth above, the CAISO respectfully requests that the Commission accepts this filing and permit the Entitlement Agreement to become effective on December 23, 2020. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

/s/ Jordan Pinjuv

Roger E. Collanton
General Counsel
Anna McKenna
Assistant General Counsel
Jordan Pinjuv
Senior Counsel

Counsel for the California Independent
System Operator Corporation

Critical Energy/Electric Infrastructure Information Redacted
Pursuant to 18 C.F.R. § 388.113

Attachment A – Executed Agreement

Citizens S-Line Entitlement Agreement with
California Independent System Operator Corporation

October 23, 2020

Public Version

Critical Energy/Electric Infrastructure Information Redacted

S-LINE ENTITLEMENT AGREEMENT

BETWEEN

CITIZENS S-LINE TRANSMISSION LLC

AND

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION**

TABLE OF CONTENTS

ARTICLE 1. DEFINITIONS.....2

ARTICLE 2. EFFECTIVE DATE, TERM, AND TERMINATION4

ARTICLE 3. REGULATORY FILINGS AND CAISO TARIFF COMPLIANCE5

ARTICLE 4. CITIZENS’ OBLIGATIONS6

ARTICLE 5. FACILITIES ENGINEERING, PROCUREMENT, AND CONSTRUCTION
7

ARTICLE 6. COMMUNICATIONS 10

ARTICLE 7. OPERATIONS11

ARTICLE 8. COST RECOVERY, BILLING, AND PAYMENT11

ARTICLE 9. REGULATORY REQUIREMENTS AND GOVERNING LAWS...12

ARTICLE 10. NOTICES.....13

ARTICLE 11. FORCE MAJEURE14

ARTICLE 12. DEFAULT14

ARTICLE 13. INDEMNITY, CONSEQUENTIAL DAMAGES AND INSURANCE15

ARTICLE 14. ASSIGNMENT16

ARTICLE 15. SEVERABILITY17

ARTICLE 16. COMPARABILITY17

ARTICLE 17. CONFIDENTIALITY.....17

ARTICLE 18. INFORMATION ACCESS AND AUDIT RIGHTS21

ARTICLE 19. DISPUTES.....21

ARTICLE 20. REPRESENTATIONS, WARRANTIES, AND COVENANTS....21

ARTICLE 21. MISCELLANEOUS22

APPENDICES

- Appendix A Project Details
- Appendix B Milestones
- Appendix C Security Arrangements Details
- Appendix D Addresses for Delivery of Notices and Billings
- Appendix E Citizens’ Costs of Project
- Appendix F Transmission Control Agreement Language Draft

**S-LINE ENTITLEMENT AGREEMENT****CITIZENS S-LINE TRANSMISSION LLC****CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

THIS S-LINE ENTITLEMENT AGREEMENT (“Agreement”) is made and entered into this 23rd day of October, 2020, between Citizens S-Line Transmission LLC, organized and existing under the laws of the State of Delaware (“Citizens”), and the California Independent System Operator Corporation, a California nonprofit public benefit corporation organized and existing under the laws of the State of California (“CAISO”). Citizens and the CAISO each may be referred to as a “Party” or collectively as the “Parties.”

RECITALS

WHEREAS, the CAISO exercises Operational Control over the CAISO Controlled Grid; and

WHEREAS, Imperial Irrigation District (“IID”) is a Balancing Authority outside of the CAISO Balancing Authority Area and is responsible for construction, ownership, operation and maintenance of its transmission facilities including the S-Line; and

WHEREAS, in the 2017-2018 CAISO Transmission Plan, the CAISO identified an economically-driven need for an upgrade to IID’s existing S-Line to mitigate thermal constraints and the CAISO made revisions to the scope of the S-Line upgrades in the 2018-2019 Transmission Plan; and

WHEREAS, the IID intends to finance amounts, if any, above \$40 million, to construct and own the S-Line 230 kV Transmission Upgrade Project (“Project”) consisting of upgrading transmission facilities identified in Appendix A to this Agreement; and

WHEREAS, Citizens intends to finance the actual cost of the Project up to a maximum amount of \$40 million and lease the S-Line Upgrade Incremental Transfer Capability (as defined below) from IID in accordance with, *inter alia*, the requirements provided in this Agreement; and

WHEREAS, the IID intends to coordinate with San Diego Gas & Electric Company (“SDG&E”) for upgrades to the existing S-Line interconnection at the Imperial Valley Substation co-owned by IID and SDG&E; and

WHEREAS, the Parties intend that Citizens will lease from IID the incremental transfer capability on the S-Line created by and specifically resulting from the Project and fifty percent (50%) of the incremental transfer capability created by and specifically resulting from the transformer upgrades at El Centro Switching Station if such upgrades

are completed in the future, as identified in Appendix A (collectively, the “S-Line Upgrade Incremental Transfer Capability”), and simultaneously will make such capacity available as an Entitlement to the CAISO as a CAISO Participating Transmission Owner (“Participating TO”); and

WHEREAS, the Parties agree that Citizens will enter into the Transmission Control Agreement to become a Participating TO effective upon receipt of its entitlement to the S-Line Upgrade Incremental Transfer Capability from IID, acceptance of the entitlement by the CAISO, and will turn its leased S-Line Upgrade Incremental Transfer Capability over to the CAISO’s Operational Control as an Entitlement; and

WHEREAS, IID and the Parties recognize that CAISO’s Operational Control of the lease rights of Citizens’ S-Line Upgrade Incremental Transfer Capability will be limited to CAISO’s Operational Control as an Entitlement; and

WHEREAS, the Parties recognize that Citizens has certain rights and obligations related to the Project that arise prior to the date upon which Citizens will place the S-Line Upgrade Incremental Transfer Capability under the CAISO’s Operational Control as an Entitlement and will become a Participating TO and which may remain in effect for a discrete period of time after Citizens enters into the Transmission Control Agreement.

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein, the parties hereby agree as follows:

ARTICLE 1. DEFINITIONS

When used in this Agreement, a term with initial capitalization shall have the meaning set forth in this Article 1 or the recitals, or if not defined in this Article 1 or the recitals, shall have the meaning specified in the Article in which it is used or in the CAISO Tariff, Appendix A.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state, and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits, and other duly authorized actions of any Governmental Authority.

Applicable Reliability Council shall mean the Western Electricity Coordinating Council or its successor.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC and the Applicable Reliability Council, including requirements adopted pursuant to Section 215 of the Federal Power Act.

Breach shall mean the failure of a Party to perform or observe any material term or condition of this Agreement.

Breaching Party shall mean a Party that is in Breach of this Agreement.

CAISO's Operational Control as an Entitlement shall mean the lease rights of Citizens to the S-Line Upgrade Incremental Transfer Capability that will be turned over to CAISO's Operational Control as an Entitlement located outside of the CAISO Balancing Authority Area and, as such, CAISO's Operational Control is limited to Citizens, as the Participating TO, contracting with IID for: 1) CAISO to be allowed to schedule the delivery of capacity and energy over the Entitlement consistent with the CAISO Tariff; 2) IID to coordinate all planned outages of the Entitlement with CAISO; and 3) CAISO to receive notification from IID of any forced outages of the Entitlement, as soon as practical. The CAISO will list the Entitlement on its OASIS. Any requested generator interconnection to the S-Line will be studied by IID.

Confidential Information shall mean any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy, or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise, subject to Article 17.

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with Article 12 of this Agreement.

Effective Date shall mean the date on which this Agreement becomes effective as specified in Article 2.

Entitlement shall mean the lease rights of Citizens to the S-Line Upgrade Incremental Transfer Capability, as more fully described in Appendix A.

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a et seq.

Force Majeure shall mean any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, earthquake, explosion, order, regulation or restriction imposed by governmental, military, or lawfully established civilian authorities, or any other cause beyond the reasonable control of the Parties that could not have been avoided through the exercise of Good Utility Practice. A Force Majeure event does not include (1) acts of negligence or intentional wrongdoing by the Party claiming Force Majeure; (2) economic conditions that render a Party's performance of this Agreement unprofitable or otherwise uneconomic; (3) economic hardship of either Party; or (4) failure or delay in granting of necessary permits.

Governmental Authority shall mean any federal, state, local, or other governmental, regulatory, or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise

any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include Citizens, the CAISO, IID, or any Affiliate thereof.

Loss shall mean any and all damages, losses, and claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties.

Party or Parties shall mean the CAISO, Citizens, or the applicable combination of the above.

Reasonable Efforts shall mean, with respect to an action required to be attempted or taken by a Party under this Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.

Transmission Interconnection Facilities shall mean the IID's and SDG&E's interconnection facilities, including any modification, additions, or upgrades, that are necessary to physically and electrically reconnect the S-Line to the jointly-owned transmission facilities at Imperial Valley Substation, as illustrated by the one-line diagram attached as part of Appendix A, which reflects the S-Line and interconnection facilities.

