

July 15, 2024

**Citizens Pacific Transmission LLC Application to the
California Independent System Operator Corporation For
Participating Transmission Owner Status**

Pursuant to Section 4.3.1.1 of the California Independent System Operator Corporation (“CAISO”) Tariff and Section 2.2.1 of the Transmission Control Agreement (“TCA”), Citizens Pacific Transmission LLC (“Citizens Pacific”) hereby applies to become a Participating Transmission Owner (“PTO”) of the CAISO, with respect to its interest in a Transmission Investment Program (“Investment Program”) with Pacific Gas and Electric Company (“PG&E”), as more fully described in this Application, subject to receipt of appropriate regulatory approval. Citizens Pacific is a wholly owned subsidiary of Citizens Energy Corporation (“Citizens Energy”), a Massachusetts non-profit corporation.

On February 20, 2024, Citizens Energy and PG&E entered into the Development, Coordination, and Option Agreement (“DCOA”), which identifies the terms for Citizens Pacific’s involvement in the Investment Program. Under the DCOA, PG&E may offer Citizens Pacific up to five separate options to lease Entitlements¹ in a portfolio of identified projects (“Entitlements Lease”), with a total investment of up to \$1 billion. These investments will increase electric system safety, capacity, reliability, asset health, and interconnection of generation (including renewables) that further support California’s decarbonization goals. Citizens Energy will use an escalating portion of its after-tax profits from the Investment Program to provide support to disadvantaged communities and low-income families in the PG&E electric service area.

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

PG&E will be responsible for the development, design, permitting, engineering, procurement, and/or construction of each Project, and bear all costs for the development and construction of such Project. PG&E will retain full ownership of the Projects and Citizens Pacific’s interest in any Project will be

¹ Entitlements are defined in Appendix A to the California Independent System Operator Corporation (“CAISO”) Tariff as “[t]he right of a Participating [Transmission Owner] obtained through contract or other means to use another entity’s transmission facilities for the transmission of Energy.” See CAISO Fifth Replacement FERC Electronic Tariff, Appendix A Entitlements.

limited to a leasehold interest in Entitlements. Any Project included in the Investment Program must meet the following criteria:

- (1) The capital costs associated with the expected Citizens Pacific interest in each project must not already be included in PG&E's existing FERC transmission rates for purposes of cost recovery;
- (2) Each project must be eligible for direct cost recovery from CAISO through the CAISO High-Voltage Transmission Access Charge ("TAC");
- (3) Each project must be expected to operate at 200 kilovolts or above; and
- (4) Each project must have already received all required regulatory approvals and permits.

Citizens Pacific understands that any generator interconnection related transmission project will have received a Notice to Proceed from the generator prior to inclusion in an Entitlements Lease. Each Entitlements Lease will require its own Federal Power Act Section 203 and 205 filing before the Federal Energy Regulatory Commission ("FERC") and Citizens Pacific will be required to update its Transmission Owners Tariff ("TO Tariff") to reflect the Entitlements associated with each Entitlements Lease.

For the first Entitlements Lease, Citizens Pacific expects to lease Entitlements to the following Projects:²

- (1) Rio Oso – the installation of a 230 kV Modular Protection, Automation, and Control building ("MPAC"). This Project will support North American Electric Reliability Corporation ("NERC") reliability standards as well as two additional CAISO projects, the Rio Oso Areas 230 kV Voltage Support and the new Atlantic-Rio Oso 230 kV line. This Project will also resolve current configuration issues, address reliability and capacity concerns, and alleviate high-voltage issues at the Rio Oso Substation.
- (2) Rio Oso – installation of a 230 kV gas insulated switchgear ("GIS") and in a breaker and a half ("BAAH") configuration. This Project will have similar benefits to the Rio Oso installation of the 230 kV MPAC mentioned above.

² See DCOA Exhibit B for more information. The DOCA is attached to this Application as Appendix A.