ARTICLE 2. EFFECTIVE DATE, TERM, AND TERMINATION

- 2.1 Effective Date.** This Agreement shall become effective upon execution by all Parties, subject to acceptance by FERC. The CAISO shall promptly file this Agreement with FERC upon execution in accordance with Section 3.1.
- 2.2 Term of Agreement.** This Agreement shall remain in effect until termination consistent with Section 2.3.
- 2.3 Agreement Termination.**
- 2.3.1** Except for the obligations set forth in Sections 5.4, 8.3, 13.3, Appendix A and Appendix E, this Agreement shall terminate when the Entitlement has been turned over to the CAISO's Operational Control as an Entitlement.
- 2.3.2** This Agreement will terminate if and when the Citizens-IID Development Agreement terminates for any reason other than pursuant to Section 2.4.1 of the Citizens-IID Development Agreement. Should this Agreement terminate under this provision, Citizens will work in good faith to transfer financing responsibility for the Project to any alternative project sponsor identified by the CAISO and IID.
- 2.3.3** A Party may terminate this Agreement in accordance with Section 5.5 or Article 12.

2.3.4 The Parties shall comply with all Applicable Laws and Regulations applicable to a termination of this Agreement pursuant to Section 2.3. This Section 2.3.4 shall survive termination of this Agreement pursuant to Section 2.3 until, if applicable, FERC has accepted the notice of termination.

ARTICLE 3. REGULATORY FILINGS AND CAISO TARIFF COMPLIANCE

- 3.1 Filing.** The CAISO shall file this Agreement (and any amendment hereto) with the appropriate Governmental Authority, if required. Citizens may request that any information included in such filing be subject to the confidentiality provisions of Article 17 of this Agreement. If Citizens has executed this Agreement, or any amendment to this Agreement, Citizens shall reasonably cooperate with the CAISO with respect to such filing and to provide any information reasonably requested by the CAISO needed to comply with applicable regulatory requirements.
- 3.2 Agreement Subject to CAISO Tariff.** Citizens shall comply with all applicable provisions of the CAISO Tariff as a Participating TO.
- 3.3 Relationship Between this Agreement and the CAISO Tariff.** If and to the extent a provision of this Agreement is inconsistent with the CAISO Tariff and dictates rights and obligations between the CAISO and Citizens, the CAISO Tariff shall govern unless specifically provided otherwise in this Agreement.
- 3.4. Requirement to Become a Participating TO.** Citizens agrees that it will transfer its Entitlement to the S-Line Upgrade Incremental Transfer Capability upon receipt from IID. CAISO agrees that Citizens can forego the New Participating TO application process required by Section 4.3 of the CAISO Tariff and Article 2.2 of the Transmission Control Agreement. Citizens agrees that it shall enter into the Transmission Control Agreement in sufficient time for its execution to become effective upon receipt of the lease rights of the S-Line Upgrade Incremental Transfer Capability from IID, and acceptance of such lease rights by the CAISO, and that it has met or shall meet all other CAISO Tariff requirements to become a Participating TO in accordance with Section 4.3 of the CAISO Tariff, except the application process as discussed above.
- 3.5 Relationship Between this Agreement and the Transmission Control Agreement.** Once Citizens has entered into the Transmission Control Agreement, if and to the extent a matter specifically addressed in this Agreement is inconsistent with the Transmission Control Agreement, the terms of the Transmission Control Agreement shall govern; provided, however, that any amendment to the Transmission Control Agreement to add Citizens shall be substantially in the form of Appendix F to this Agreement and shall recognize that Citizens only has a lease right for the S-Line Upgrade Incremental Transfer Capability, and the Operational Control of the S-Line Upgrade Incremental

Transfer Capability is limited to the definition of CAISO's Operational Control as an Entitlement as set forth in this Agreement.

ARTICLE 4. CITIZENS' OBLIGATIONS

- 4.1 Transmission Facilities.** Citizens will contract with IID for IID or its contractor(s) to build and reconnect to the CAISO Controlled Grid at the Imperial Valley Substation the Project identified in Appendix A. Citizens will contract with IID to require that any changes required to Appendix A must be approved by the CAISO in advance pursuant to Section 5.6.
- 4.2 Citizens-IID Agreement.** IID will own the S-Line, in its entirety, IID will have exclusive operational control of the S-Line, the entire S-Line shall remain located within IID's Balancing Authority Area, and requests to interconnect to the S-Line shall be submitted to, and processed by, IID pursuant to the interconnection procedures in IID's Open Access Transmission Tariff. Citizens is executing an agreement with IID to provide, upon the execution of the S-Line Incremental Transfer Capability Lease (as defined in the Citizens-IID Development Agreement), for reimbursement for the capital costs of the Project identified in Appendix A ("Citizens-IID Development Agreement"). The Citizens-IID Development Agreement will provide that Citizens will obtain an Entitlement consistent with Section 4.5 below. In addition, the Citizens-IID Development Agreement will provide that funds to be provided to IID shall not exceed the aggregate costs that have been expended to develop, design, engineer, procure, construct, and install the Project described in Appendix A and will not exceed a maximum amount of \$40,000,000. Citizens has allowed the CAISO to review the Citizens-IID Development Agreement to ensure that the terms of this Agreement are met and that the Citizens-IID Development Agreement ensures that funds provided to IID shall not exceed the aggregate costs that have been expended for the purpose of constructing and installing the Project. CAISO acknowledges that the Citizens-IID Development Agreement satisfies the foregoing requirements.
- 4.3 S-Line Coordination.** Citizens will contract with IID to ensure IID coordinates with SDG&E to upgrade the S-Line interconnection at the Imperial Valley Substation pursuant to the joint ownership agreement between IID and SDG&E for the Imperial Valley Substation. SDG&E's share of the Imperial Valley Substation is part of the CAISO Controlled Grid. Any costs incurred by SDG&E to upgrade the S-Line interconnection at the Imperial Valley Substation shall be recovered through the transmission Access Charge pursuant to the CAISO Tariff. The CAISO will facilitate the coordination between Citizens and SDG&E and IID contemplated by this Agreement.
- 4.4 Performance Standards.** Each Party shall perform all of its obligations under this Agreement in accordance with Applicable Laws and Regulations, Applicable Reliability Standards, and Good Utility Practice. To the extent a Party is required to take or prevented from or limited in taking any action by such regulations and

standards, such Party shall not be deemed to be in Breach of this Agreement for its lack of compliance therewith, and if such Party is the CAISO, then the CAISO shall have the authority to amend this Agreement unilaterally to eliminate the conflict with such regulations or standards and shall submit the amendment to FERC for approval, if applicable, in each case in accordance with, and to the extent permitted, by Section 21.11.

- 4.5 Citizens' Entitlement.** Citizens' Entitlement to the S-Line shall be a lease that provides a scheduling right equal to the incremental transfer capability of the Project above the existing 350 MW that is created by and results specifically from the upgrade of the S-Line transmission line described in Appendix A. In addition, Citizens' Entitlement will equal 50% of the S-Line transmission line rating increase created by and specifically resulting from the transformer upgrades at El Centro if the upgrades are completed in the future, as identified in Appendix A. When the S-Line Incremental Transfer Capability Lease (as defined in the Citizens-IID Development Agreement) is effective and Citizens pays IID the pre-paid rent due to IID under that S-Line Incremental Transfer Capability Lease, all of Citizens' Entitlement shall be turned over to the CAISO's Operational Control as an Entitlement and such incremental transfer capacity shall be calculated consistently with Appendix A. Notwithstanding anything to the contrary, when such S-Line Incremental Transfer Capability Lease becomes effective, CAISO shall be deemed to have automatically accepted such Entitlement without any further action required by CAISO; provided, that FERC has conditionally accepted or approved the amendment to the Transmission Control Agreement that adds Citizens as a Participating TO. While not part of Citizens' Entitlement, for reference, a description of the transformer upgrades at El Centro Switching Station is also included within Appendix A.

ARTICLE 5. FACILITIES ENGINEERING, PROCUREMENT, AND CONSTRUCTION

- 5.1 General.** The Citizens-IID Development Agreement will require IID or its contractor(s) to design, procure, construct, own, and install the Project, as set forth in Appendix A. The Citizens-IID Development Agreement will require changes to the Project design or equipment described in this Agreement to be approved by the CAISO in accordance with Section 5.6 of this Agreement. Unless otherwise agreed by the Parties, Citizens will contract with IID for IID or its contractor(s) to provide the testing date and the energization date for the Project, and estimates of such dates are set forth in Appendix B (Milestones).
- 5.2 Information Exchange.** Citizens will contract with IID for IID or its contractor(s) to provide information to the CAISO as soon as reasonably practicable after the Effective Date regarding the design and consistency of the Project with Appendix A and to work diligently and in good faith to make any necessary design changes to the Project, subject to approval by the CAISO in accordance with Section 5.6. The Parties shall amend the description of the Project set forth in Appendix A to reflect any agreed design changes to the Project. Either Party may request a

face-to-face meeting with the other Party on matters relevant to implementation of this agreement which request the other Party will accommodate.

5.3 Initial Construction Plan and Reporting Requirements. Citizens will contract with IID for IID or its contractor(s) to keep the CAISO advised monthly as to the progress of the financing, procurement, and construction efforts with respect to the Project, via email or verbal discussion as agreed upon by IID and the CAISO, and in accordance with the timeframes specified herein.