- (3) Gates – 500 kV T-Line. This Project is necessary to support a CAISO approved FERC Order No. 1000 project which will install two Static Synchronous Compensator (“STATCOM”) units that provide voltage support. The project provides voltage support to the CAISO system.
- (4) Gates – 500 kV Dynamic Voltage Support. This Project will have similar benefits to the Gates 500 kV T-Line Project mentioned above.
- (5) Monta Vista – installation of a 230 kV MPAC. This project will improve reliability by modifying an existing 230 kV bus to provide sectionalizing; insertion of two new 230 kV sectionalizing bus breakers will convert the existing two 230 kV buses into four separate buses. This Project will also replace an existing 230 kV control house, provide a new 230 kV MPAC building, and upgrade relays in the 230 kV, 115 kV, and 60 kV yards.
- (6) Table Mountain – modify 500kV Series Capacitors 1&2. Modifications to existing capacitors at the 500 kV Table Mountain Substation in Butte County to support installation of two, third-party owned/operated STATCOM units resulting from a CAISO-approved FERC Order No. 1000 solicitation. This project provides voltage support to the CAISO system.
- (7) Arco – 230 kV Control Building Network Upgrade. This Project includes construction of a new building to support the interconnection of numerous generation interconnections totaling approximately 1,700 MW.
- (8) Tesla 500 kV – replacement of Circuit Breaker (“CB”) 542 and CB 642. This Project consists of network upgrades to support at least two electric generation interconnection projects totaling approximately 800 MWs, which depend on these replacements.
- (9) Q1277 Tesla Substation Reliability Network Upgrade (“RNU”). The upgrades funded by this Project will support approximately 20 MWs of renewable generation.

The list of Projects identified for inclusion in the first Entitlements Lease remain subject to change and may be modified as permitted under the terms of the

DCOA to ensure PG&E and Citizens Pacific have the flexibility to respond to transmission planning needs as well as potential regulatory delays. Any changes to the project list will not impact this PTO Application and Citizens Pacific will provide the CAISO with a final list of projects in advance of executing the first Entitlements Lease.

For each subsequent Entitlements Lease, PG&E will provide a Project List to Citizens Energy prior to the start of the applicable Option Period which sets forth the Projects comprising each additional Entitlements Lease. The Project List will include estimates of Citizens Pacific's percentage interest in, and rent due for, each Project. Each Entitlements Lease will be associated with a distinct set of Projects and be for a 30-year term and each lease will be subject to review by FERC pursuant to Sections 203 and 205. All Entitlements Leases under the Investment Program will be entered into by Citizens Pacific and Citizens Pacific will be required to turn over its Entitlements to the CAISO's operational control.

2. Entitlements

Citizens Pacific's Entitlement in any given Project will be established in accordance with the terms of that applicable Entitlements Lease. The DCOA includes a list of the anticipated Projects to be included in the First Entitlements Lease and reflects Citizens Pacific's percentage interest in each applicable Project.³

3. Encumbrances

There are no Encumbrances as defined in the CAISO Tariff with respect to Citizen Pacific's interest in the Projects at this time.

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

Under the terms of each Entitlements Lease, Citizens Pacific will be required to place all of its interests in the Projects under the CAISO's operational control.

5. Local Reliability Criteria

Citizens Pacific is not aware of any specific Local Reliability Criteria that are applicable to the Projects of the Investment Program.

³ See Exhibit B to DCOA, attached to this Application as Appendix A.

6. Maintenance Practices

Citizens Pacific and PG&E have agreed that PG&E will be responsible for operation and maintenance of all Projects subject to Entitlements Leases. Therefore, PG&E's current maintenance practices will govern maintenance of all Projects.

7. Temporary Waivers of Applicable Reliability Criteria

Citizens Pacific seeks no temporary waivers of Applicable Reliability Criteria.