5.3.1 Citizens will contract with IID for IID or its contractor(s) to provide the CAISO with the initial construction plan for the Project within one hundred twenty (120) calendar days after the effective date of this Agreement. Citizens will contract with IID to require that the plan include: land acquisition and permits requirements, status, and schedule; materials procurement requirements, status, and schedule; and Project contact information; and the format of the plan shall be in accordance with the format provided in the Business Practice Manual for the Transmission Planning Process. Within thirty (30) calendar days after receipt of the initial construction plan, the CAISO will provide Citizens and IID notice as to whether the initial construction plan is consistent with the Project details set forth in Appendix A.

5.3.2 Citizens will contract with IID for IID or its contractor(s) to provide the CAISO with a construction plan status report every ninety (90) calendar days after the initial construction plan is received until the Project is energized and the incremental transfer capacity is transferred to the CAISO's Operational Control as an Entitlement. Citizens will contract with IID to require that the status report include the Project schedule; permit and license status, including environmental, state, and local permits and licenses; right-of-way acquisition status; land acquisition status; design and engineering status; events that might affect the ability to meet design specifications; status of contracts for project work, including land, procurement, and staffing; construction status; testing status; risks and obstacles to project completion; and Project budget status, including actuals, estimate to complete, and contingency. Citizens will contract with IID to require that the format for the report be in accordance with the Business Practice Manual for the Transmission Planning Process. Within thirty (30) calendar days after receipt of each status report, the CAISO will provide Citizens and IID notice as to whether the Project status as reported is consistent with the Project details set forth in Appendix A. Within thirty (30) calendar days of receipt of what IID designates as the last status report prior to start-up, testing, and energization, the CAISO will provide Citizens and IID notice as to whether the Project satisfies the Project specifications set forth in Appendix A ("Satisfaction Notice").

5.3.3 Citizens will provide the CAISO financing status and schedule as that information is known and as the information changes.

5.4 Final Project Design.

5.4.1 Citizens will contract with IID to require that the Project be designed and constructed in accordance with the specification of Appendix A and Good Utility Practice. Citizens will contract with IID for IID or its contractor(s) to deliver to the CAISO drawings, information, and documents for the Project. Citizens will contract with IID to require that this information include, as applicable: (i) a one-line diagram; (ii) a site plan drawing showing the Project, including plan and elevation drawings showing the layout of the Transmission Interconnection Facilities; (iii) a relay functional diagram, relaying AC and DC schematic wiring diagrams, and relay settings for all facilities associated with the Project; and (iv) the impedances, determined by factory tests, for the associated transformers. Within thirty (30) calendar days after receipt of such information, the CAISO will provide Citizens and IID notice as to whether the information is consistent with the Project details set forth in Appendix A and Good Utility Practice. Citizens shall contract with IID for IID or its contractor(s) to provide SDG&E and the CAISO specifications for the protection settings, transformer tap settings, and communications, if applicable. SDG&E and the CAISO shall assess any deviations from the relay settings, machine specifications, and other specifications originally submitted by IID pursuant to the appropriate provisions of the Citizens-IID Development Agreement. Within thirty (30) calendar days after receipt of such specifications, the CAISO will provide Citizens and IID notice as to whether the specifications are consistent with the provisions of this Agreement and the Citizens-IID Development Agreement.

5.4.2 Citizens will contract with IID for IID or its contractor(s) to provide as soon as reasonably practicable, but within twelve months after Project construction completion, a summary of the final costs for the Project, which summary shall set forth sufficient detail to enable the CAISO to understand the Project costs, including a written explanation for the administrative and general costs associated with the Project.

5.5 Delay in Approvals, Property Acquisition, or Construction. If the timeline set forth in Appendix B is unreasonably delayed, the CAISO shall consult with Citizens. After such consultation should the CAISO determine that, for reasons other than a delay caused by SDG&E construction of the Project is unable to proceed the CAISO shall take such action, including termination of this Agreement, as it determines to be necessary and appropriate, and shall work in good faith with Citizens to transfer financing responsibility for the Project to an alternative project sponsor that is acceptable to IID. If either Party determines that an alternative project sponsor should be selected, Citizens will contract with IID to work in good faith with Citizens, the CAISO, and the alternative project

sponsor, to transfer financing responsibility for the Project to the alternative project sponsor that is acceptable to IID.

5.6 Modification.

5.6.1 Citizens will contract with IID to ensure that IID or its contractor(s) provides the CAISO with advance notification of modifications to the facilities described in Appendix A and subject to the provisions of this Agreement. Citizens will contract with IID to require that if IID plans to undertake a modification to the facilities described in Appendix A, IID shall provide such information regarding such modification to the CAISO as the CAISO deems necessary to evaluate the potential impact of such modification prior to commencement of the work, such information to include information concerning the timing of such modification, any technical information, and cost impact. Citizens will contract with IID for IID or its contractor(s) to provide to the CAISO the relevant drawings, plans, and specifications at least ninety (90) calendar days in advance of the commencement of the work or within such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld, conditioned, or delayed. The CAISO shall determine if a modification is in accordance with the original Project's criteria in Appendix A and intent and whether to approve the modification within thirty (30) calendar days after IID's submission, which approval shall not unreasonably be withheld, conditioned, or delayed. If IID deems the modifications necessary for reliability or operational capability of the Project, the CAISO shall not unreasonably withhold, condition, or delay its agreement to the modification.

5.6.2 Citizens will contract with IID to require that any additions, modifications, or replacements made to the Project facilities shall be designed, constructed, and operated in accordance with this Agreement, Applicable Laws and Regulations, and Good Utility Practice.

5.6.3 Notwithstanding the foregoing, any modifications to the Project's facilities ordered by a siting agency other than IID are not subject to CAISO approval. However, Citizens shall contract with IID for IID or its contractor(s) to notify the CAISO within thirty (30) calendar days after the siting agency has issued an order directing Project modifications.

ARTICLE 6. COMMUNICATIONS

6.1 Citizens Obligations. Citizens shall contract with IID for IID or its contractor(s) to maintain satisfactory operating communications with the CAISO in accordance with the provisions of the CAISO Tariff and with the SDG&E's dispatcher or such other representative designated by SDG&E during synchronization, testing, and energization of the Project. Citizens shall contract with IID for IID or its contractor(s) to provide standard voice line, dedicated voice line, and facsimile

communications at IID's control room or central dispatch facility through use of either the public telephone system or a voice communications system that does not rely on the public telephone system. Citizens shall also contract with IID for IID or its contractor(s) to provide the dedicated data circuits necessary to provide relevant data to the CAISO and SDG&E as set forth in Appendix C, Security Arrangements Details. Citizens shall contract with IID to require that the data circuits extend from the Project to the locations specified by the CAISO and SDG&E. Citizens shall contract with IID for IID or its contractor(s) to perform any required maintenance of such communications equipment in accordance with Applicable Reliability Standards. Citizens shall contract with IID to provide that operational communications shall be activated and maintained under, but not be limited to, the following events: system paralleling or separation, scheduled and unscheduled shutdowns, and equipment clearances.

ARTICLE 7. OPERATIONS

- 7.1 General.** CAISO will comply with Applicable Reliability Standards and the Applicable Reliability Council operating requirements. Citizens will contract with IID to require IID to comply with Applicable Reliability Standards and the Applicable Reliability Council operating requirements. CAISO shall provide to IID, and Citizens will contract with IID to require IID to provide to CAISO all information that may reasonably be required by IID and CAISO, respectively, to comply with Applicable Laws and Regulations and Applicable Reliability Standards.
- 7.2 Citizens' Obligations.** Citizens shall contract with IID for IID or its contractor(s) to, prior to energizing the Project, operate and control its transmission system in a safe and reliable manner during testing and synchronization and before Citizens turns the S-Line Upgrade Incremental Transfer Capability over to the CAISO's Operational Control as an Entitlement. During testing and synchronization, the CAISO may provide operating instructions to IID on Citizens' behalf that are mutually agreed upon with IID and consistent with this Agreement and the IID's and CAISO's Adjacent Balancing Authority Operating Agreement, operating protocols and procedures as they may change by mutual agreement between the CAISO and IID from time to time. Citizens will contract with IID for IID to consider with the CAISO, and CAISO shall consider with IID, changes to their Adjacent Balancing Authority Operating Agreement, operating protocols and procedures proposed by CAISO or Citizens at the direction of IID, respectively.
- 7.3 Start-Up and Synchronization.** Citizens will contract with IID for IID or its contractor(s) to establish agreed upon procedures with the CAISO for start-up, testing, and energization of the Project to the CAISO Controlled Grid prior to start-up of the Project. Citizens shall contract with IID for IID to be responsible for proper start-up and energization of the Project in compliance with procedures to be established.