8. Ongoing Regulatory Processes

The Investment Program is subject to regulatory review by both FERC and the California Public Utilities Commission ("CPUC"). PG&E filed an Application with the CPUC to approve the Investment Program pursuant to Public Utilities Code Section 851 on March 12, 2024, in Application No. 24-09-003. CPUC approval is required for Citizens Pacific and PG&E to enter into any Entitlements Lease. The CPUC's review is ongoing as of the time of this Application.

On April 11, 2024, Citizens Pacific filed a Petition for Declaratory Order with FERC seeking approval for certain rate incentives in Docket No. EL24-101. As of the date of this Application, that Petition remains pending before FERC. Citizens Pacific plans to make its Section 203 and 205 filings for the first Entitlements Lease following FERC action on its pending Petition for Declaratory Order. Citizens Pacific and PG&E anticipate executing the first Lease in 2025, subject to receiving all required regulatory approvals.

PG&E has sought a programmatic approval from the CPUC in its 851 Application. If granted, subsequent Entitlements Leases would not require separate Section 851 Applications. However, each subsequent Entitlements Lease will require its own FERC Section 203 and 205 approvals.

9. Proposed Transmission Owner Tariff

Citizens Pacific's proposed TO Tariff is attached as Appendix B. The proposed TO Tariff cannot go into effect until accepted for filing by FERC. Citizens Pacific anticipates filing its Transmission Revenue Requirement ("TRR") and its proposed TO Tariff for the first Entitlements Lease with FERC following FERC's action on its Petition for Declaratory Order.

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

In lieu of a completed TRR Data Request form, Citizens Pacific hereby notifies the CAISO that it will file its TRR with FERC following FERC's action on Citizens Pacific's Petition for Declaratory Order.

11. Address and Contact Names:

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12. Other Information

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

13. Settlement Account Information

Citizens Pacific will establish a settlement account pursuant to CAISO's requirements. For confidentiality reasons, Citizens Pacific will provide this information in due course through a separate document.

14. MWh Demand Per Month

Not applicable.

15. Instructions for Encumbrances and Entitlements

Not applicable.

* * * *

In order to obtain regulatory approvals necessary for Citizens Pacific to exercise its option, finance its interest in the first Entitlements Lease, and close the acquisition thereof within the time periods set forth in the DCOA, Citizens Pacific requires CAISO Board of Governor action on this Application as expeditiously as possible.

This application is submitted on this 15th day of July, 2024.

Signed:

/s/ Peter F. Smith

Peter F. Smith
Chief Executive Officer
Citizens Energy Corporation and
Citizens Pacific Transmission, LLC

Appendix A

Development, Coordination, and Option Agreement of February 20, 2024

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

BY AND BETWEEN

PACIFIC GAS AND ELECTRIC COMPANY

AND

CITIZENS ENERGY CORPORATION

DATED AS OF FEBRUARY 20, 2024

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DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

This DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT (this “DCOA”) is made and entered into as of February 20, 2024 (the “Effective Date”), by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens”). Each of PG&E and Citizens shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, PG&E identifies in the ordinary course of its business transmission facilities, upgrades, rebuilds and expansions to, among other things, improve reliability, integrate new generation (including renewable generation), and reduce congestion in its service area (as more fully defined herein, the “Projects”); and

WHEREAS, subject to the conditions specified herein, the Parties desire to establish an investment program between the Parties pursuant to which PG&E will, as applicable, develop, design, permit, engineer, procure, construct and, in each case, own certain Projects, and Citizens (or its wholly owned subsidiary) will have the option to lease certain Entitlements (as defined below) to such Projects for an aggregate investment of no more than \$1.0 billion.

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

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

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

“Affiliate” of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where “control” means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

“AFUDC” means, with respect to a Project, an Allowance for Funds Used During Construction, recognizing the cost to PG&E of financing the development, design, permitting, engineering, procurement, and construction of such Project.

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

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

“Balancing Authority Area” means an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- (i) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (ii) maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice;
- (iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
- (iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

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

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

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

“CEQA” means the California Environmental Quality Act.

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

“Citizens Pacific Transmission” has the meaning set forth in Section 12.2.