ARTICLE 8. COST RECOVERY, BILLING, AND PAYMENT

- 8.1 Transmission Revenue Requirement.** Citizens may apply to FERC for a Transmission Revenue Requirement for transmission facilities (including for abandonment cost recovery) not yet in operation, but approved under the transmission planning provisions of the CAISO Tariff, that will be Regional Transmission Facilities or Local Transmission Facilities when the S-Line Upgrade Incremental Transfer Capability is placed under the CAISO's Operational Control as an Entitlement. If FERC approves such Transmission Revenue Requirement, the CAISO shall incorporate the FERC authorized Transmission Revenue Requirement into the Regional Access Charge or Local Access Charge in accordance with the CAISO Tariff. Citizens shall be deemed an Approved Project Sponsor for the purposes of CAISO Tariff Section 24 and 26. Citizens acknowledges and agrees with the costs, set forth in Appendix E.
- 8.2 Application of CAISO Tariff.** The CAISO and Citizens shall comply with the billing and payment provisions set forth in the CAISO Tariff.
- 8.3 Refund Obligation.** Citizens, whether or not it is subject to FERC rate jurisdiction under Section 205 and Section 206 of the Federal Power Act, shall make all refunds, adjustments to its Transmission Revenue Requirement, and adjustments to its Transmission Owner Tariff, and do all other things required to implement any FERC order related to the CAISO Tariff, including any FERC order implementation of which necessitates the CAISO making payment adjustments or paying refunds to, or receiving prior period overpayments from, Citizens. All such refunds and adjustments shall be made, and all other actions taken, in accordance with the CAISO Tariff, unless the applicable FERC order requires otherwise. [These obligations under this Section 8.3 shall survive termination of this Agreement.]

ARTICLE 9. REGULATORY REQUIREMENTS AND GOVERNING LAWS

- 9.1 Regulatory Requirements.** Each Party's obligations under this Agreement shall be subject to its receipt of any required approval or certificate from one or more Governmental Authorities in the form and substance satisfactory to the applying Party, or the Party making any required filings with, and compliance with the prior notice requirements of such Governmental Authorities. Each Party shall in good faith seek and use its Reasonable Efforts to obtain such other approvals. Nothing in this Agreement shall require Citizens to take any action that could result in its inability to obtain, or its loss of, status or exemption under the Federal Power Act or the Public Utility Holding Company Act of 1935, as amended, or the Public Utility Regulatory Policies Act of 1978, or the Energy Policy Act of 2005.

9.2 Governing Law.

9.2.1 The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the state of California, without regard to its conflicts of law principles.

9.2.2 This Agreement is subject to all Applicable Laws and Regulations.

9.2.3 Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, rules, or regulations of a Governmental Authority.

ARTICLE 10. NOTICES

10.1 General. Unless otherwise provided in this Agreement, any notice, demand, or request required or permitted to be given by a Party to another and any instrument required or permitted to be tendered or delivered by a Party in writing to another shall be effective when delivered and may be so given, tendered, or delivered by (i) recognized national courier, (ii) depositing the same with the United States Postal Service with postage prepaid for delivery by certified or registered mail, addressed to the Party, or (iii) personal delivery to the Party, at the address set out in Appendix D, Addresses for Delivery of Notices and Billings.

A Party must update the information in Appendix D as information changes. A Party may change the notice information in this Agreement by giving five Business Days written notice prior to the effective date of the change. Such changes shall not constitute an amendment to this Agreement.

10.2 Alternative Forms of Notice. Any notice or request required or permitted to be given by a Party to another and not required by this Agreement to be given in writing may be given by telephone, facsimile, or e-mail to the telephone numbers and e-mail addresses set out in Appendix D.

10.3 Operations Notice. The CAISO shall notify IID in writing of the identity of the person that the CAISO designates as the point of contact with respect to the implementation of Article 7, and Citizens shall contract with IID to require IID to provide the identity of the person that IID designates as the point of contact with respect to the implementation of Article 7.

10.4 Notice of Regulatory Filings. Citizens will provide to the CAISO, Participating TOs (as listed on Appendix F to the Transmission Control Agreement on the CAISO website), and Approved Project Sponsors (as listed on the CAISO website), a copy of all initial filings it submits in a FERC docket that affects the rates (including Transmission Revenue Requirement), terms, or conditions of service for the S-Line Upgrade Incremental Transfer Capability. Citizens will provide such copy either via email or first-class U.S. mail on the same day it

makes the filing with FERC; provided that if the copy is sent via U.S. mail, the requirement will be satisfied if Citizens places the copy in the mail on the date of filing.

ARTICLE 11. FORCE MAJEURE

11.1 Force Majeure.

11.1.1 No Party shall be considered to be in Default with respect to any obligation hereunder if prevented from fulfilling such obligation by Force Majeure. A Party unable to fulfill any obligation by reason of Force Majeure shall give notice and the full particulars of such Force Majeure to the other Party in writing or by telephone as soon as reasonably possible after the occurrence of the cause relied upon. Telephone notices given pursuant to this Section shall be confirmed in writing as soon as reasonably possible and shall specifically state full particulars of the Force Majeure, the time and date when the Force Majeure occurred, and when the Force Majeure is reasonably expected to cease. The Party affected shall exercise due diligence to remove such disability with reasonable dispatch, but shall not be required to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or other labor disturbance.

11.1.2 If required, the Parties shall revise this Agreement, including Appendix B and Appendix E, following a Force Majeure event.

ARTICLE 12. DEFAULT

12.1. General. No Default shall exist where failure to discharge an obligation, other than the payment of money, is the result of Force Majeure as defined in this Agreement or the result of an act or omission of the other Party. Upon a Breach, the affected non-Breaching Party shall give written notice of such Breach to the Breaching Party. The Breaching Party shall have forty-five (45) calendar days from receipt of the Default notice within which to cure such Breach; provided however, if such Breach is not capable of cure within forty-five (45) calendar days, the Breaching Party shall commence such cure within forty-five (45) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default notice; and, if cured within such time, the Breach specified in such notice shall cease to exist.

12.2 Right to Terminate. If a Breach is not cured as provided in this Article, or if a Breach is not capable of being cured within the period provided for herein, the affected non-Breaching Party shall have the right to declare a Default and terminate this Agreement by written notice at any time until cure occurs and be relieved of any further obligation hereunder and, whether or not such Party terminates this Agreement, to recover from the Breaching Party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or in

equity. The provisions of this Article shall survive termination of this Agreement pursuant to this Article.

12.3 Notice to Financing Parties. If, as contemplated by Section 14.1, Citizens has provided notice to the CAISO of an assignment of this Agreement for collateral security purposes to aid in providing financing for the S-Line Upgrade Incremental Transfer Capability, then (a) if such notice of collateral assignment so indicates and contains notice information for the collateral assignee, the CAISO shall provide a copy to collateral assignee identified in such notice of any notice of Breach given by the CAISO to Citizens and (b) such collateral assignee shall have the right, but no obligation, to effect cure of the Breach on behalf of Citizens, and any performance of any obligations under this Agreement by such collateral assignee shall be accepted by the CAISO to the same extent as though Citizens had directly performed such obligations.

12.4 Notice to IID. If a Default notice is issued by either Party to this Agreement, such Party shall simultaneously with the delivery of such notice provide notice to IID as specified in Appendix D.

ARTICLE 13. INDEMNITY, CONSEQUENTIAL DAMAGES AND INSURANCE

13.1 Indemnity. Each Party (the “Indemnifying Party”) shall at all times indemnify, defend, and hold the other Party (the “Indemnified Party”) harmless from any and all Losses arising out of or resulting from the Indemnifying Party's action or inactions of its obligations under this Agreement, except in cases of negligence or intentional wrongdoing by the Indemnified Party.

13.1.1 Indemnified Party. If the Indemnified Party is entitled to indemnification under this Article 13 as a result of a claim by a third party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed under Section 13.1 to assume the defense of such claim, such Indemnified Party may at the expense of the Indemnifying Party contest, settle, or consent to the entry of any judgment with respect to, or pay in full, such claim.

13.1.2 Indemnifying Party. If the Indemnifying Party is obligated to indemnify and hold the Indemnified Party harmless under this Article 13, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party's actual Loss, net of any insurance or other recovery.

13.1.3 Indemnity Procedures. Promptly after receipt by the Indemnified Party of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Section 13.1 may apply, the Indemnified Party shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the Indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the defendants in any such action include the Indemnified Party and the Indemnifying Party and if the Indemnified Party reasonably concludes that there may be legal defenses available to it that are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel, to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent an Indemnified Party having such differing or additional legal defenses.

The Indemnified Party shall be entitled, at its expense, to participate in any such action, suit, or proceeding, the defense of which has been assumed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit, or proceedings if and to the extent that, in the opinion of the Indemnified Party and its counsel, such action, suit, or proceeding involves the potential imposition of criminal liability on the Indemnified Party, or there exists a conflict or adversity of interest between the Indemnified Party and the Indemnifying Party, in which event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Party, and (ii) shall not settle or consent to the entry of any judgment in any action, suit, or proceeding without the consent of the Indemnified Party, which shall not be unreasonably withheld, conditioned, or delayed.

13.2 Consequential Damages. In no event shall any Party be liable under any provision of this Agreement for any losses, damages, costs, or expenses for any special, indirect, incidental, consequential, or punitive damages, including loss of profit or revenue, loss of the use of equipment, cost of capital, or cost of temporary equipment or services, whether based in whole or in part in contract or in tort, including negligence, strict liability, or any other theory of liability; provided, however, that damages for which a Party may be liable to another Party under another agreement shall not be considered to be special, indirect, incidental, or consequential damages hereunder.

13.3 Continuity of Obligations. The obligations and liability limitations under this Article 13 shall survive termination of the Agreement.

ARTICLE 14. ASSIGNMENT

14.1 Assignment. With the exception of assignment for collateral security purposes in accordance with this Section and Section 12.3, this Agreement may be assigned by a Party only with the written consent of IID and the other Party,

which consent shall not be unreasonably withheld. The CAISO will not approve the assignment unless the assignee (i) agrees to honor the cost caps specified in Appendix E; and (ii) assumes the rights and obligations contained in this Agreement; provided, however, that Citizens shall have the right to assign this Agreement, without the consent of the CAISO or IID, for collateral security purposes to aid in providing financing for the S-Line Upgrade Incremental Transfer Capability, provided that Citizens shall promptly notify the CAISO and IID of any such assignment, including identification of the assignee and contact information. Any financing arrangement entered into by Citizens pursuant to this Article shall provide that prior to or upon the exercise of the secured party's, trustee's, or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee, or mortgagee shall notify the CAISO and IID of the date and particulars of any such exercise of assignment rights. Any attempted assignment that violates this Article is void and ineffective. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof.

ARTICLE 15. SEVERABILITY

- 15.1 Severability.** If any provision in this Agreement is finally determined to be invalid, void, or unenforceable by any court or other Governmental Authority having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement, or covenant of this Agreement.

ARTICLE 16. COMPARABILITY

- 16.1 Comparability.** The Parties shall comply with all applicable comparability and code of conduct laws, rules, and regulations, as amended from time to time.

ARTICLE 17. CONFIDENTIALITY

- 17.1 Confidentiality.** Confidential Information shall include all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by a Party to the other Party prior to the execution of this Agreement.

Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document, or, if the information is conveyed orally or by inspection, if the Party providing the information orally informs the Party receiving the information that the information is confidential.

If requested by a Party, the other Party shall provide in writing the basis for asserting that the information referred to in this Article warrants confidential treatment, and the requesting Party may disclose such writing to the appropriate Governmental Authority. Each Party shall be responsible for the costs associated with affording confidential treatment to its information.

17.1.1 Term. During the term of this Agreement, and for a period of three (3) years after the expiration or termination of this Agreement, except as otherwise provided in this Article, each Party shall hold in confidence and shall not disclose Confidential Information to any person.

17.1.2 Scope. Confidential Information shall not include information that the receiving Party can demonstrate: (1) is generally available to the public other than as a result of a disclosure by the receiving Party; (2) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (3) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party after due inquiry, was under no obligation to the disclosing Party to keep such information confidential; (4) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; (5) is, or becomes, publicly known through no wrongful act or omission of the receiving Party or Breach of this Agreement; or (6) is required, in accordance with Section 17.1.7 of this Agreement, Order of Disclosure, to be disclosed by any Governmental Authority or is otherwise required to be disclosed by law or subpoena, or is necessary in any legal proceeding establishing rights and obligations under this Agreement. Information designated as Confidential Information shall no longer be deemed confidential if the Party that designated the information as confidential notifies the other Party that it no longer is confidential.

17.1.3 Release of Confidential Information. No Party shall release or disclose Confidential Information to any other person, except to its employees, consultants, Affiliates (limited by the Standards of Conduct requirements set forth in Part 358 of FERC's regulations, 18 C.F.R. Section 358), and subcontractors, or to parties who may be or considering providing financing to or equity participation with the Citizens, or to potential purchasers or assignees of the Citizens, on a need-to-know basis in connection with this Agreement, unless such person has first been advised of the confidentiality provisions of this Article and has agreed to comply with such provisions. Disclosure of Confidential Information to IID for purposes of facilitating the obligations contained within this Agreement shall be permitted. Notwithstanding the foregoing, a Party providing Confidential Information to any person shall remain primarily responsible for any release of Confidential Information in contravention of this Article.

17.1.4 Rights. Each Party retains all rights, title, and interest in the Confidential Information that each Party discloses to the other Party. The disclosure by each Party to the other Party of Confidential Information shall not be deemed a waiver by a Party or any other person or entity of the right to protect the Confidential Information from public disclosure.

- 17.1.5 No Warranties.** The mere fact that a Party has provided Confidential Information does not constitute a warranty or representation as to its accuracy or completeness. In addition, by supplying Confidential Information, no Party obligates itself to provide any particular information or Confidential Information to the other Party or to enter into any further agreements or proceed with any other relationship or joint venture.
- 17.1.6 Standard of Care.** Each Party shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication, or dissemination. Each Party may use Confidential Information solely to fulfill its obligations to the other Party under this Agreement or its regulatory requirements.
- 17.1.7 Order of Disclosure.** If a court or another Governmental Authority or entity with the right, power, and apparent authority to do so requests or requires any Party, by subpoena, oral deposition, interrogatories, requests for production of documents, administrative order, or otherwise, to disclose Confidential Information, that Party shall provide the other Party with prompt notice of such request or requirement so that the other Party may seek an appropriate protective order or waive compliance with the terms of this Agreement. Notwithstanding the absence of a protective order or waiver, the Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. Each Party shall use Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.
- 17.1.8 Termination of Agreement.** Upon termination of this Agreement for any reason, each Party shall, within ten (10) calendar days after receipt of a written request from the other Party, use Reasonable Efforts to destroy, erase, or delete, with such destruction, erasure, and deletion certified in writing to the other Party, or return to the other Party, without retaining copies thereof, any and all written or electronic Confidential Information received from the other Party, unless subject to retention for litigation or regulatory purposes or in connection with provisions of this Agreement that survive its termination.
- 17.1.9 Remedies.** The Parties agree that monetary damages would be inadequate to compensate a Party for another Party's Breach of its obligations under this Article. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the first Party Breaches or threatens to Breach its obligations under this Article, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law. Such remedy shall not be

deemed an exclusive remedy for the Breach of this Article, but shall be in addition to all other remedies available at law or in equity. The Parties further acknowledge and agree that the covenants contained herein are necessary for the protection of legitimate business interests and are reasonable in scope. No Party, however, shall be liable for indirect, incidental, or consequential or punitive damages of any nature or kind resulting from or arising in connection with this Article.

17.1.10 Disclosure to FERC, its Staff, or a State. Notwithstanding anything in this Article to the contrary, and pursuant to 18 C.F.R. Section 1b.20, if FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this Agreement, the Party shall provide the requested information to FERC or its staff, within the time provided for in the request for information. In providing the information to FERC or its staff, the Party must, consistent with 18 C.F.R. Section 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. A Party is prohibited from notifying the other Party prior to the release of the Confidential Information to FERC or its staff. The Party shall notify the other Party when it is notified by FERC or its staff that a request to release Confidential Information has been received by FERC, at which time any of the Parties may respond before such information would be made public, pursuant to 18 C.F.R. Section 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.

17.1.11 Subject to the Exception in Section 17.1.10. Subject to the exception in Section 17.1.10 and consistent with the provisions of Sections 17.1.3 and 17.1.7, Confidential Information shall not be disclosed by a Party to any person not employed or retained by that Party (other than persons to whom Section 17.1.3 permits disclosure of Confidential Information), except to the extent disclosure is (i) required by law; (ii) reasonably deemed by the disclosing Party to be required to be disclosed in connection with a dispute between the Parties, or the defense of litigation or dispute; (iii) otherwise permitted by consent of the other Party, such consent not to be unreasonably withheld; or (iv) necessary to fulfill its obligations under this Agreement or as a transmission service provider or a Balancing Authority including disclosing the Confidential Information to a regional or national reliability organization. Disclosure of Confidential Information to IID for purposes of facilitating the obligations contained within this Agreement shall be permitted. The Party asserting confidentiality shall notify the other Party in writing of the information it claims is confidential. Prior to any disclosures of another Party's Confidential Information under this subparagraph, or if any third party or

Governmental Authority makes any request or demand for any of the information described in this Section 17.1.11, the disclosing Party shall promptly notify the other Party in writing and shall assert confidentiality and cooperate with the other Party in seeking to protect the Confidential Information from public disclosure by confidentiality agreement, protective order, or other reasonable measures.

ARTICLE 18. INFORMATION ACCESS AND AUDIT RIGHTS

- 18.1 Information Access.** Upon the request of the other Party, each Party (the “disclosing Party”) shall make available to the other Party information that is in the possession of the disclosing Party and is necessary in order for the other Party to (i) verify the costs incurred by the disclosing Party for which the other Party is responsible under this Agreement; and (ii) carry out its obligations and responsibilities under this Agreement. The Parties shall not use such information for purposes other than those set forth in this Section 18.1 and to enforce their rights under this Agreement. Nothing in this Article shall obligate the CAISO to make available to a Party any third party information in its possession or control if making such third party information available would violate a CAISO Tariff restriction on the use or disclosure of such third party information.
- 18.2 Reporting of Non-Force Majeure Events.** Each Party (the “notifying Party”) shall notify the other Party when the notifying Party becomes aware of its inability to comply with the provisions of this Agreement for a reason other than a Force Majeure event. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including the date, duration, reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply. Notwithstanding the foregoing, notification, cooperation, or information provided under this Section shall not entitle the Party receiving such notification to allege a cause for anticipatory breach of this Agreement.

ARTICLE 19. DISPUTES

- 19 General.** All disputes arising out of or in connection with this Agreement whereby relief is sought by or from the CAISO shall be settled in accordance with the provisions of Section 13 of the CAISO Tariff, except that references to the CAISO Tariff in such Section 13 of the CAISO Tariff shall be read as references to this Agreement.