“Citizens Percentage Interest” means, with respect to each Project comprising an Investment Tranche and subject to adjustment pursuant to the terms of the applicable Entitlements Lease, the percentage equal to the ratio of (i) the aggregate Project Rent for such

Investment Tranche, divided by (ii) the aggregate Project Costs for such Investment Tranche; provided, that in no event will the Citizens Percentage Interest be greater than 49.9%.

“Commercial Operation Date” and “COD” means, with respect to an Investment Tranche, the date on which the last Project comprising such Investment Tranche begins commercial operation and Operational Control of such Project has been transferred to and accepted by the CAISO in accordance with the terms of the CAISO Agreements.

“CPUC” means the California Public Utilities Commission or its successors.

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

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

“Entitlements” has the meaning ascribed to such term in the CAISO Agreements.

“Entitlements Lease” means an agreement substantially in the form of Exhibit A attached hereto, with changes to which the Parties may mutually agree at the relevant time.

“Event of Default” has the meaning set forth in Section 9.1.

“FERC” means the Federal Energy Regulatory Commission or its successors.

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

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety

and expedition. Good Utility Practice is not limited to the optimum practice, method, or act to the exclusion of all others, but rather to the acceptable practices, methods, or acts generally accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

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

“Investment Tranche” means any of the Option Period 1 Investment Tranche, the Option Period 2 Investment Tranche, the Option Period 3 Investment Tranche, the Option Period 4 Investment Tranche, or the Option Period 5 Investment Tranche.

“Investment Program” means, collectively, the Options and Investment Tranches contemplated by this Agreement.

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

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

“Option Period” means any of Option Period 1, Option Period 2, Option Period 3, Option Period 4, or Option Period 5.

“Option Period 1” means the period beginning on the Effective Date and ending on the earlier of (x) the expiration of the Option exercise period for the Option Period 1 Investment Tranche pursuant to Section 4.2(b)(i), and (y) the effective date of the Entitlements Lease for the Option Period 1 Investment Tranche.

“Option Period 2” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the second Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 1, or (y) the second Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 2” means the nine (9) month period following the end of Option Period 1.

“Option Period 3” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the third Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 2, or (y) the third Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 3” means the nine (9) month period following the end of Option Period 2.

“Option Period 4” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the fourth Option hereunder; provided, that if either (x) PG&E does not deliver a Project List

within nine (9) months following the end of Option Period 3, or (y) the fourth Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 4” means the nine (9) month period following the end of Option Period 3.

“Option Period 5” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the fifth Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 4, or (y) the fifth Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 5” means the nine (9) month period following the end of Option Period 4.

“Option Period 1 Investment Tranche” means, collectively, the Projects set forth on Exhibit B.

“Option Period 2 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 2.

“Option Period 3 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 3.

“Option Period 4 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 4.

“Option Period 5 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 5.

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

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

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

“Project” means, with respect to an Investment Tranche, each electric transmission facility, upgrade, rebuild and/or expansion that meets the criteria set forth in Section 3.4(a) and that is or will be identified on Exhibit A to the Entitlements Lease with respect to such Investment Tranche.

“Project Costs” means, with respect to a Project, the aggregate of all costs incurred by PG&E to develop, design, permit, engineer and/or construct such Project, including AFUDC and payments made under construction contracts for work to be completed after the respective effective date of the applicable Entitlements Lease, which is subject to adjustment pursuant to Section 3.5.1 of the applicable Entitlements Lease.

“Project List” means each of (i) Exhibit B and (ii) any schedule, in a form substantially similar to Exhibit B, delivered by PG&E to Citizens pursuant to Section 3.4(c).

“Project Rent” means, with respect to a Project, an amount equal to (i) the total amount of rent payable by Citizens under the applicable Entitlements Lease, as determined pursuant to Section 4.2(d), multiplied by (ii) a ratio equal to (x) the Project Costs for such Project, divided by (y) the aggregate Project Costs for the Investment Tranche subject to the applicable Entitlements Lease.