ARTICLE 20. REPRESENTATIONS, WARRANTIES, AND COVENANTS

- 20.1 General.** Each Party makes the following representations, warranties, and covenants:
- 20.1.1 Good Standing.** Such Party is duly organized, validly existing, and in good standing under the laws of the state in which it is organized,

formed, or incorporated, as applicable; that it is qualified to do business in the state or states in which the Project is located; and that it has the power and authority to own its entitlement rights to the S-Line Upgrade Incremental Transfer Capability, to carry on its business as now being conducted, and to enter into this Agreement and carry out the transactions contemplated hereby and perform and carry out all covenants and obligations on its part to be performed under and pursuant to this Agreement.

- 20.1.2 Authority.** Such Party has the right, power, and authority to enter into this Agreement, to become a Party hereto, and to perform its obligations hereunder. This Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, or other similar laws affecting creditors' rights generally and by general equitable principles, regardless of whether enforceability is sought in a proceeding in equity or at law.
- 20.1.3 No Conflict.** The execution, delivery, and performance of this Agreement do not violate or conflict with the organizational or formation documents, or bylaws or operating agreement, of such Party, or any judgment, license, permit, order, material agreement, or instrument applicable to or binding upon such Party or any of its assets.
- 20.1.4 Consent and Approval.** Such Party has sought or obtained, or, in accordance with this Agreement, will seek or obtain, each consent, approval, authorization, order, or acceptance by any Governmental Authority in connection with the execution, delivery, and performance of this Agreement, and it will provide to any Governmental Authority notice of any actions under this Agreement that are required by Applicable Laws and Regulations.

ARTICLE 21. MISCELLANEOUS

- 21.1 Binding Effect.** This Agreement and the rights and obligations hereof shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties hereto.
- 21.2 Conflicts.** In the event of a conflict between the body of this Agreement and any attachment, appendices, or exhibits hereto, the terms and provisions of the body of this Agreement shall prevail and be deemed the final intent of the Parties.
- 21.3 Rules of Interpretation.** This Agreement, unless a clear contrary intention appears, shall be construed and interpreted as follows: (1) the singular number includes the plural number and vice versa; (2) reference to any person includes

such person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (3) reference to any agreement, including this Agreement, document, instrument, or tariff means such agreement, document, instrument, or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (4) reference to any Applicable Laws and Regulations means such Applicable Laws and Regulations as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder; (5) unless expressly stated otherwise, reference to any Article, Section, or Appendix means such Article or Section of this Agreement or such Appendix to this Agreement, or such Section of the CAISO Tariff or such Appendix to the CAISO Tariff, as the case may be; (6) "hereunder", "hereof", "herein", "hereto" and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section, or other provision hereof or thereof; (7) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and (8) relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including".

- 21.4 Entire Agreement.** This Agreement, including all Appendices and Schedules attached hereto, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this Agreement. There are no other agreements, representations, warranties, or covenants which constitute any part of the consideration for, or any condition to, any Party's compliance with its obligations under this Agreement.
- 21.5 No Third Party Beneficiaries.** This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest, and, where permitted, their assigns.
- 21.6 Waiver.** The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement shall not be considered a waiver of any obligation, right, or duty of, or imposed upon, such Party.

Any waiver at any time by either Party of its rights with respect to this Agreement shall not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, or duty of this Agreement. Termination or Default of this Agreement for any reason by Citizens shall not constitute a waiver of Citizens' legal rights to obtain an interconnection from the

CAISO. Any waiver of any provision of this Agreement shall, if requested, be provided in writing.

- 21.7 Headings.** The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this Agreement.
- 21.8 Multiple Counterparts.** This Agreement may be executed in two or more counterparts, each of which is deemed an original but all of which constitute one and the same instrument.
- 21.9 Amendment.** The Parties may by mutual agreement amend this Agreement by a written instrument duly executed by all of the Parties. Such amendment shall become effective and a part of this Agreement upon satisfaction of all Applicable Laws and Regulations.
- 21.10 Modification by the Parties.** Except as described in Appendix B, the Parties may by mutual agreement amend the Appendices to this Agreement by a written instrument duly executed by all of the Parties, provided, however, if such amendment would impact the rights and obligations of IID, including but not limited to provisions that require Citizens to contract with IID for certain rights and obligations, the Parties shall provide IID with reasonable notice of such modifications prior to execution of such amendments. Such amendment shall become effective and a part of this Agreement upon satisfaction of all Applicable Laws and Regulations.
- 21.11 Reservation of Rights.** The CAISO has the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder with respect to any rates, terms and conditions, charges, classifications of service, rule, or regulation. Citizens shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 206 or any other applicable provision of the Federal Power Act and FERC's rules and regulations. Each Party shall have the right to protest any such filing by another Party and to participate fully in any proceeding before FERC in which such modifications may be considered.
- 21.12 No Partnership.** This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon any Party. 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.

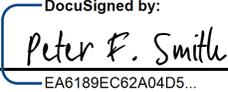
21.13 Joint and Several Obligations. Except as otherwise provided in this Agreement, the obligations of the CAISO and Citizens are several, and are neither joint nor joint and several.

21.14 Financing Estoppel or Consent. In connection with any financing or refinancing obtained by Citizens of amounts paid or to be paid under the S-Line Incremental Transfer Capability Lease, CAISO shall provide any estoppel or consent with respect to this Agreement that is reasonably requested by the financing parties providing such financing or refinancing.



IN WITNESS WHEREOF, the Parties have executed this Agreement in multiple originals, each of which shall constitute and be an original effective agreement between the Parties.

Citizens S-Line Transmission LLC

By:  _____
EA6189EC62A04D5...
 Name: Peter F. Smith _____

Title: CEO _____

Date: 10/22/2020 _____

California Independent System Operator Corporation

By:  _____
9236FA183EA64FB...
 Name: Neil Millar _____

Title: Vice President TP&ID _____

Date: 10/23/2020 _____

Appendices to Agreement

Appendix A Project Details

Appendix B Milestones

Appendix C Security Arrangements Details

Appendix D Addresses for Delivery of Notices and Billings

Appendix E Citizens' Costs of Project

Appendix F Transmission Control Agreement Language Draft

Appendix A

Project Details

1. Description

In the 2017-2018 Transmission Plan, the CAISO identified an economically-driven need for an upgrade to IID's existing S-Line to mitigate thermal constraints. The S-Line in its current configuration is an 18.1 mile, 230 kV single circuit wood pole transmission line running from the IID-owned El Centro Switching Station to the jointly owned SDG&E and IID Imperial Valley substation.

The Project consists of an upgrade to the 230 kV S-Line single circuit to a steel tower construction with a thermal rating sufficiently high enough to not limit the increased capability provided from upgrading the El Centro transformer. The current best estimate of such thermal rating by the CAISO is 700 MVA (4 hour) / 850 MVA (30 minutes).

The new circuit will utilize existing terminations at El Centro and Imperial Valley.

Citizens will reimburse the capital costs for the Project up to a maximum amount of \$40 million pursuant to a lease agreement between IID and Citizens (S-Line Incremental Transfer Capability Lease), and such costs will be recovered through the CAISO Regional Transmission Access Charge. The funding of the capital costs for the S-Line upgrades that are above \$40 million, if any, will be the responsibility of IID to fund.

Citizens will not be responsible for, and will not reimburse IID for future operations and maintenance costs associated with the Project.

2. Entitlement to Incremental Transfer Capability

The Project consists of the CAISO, through a participating transmission owner, funding the capital costs of the Project up to a maximum amount of \$40 million, as described above in return for a lease of the incremental transfer capability created by the upgrade for a period of 40 years commencing on the date the Project is placed under CAISO's Operational Control as an Entitlement. The Entitlement transfer is contingent upon Citizens and IID executing the S-Line Incremental Transfer Capability Lease and Citizens making payment to IID.

The incremental capability on the S-Line that will result from completion of the Project will be a CAISO transmission Entitlement. IID will own and maintain operational control of the S-Line facility before and after the upgrade. For the purposes of calculating the S-Line Upgrade Incremental Transfer Capability, the current total transfer capability of the S-Line is 350 MW North to South and 350 MW South to North. The Entitlement will be reflected in the S-Line Incremental Transfer Capability Lease.

Neither the Project nor the CAISO's Entitlement to the S-Line Upgrade Incremental Transfer Capability shall reduce or otherwise negatively affect IID's rights to the current total transfer capability on the S-Line prior to the upgrade. As the owner and operator of the Project, IID will continue to establish the total transfer capability that exists on the S-Line, consistent with Applicable Reliability Standards. IID will inform CAISO of any changes in total transfer capability.

When the El Centro Switching Station transformer upgrades¹ are completed, the increases in the total transfer capability of the S-Line due to those transformer upgrades that is above the S-Line Upgrade Incremental Transfer Capability as described above shall be shared equally between IID and Citizens. If the total transfer capability of the S-Line as established after the S-Line transformer upgrades are completed decreases in the future, the reduction shall be applied in the following order:

1. Any shared increase referenced in the prior sentence is reduced in equal amounts for both IID and Citizens until the shared increase is reduced to zero,
2. Citizens' Entitlement to the S-Line Upgrade Incremental Transfer Capability shall be reduced until it is reduced to zero,
3. The remaining IID rights to the total transfer capability shall be reduced.

For outages, planned and forced, on the S-Line, Citizens and IID shall take pro rata reductions based on the then existing total transfer capability of the S-Line consistent with the reduction order described above.

3. Network Upgrades

Network Upgrade Functional Specifications

Overhead Transmission Line

Number of Circuits: 1

Nominal Phase to Phase Voltage: 230kV

Line Terminus 1: IID El Centro Switching Station 230kV Bus

Bus Configuration: Ring bus or breaker and a half (BAAH)

Line Terminus 2: SDG&E Imperial Valley 230kV Bus

Bus Configuration: Breaker and a half (BAAH)

¹ El Centro Switching Station Upgrades; IID shall undertake El Centro Switching Station upgrades by installation of Bank No. 5 transformation that will include a 332 MVA 230/92kV transformer. These upgrades shall be at the sole cost of IID, with neither the CAISO nor Citizens having any responsibility for the cost of these upgrades. The incremental capacity in the S-Line created by the El Centro Station Switching Upgrades shall be shared as set forth below.

Minimum Line Continuous Ampacity – Summer: 1,757 Amps (~700 MVA)
 Minimum Line Continuous Ampacity – Winter: 1,757 Amps (~700 MVA)
 Minimum Line 4 Hour Emergency Ampacity – Summer: 1,757 Amps (~700 MVA)
 Minimum Line 4 Hour Emergency Ampacity – Winter: 1,757 Amps (~700 MVA)
 Minimum Line 30 Minute Emergency Ampacity – Summer: 2,134 Amps (~850 MVA)
 Minimum Line 30 Minute Emergency Ampacity – Winter: 2,134 Amps (~850 MVA)
 Approximate Line Impedance: resistance: .0015 to .002, reactance: .018 to .022 per unit on a 100 MVA base.
 Maximum Line Resistance: .002 per unit on a 100 MVA base
 Approximate Line Length: 18.1 miles
 Preliminary In Service Date: April 27, 2023
 Support Structures: Steel
 Shield Wire Requirement: Optical ground wire (minimum 6 pairs of fibers)
 Failure Containment Loading Mitigation (anti-cascade structures, etc.): Per applicable codes
 Shield Wire Ground Fault Withstand Ampacity: Coordinate with interconnecting entities
 Aeolian Vibration Control (Conductor and Shield Wire): Vibration dampers must be installed on all conductors and overhead shield wires, with the exception of slack spans
 Transmission Line Minimum BIL: 1,050kV (900kV for solidly grounded systems)
 Minimum ROW Width: Per applicable codes
 Governing Design and Construction Standards: GO 95, NESC Code, applicable municipal codes

Additional Information

Citizens will contract with IID to have IID make reasonable efforts to have construction started no later than July 1, 2021.

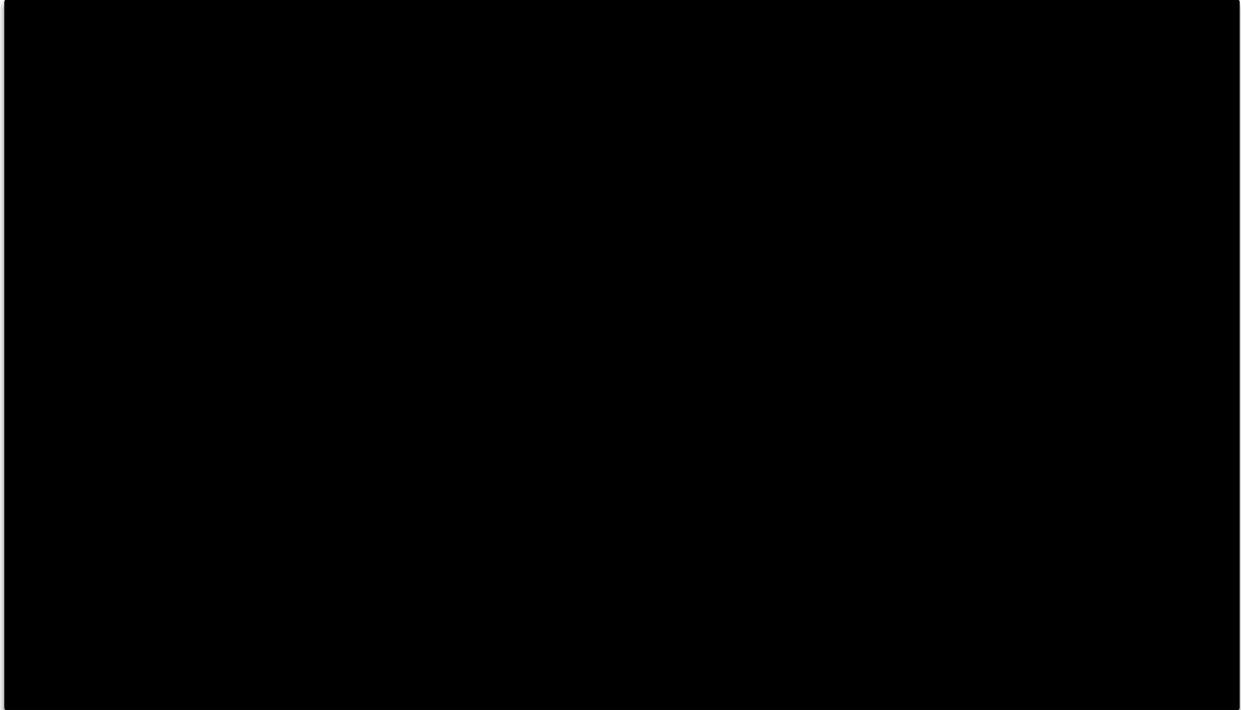
Governing Design and Construction Standards: NESC Code, applicable municipal codes

*Milestone date per Appendix B

4. Distribution Upgrades: Consequential Distribution Upgrades are not covered by this Agreement.

5.

S-Line Diagram



**Critical Energy/Electric Infrastructure Information Redacted
Pursuant to 18 C.F.R. § 388.113**

Appendix B

Estimated Milestones

1. Estimated Milestone Dates

The worldwide outbreak of the coronavirus disease (“**COVID-19**”), affects or is likely to affect usual business activities and/or the execution of work under this Agreement. As the impacts from COVID-19 are unknown at this time, commitments regarding the estimated milestones and schedule set forth below are provided without consideration of such potential impacts from COVID-19. The Parties are closely monitoring the development of COVID-19 and its associated impacts, and will exercise good utility practice and endeavor to cooperate to address any issues, including but not limited to, manufacturing, supply chain, operations, logistics, and personnel issues, relating to the scope of this Agreement. If required to overcome the consequences directly or indirectly caused by the outbreak of COVID-19, the Parties shall be entitled to reasonable relief from meeting the estimated milestones set forth below and in this Agreement.

Item	Milestone	Responsible Party	Due Date ^{1/}
1	Commence development activities including commencement of regulatory approvals; acquisition of land; and permits	Citizens will contract with IID in accordance with the Development Agreement	May 29, 2020
2	Submit Construction Plan in accordance with Section 5.3.1 of this Agreement	Citizens will contract with IID in accordance with the Development Agreement	September 1, 2020
3	Commence Engineering	Citizens will contract with IID in accordance with the Development Agreement	October 15, 2020
4	Submit Construction Plan Status Report in accordance with Section 5.3.2 of this Agreement	Citizens will contract with IID in accordance with the Development Agreement	November 30, 2020
5	Submit Project modification in accordance with Section 5.6.1 of this Agreement	Citizens will contract with IID in accordance with the Development Agreement	As required per Section 5.6.1

	Milestone	Responsible Party	Due Date ^{1/}
6	Provide comments on Project modifications in accordance with Section 5.6.1 of this Agreement	CAISO	30 calendar days after modification submittals under Milestone 5
7	Commence Procurement	Citizens will contract with IID in accordance with the Development Agreement	December 15, 2020
8	Submit Construction Plan Status Report in accordance with Section 5.3.2 of this Agreement	Citizens will contract with IID in accordance with the Development Agreement	February 28, 2021 May 29, 2021
9	Commence Construction	Citizens will contract with IID in accordance with the Development Agreement	July 15, 2021
10	Submit Construction Plan Status Report in accordance with Section 5.3.2 of this Agreement	Citizens will contract with IID in accordance with the Development Agreement	August 27, 2021 November 25, 2021 February 23, 2022 May 24, 2022 August 22, 2022 November 20, 2022 February 18, 2023
11	Commence Testing	Citizens will contract with IID in accordance with the Development Agreement	March 31, 2023
12	Latest Energization Date	Citizens will contract with IID in accordance with the Development Agreement	April 27, 2023
13	Submit Construction Plan Status Report in accordance with Section 5.3.2 of this Agreement	Citizens will contract with IID in accordance with the Development Agreement	May 19, 2023
14	Complete Construction	Citizens will contract with IID in accordance with the Development Agreement	August 17, 2023

	Milestone	Responsible Party	Due Date ^{1/}
15	In accordance with Section 5.4.2 provide final costs of the Project	Citizens will contract with IID in accordance with the Development Agreement	One year after the Energization Date

^{1/} Dates in this Appendix B are good faith estimates and can be modified by written agreement among the representatives of each Party listed in Appendix D to this Agreement and IID.