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

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person’s Affiliates.

“Required Citizens Regulatory Approvals” means (i) with respect to the applicable Investment Tranche, approvals from each Governmental Authority with authority over Citizens’ leasehold interest in the Entitlements to the Projects comprising such Investment Tranche, including FERC and CAISO, necessary for Citizens to exercise an Option, or to lease and finance its leasehold interest in the Entitlements to any such Project, other than those approvals that would not have a material adverse effect on the exercise of an Option, leasing or financing of Citizens’ leasehold interest in the Entitlements to any such Project, or the Investment Program generally, if not obtained, and (ii) the approvals contemplated by Section 4.3(a)(ii).

“Required PG&E Regulatory Approvals” means (i) with respect to the applicable Investment Tranche, approvals from each Governmental Authority with authority over the Projects comprising such Investment Tranche, including the CPUC and FERC, necessary for PG&E to consummate the transactions contemplated hereunder with respect to such Investment Tranche, or, as applicable to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance the Projects comprising such Investment Tranche, other than (x) those approvals that are not required prior to the start of construction of any such Project, are not subject to the discretionary action of the applicable agency, and otherwise can be obtained in the ordinary course of business, and (y) those approvals that would not have a material adverse effect on the development, design, engineering, procurement, construction, commissioning, ownership, operation, maintenance or financing of any such Project, or the Investment Program generally, if not obtained, and (ii) the approvals contemplated by Section 4.3(a)(i).

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

“Target Closing Date” means, with respect to the Option Period 1 Investment Tranche, the date that is thirty (30) days after the delivery of the last of the written notices required under Section 4.2(b) that the conditions precedent described in Section 4.3(a) have been achieved; provided, in no event shall the Target Closing Date extend beyond the date that is twelve (12) months after the Effective Date or occur prior to the expected Target Closing Date set forth in PG&E’s written notice thereof pursuant to Section 4.2(b); provided, further, that the Target Closing Date shall be extended beyond such twelve (12) months if Sections 4.3(a)(i)-(ii) have not been satisfied by such date and the Parties in their reasonable discretion agree that such Sections 4.3(a)(i)-(ii) are ultimately likely to be satisfied.

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

“Useful Life” means, with respect to a Project, the period during which such Project can provide, is capable of providing or can be used for electric transmission service.

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

ARTICLE II

TERM; OTHER AGREEMENTS

2.1 Term. The “Term” of this DCOA shall commence on the Effective Date and shall end upon the earlier of (i) the expiration of the Option for the Option Period 5 Investment Tranche pursuant to Section 4.2(b)(ii) or Section 4.2(c), (ii) the date that the Parties enter into an Entitlements Lease that includes the Option Period 5 Investment Tranche, (iii) the date that the Parties enter into an Entitlements Lease representing, together with all prior Entitlements Leases, an aggregate investment by Citizens pursuant to the Investment Program of \$1.0 billion, (iv) the date on which all Parties mutually agree in writing to terminate this DCOA this DCOA, or (v) December 31, 2030 (as such date may be extended by the mutual agreement of the Parties, acting in their sole discretion).

2.2 Subsequent Agreements. If Citizens timely exercises any Option, then upon the closing of such Option in accordance with Article IV, the Parties shall enter into an Entitlements Lease with respect to such Investment Tranche, and one or more consents to collateral assignment, estoppels and other acknowledgments of the foregoing in a customary form that is reasonably acceptable to the Parties and a Party’s lenders. The Parties further expect that since they have addressed so many details regarding the Investment Program, notwithstanding their still being in the development phases with respect to the Investment Tranches, a Party’s lenders may seek clarifications, amendments or modifications of this DCOA. In such event, the Parties will exercise good faith efforts to accommodate such requests provided that no Party is hereby committing itself to any such clarification, amendment or modification of this DCOA which, in

such Party's sole discretion, would impair or interfere with the benefits that a Party expects to derive from its participation in the Investment Program.