Appendix C

Security Arrangements Details

Infrastructure security of CAISO Controlled Grid equipment and operations and control hardware and software is essential to ensure day-to-day CAISO Controlled Grid reliability and operational security. FERC will expect the CAISO, and IID on behalf of Citizens to comply with Applicable Reliability Standards. All public utilities will be expected to meet basic standards for system infrastructure and operational security, including physical, operational, and cyber-security practices.

Citizens will contract with IID for IID or its contractor(s) to meet the requirements for security implemented pursuant to the CAISO Tariff, including the CAISO's standards for information security posted on the CAISO's internet web site at the following internet address: <https://www.caiso.com/pubinfo/info-security/index.html> and any applicable North American Electric Reliability Corporation ("NERC") reliability standards.

Appendix D

Addresses for Delivery of Notices and Billings

Notices:

Citizens:

Citizens S-Line Transmission LLC
Attention: Peter Smith
c/o Citizens Energy Corporation
88 Black Falcon Avenue
Center Lobby, Suite 342
Boston, MA 02210
Email: psmith@citizensenergy.com

With a copy to:

Donald R. Allen
Ashley M. Bond
Duncan & Allen
1730 Rhode Island Ave, NW
Suite 700
Washington, D.C. 20036
Email: dra@duncanallen.com
amb@duncanallen.com

CAISO:

California ISO
Attn: Infrastructure Contracts & Management
250 Outcropping Way
Folsom, CA 95630
dlevine@caiso.com
QueueManagement@CAISO.com

IID:

General Manager
Imperial Irrigation District
333 E. Barioni Blvd.
Imperial, CA 92251

General Counsel
Imperial Irrigation District
333 E. Barioni Blvd.
Imperial, CA 92251

With a copy to:

Energy Manager
Imperial Irrigation District
333 E. Barioni Blvd.
Imperial, CA 92251

Alternative Forms of Delivery of Notices (telephone, facsimile or e-mail):

Citizens:

Peter Smith
psmith@citizensenergy.com
(617) 772-7581
(617) 772-7522 (FAX)

Donald Allen
dra@duncanallen.com
(202) 289-8400
(202) 289-8450 (FAX)

Ashley Bond
amb@duncanallen.com
(202) 289-8400
(202) 289-8450 (FAX)

CAISO:

Deb Le Vine
dlevine@caiso.com
(916) 351-2144
(916) 608-5063 (FAX)

Monique Royal
mroyal@caiso.com
(916) 608-5944
(916) 608-5063 (FAX)

Appendix E

Citizens' Costs of Project

Citizens agrees that capital costs for the development, construction, and commissioning of the Project will be based on the actual costs incurred by Citizens and IID. Citizens agrees that, when the S-Line Incremental Transfer Capability Lease is entered, Citizens will provide IID with the capital costs incurred by IID for the S-Line Upgrade Incremental Transfer Capability, in the form of prepaid rent, up to a maximum amount of \$40,000,000. Citizens will not be permitted to recover capital costs paid to IID of more than \$40,000,000. In addition, Citizens will incur its own capital costs (above the up to a maximum amount of \$40,000,000 paid to IID) associated with management, monitoring, regulatory, financing, and administrative and general activities during development, construction, and commissioning of the S-Line Upgrade Incremental Transfer Capability. Further, Citizens will incur its own operating costs associated with management, regulatory, grid management charges, insurance, administrative and general activities, and taxes, if applicable, during ongoing operations of the Project. These costs shall be prudently incurred and recoverable subject to FERC approval that they are just and reasonable.

The funds recoverable as described, as well as abandonment cost recovery, are the sole costs that Citizens will be permitted to seek for recovery through its Transmission Revenue Requirement that will be included in the CAISO Transmission Access Charge. Citizens will not fund the El Centro transformer upgrade nor pay ongoing operation, maintenance or administrative costs for the S-Line Upgrade Incremental Transfer Capability.

The provisions of this Appendix E shall survive termination of this Agreement. In accordance with Article 5.4.1, Citizens shall contract with IID for IID or its contractor(s) to provide CAISO with a summary of the final cost of the construction of the Project as soon as reasonably practicable within twelve months of the completion of construction.

Appendix F

Transmission Control Agreement Language Draft

4.4.x Citizens S-Line Transmission LLC

4.4.x.1 In addition to the foregoing, the CAISO, Citizens S-Line Transmission LLC (“Citizens S-Line”), and the Participating TOs acknowledge and agree that, upon the effective date of Citizens S-Line’s TO Tariff as approved by FERC and payment by Citizens S-Line to the Imperial Irrigation District (“IID”) under that certain Transfer Capability Lease (the “Transfer Capability Lease”), Citizens S-Line shall be entitled and obligated to recover the just and reasonable costs of developing, financing, constructing, operating, and maintaining transmission assets and associated facilities forming part of the network in which it has an Entitlement and Citizens S-Line administrative costs through Citizens S-Line’s Transmission Revenue Requirement as established from time to time by FERC, including the specific rate principles Citizens S-Line has requested FERC approval of in Docket No. ELxx-xx, to the extent that the transmission assets and associated facilities used to provide the Entitlement, as well as the Entitlement itself, are placed under CAISO’s Operational Control, all pursuant to the S-Line Development Agreement of _____, 2020 between IID and Citizens S-Line (the “Development Agreement”) and the Transfer Capability Lease to be executed in accordance

therewith. CAISO's Operational Control with respect to Citizens S-Line's Entitlement shall operate as follows: Citizens S-Line, as the Participating TO, shall contract with IID for the following: (1) the ability for the CAISO to schedule the delivery of capacity and energy over the Entitlement consistent with the CAISO Tariff; (2) the requirement that IID shall coordinate all planned outages of the Entitlement with CAISO; and (3) the requirement that IID will notify the CAISO of any forced outages of the Entitlement, as soon as practical. The CAISO will list the Entitlement on its OASIS. Any requested generator interconnections to the facilities regarding which Citizens S-Line has its Entitlement will be studied by IID.

4.4.x.2 In reliance on the continued availability of a FERC-approved Transmission Revenue Requirement, as set forth above, Citizens S-Line will not withdraw from this Agreement except in connection with (i) the transfer, sale, or disposition of its Entitlement in compliance with Sections 3.3, 4.4, and any other applicable provision of this Agreement or (ii) the termination of the Transfer Capability Lease at the end of its forty (40) year term.

4.4.x.3 If Citizens S-Line should seek to transfer, sell, or dispose of its Entitlement or any part thereof, then in addition to any and all other obligations imposed on such a transfer, sale, or disposition by this Agreement, any applicable provisions of the CAISO Tariff, and FERC rules and regulations,

Citizens S-Line shall require as a condition of such transfer, sale, or disposition that the transferee of its Entitlement: (a) assume in writing Citizens S-Line's rights and obligations under this Agreement, including without limitation all of the obligations imposed by this Section 4.4.x, e.g., the obligation to recover the just and reasonable costs of developing, financing, constructing, operating, and maintaining transmission assets and associated facilities forming part of the network in which it has its Entitlements, as set forth in Section 4.4.x.1, exclusively through a FERC-approved Transmission Revenue Requirement; (b) become a Participating TO in the CAISO; and (c) assume the obligation to bind each and every one of its transferees, successors, and assigns to all of the obligations assumed by Citizens S-Line under this Agreement as qualified by the obligations in Section 4.4.x.2. For the avoidance of doubt, the transfer of Citizens S-Line's Entitlement cannot take place unless and until the holder of such Entitlement has, in conjunction with the transfer, become a Participating TO in the CAISO.

4.4.x.4 Nothing in this Section 4.4.x shall be interpreted as affecting the right of any party to seek to increase or decrease, at the FERC or appeals there from, the established or proposed Transmission Revenue Requirement of Citizens S-Line or any subsequent holder of any of the Entitlement.

4.4.x.5 Notwithstanding the foregoing

subsections of Section 4.4.x, this Section 4.4.x shall become null and void in the event of and upon the first to occur of: (a) Citizens S-Line receives for three (3) consecutive months either an underpayment, pursuant to Section 11.29.19.6 of the CAISO Tariff, or a pro rata reduction in payments under Section 11.29.17.1 of the CAISO Tariff, with each such underpayment or pro rata reduction equal to or greater than twenty percent (20%) of the monthly amount due and owing to Citizens S-Line from the CAISO, or (b) Citizens S-Line receives either an underpayment, pursuant to Section 11.29.19.6 of the CAISO Tariff, or a pro rata reduction in payments under Section 11.29.17.1 of the CAISO Tariff which, when calculated on a cumulative annual basis, is equal to or greater than five percent (5%) of the total amount due and owing to Citizens S-Line from the CAISO for the twelve (12) month period ending prior to the month or months in which such underpayment or pro rata reduction occurs, provided such an underpayment or pro rata reduction does not result from: (i) Access Charge sales fluctuations that impact the monthly Access Charge revenue disbursement to Citizens S-Line, but which are subject to annual TRBA adjustment true-ups to be made by the Participating TO pursuant to Section 6.1 of Schedule 3 of Appendix F of the CAISO Tariff; (ii) Citizens S-Line's action or failure to act; (iii) an error that

has been corrected by the CAISO; or (iv) a billing or payment dispute between Citizens S-Line and the CAISO.

4.4.x.6 Should this Section 4.4.x become null and void under Section 4.4.x.5, then Citizens S-Line, the CAISO, and the other Participating TOs shall remain bound by all of the remaining provisions of this Agreement.