2.3 Partial Termination. Upon the date that the Parties enter into an Entitlements Lease with respect to an Investment Tranche, this DCOA will have no further force or effect with respect to such Investment Tranche.

ARTICLE III

DEVELOPMENT, CONSTRUCTION, AND IDENTIFICATION OF PROJECTS

3.1 General Responsibility for Development and Construction of the Projects. PG&E shall be responsible for the development, design, permitting, engineering, procurement, and/or construction of each Project. PG&E shall bear all costs for development and construction of each Project, until such time as Citizens has exercised and closed the Option with respect to the Investment Tranche to which such Project is a part. PG&E's activities and responsibilities for each Project (as applicable) shall include the acquisition of permits and land rights necessary to construct such Project, which shall be done in PG&E's name and at PG&E's expense, provided that if Citizens exercises its Option with respect to the Investment Tranche to which such Project is a part, an interest in such permits and land rights shall be transferred to Citizens to the extent necessary to lease to Citizens its Entitlements to such Project.

3.2 Performance Standards. Each Party shall use commercially reasonable efforts to promote the following objectives (as applicable):

- (a) to minimize capital costs of each Project;
- (b) to minimize operational expenses of each Project;
- (c) to maximize the Useful Life of each Project;
- (d) to minimize the downtime of each Project;
- (e) not to exceed the budgets for each Project;
- (f) to complete construction of each Project in a timely manner; and
- (g) to incur only those costs which are prudent in accomplishing their respective purposes.

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

3.4 Identification of Projects.

- (a) Eligibility Requirements. Each Project, at the time of its submission by PG&E on a Project List pursuant to Sections 3.4(b)-(d), must satisfy the following requirements:
 - (i) an amount equal to or greater than the expected Citizens Percentage Interest of the capital costs of the proposed Project must not already be included in PG&E's FERC transmission rates for purposes of cost recovery;
 - (ii) the proposed Project must be expected to be eligible for cost recovery directly from the CAISO through the High-Voltage CAISO Transmission Access Charge (as defined in the CAISO Agreements);
 - (iii) the proposed Project must be expected to operate at 200 kilovolts or above; and
 - (iv) the proposed Project must have received all regulatory approvals and permits necessary at that time, including, to the extent applicable, having undergone CEQA review.
- (b) Option Period 1. Exhibit B sets forth the Projects consisting of the Option Period 1 Investment Tranche (subject to adjustment pursuant to Section 3.4(d)), PG&E's estimated costs to develop, design, permit, engineer and/or construct each such Project, the estimated Citizens Percentage Interest in, and estimated Project Rent due for, each such Project, in each case, based on an assumed prepaid rent amount of \$200 million or such other amount as may be determined by the Parties in accordance with Section 4.2(d).
- (c) Option Periods 2-5. With respect to each of Option Periods 2 through 5, PG&E, no earlier than one (1) day and no later than nine (9) months following the end of the immediately preceding Option Period, may (but does not have an obligation to) deliver to Citizens a Project List that sets out the Projects comprising the upcoming Investment Tranche (subject to adjustment pursuant to Section 3.4(d)), PG&E's estimated costs to develop, design, permit, engineer and/or construct each such Project, the estimated Citizens Percentage Interest in, and Project Rent due for, each such Project, in each case, based on an assumed prepaid rent amount of \$200 million or such other amount as may be determined by the Parties in accordance with Section 4.2(d). If PG&E does not deliver a Project List within the timeframe set forth in the foregoing sentence, then in accordance with Article I, such Option

Period shall be extinguished and the subsequent Option Period shall begin.

- (d) Amendments to Projects. Prior to Citizens' exercise of an Option with respect to an Investment Tranche pursuant to Section 4.2(b), PG&E may, in its sole discretion, add or remove Projects from such Investment Tranche upon delivery to Citizens of an updated Project List in accordance with Section 3.4(b)-(c), as applicable. Following Citizens' exercise of an Option with respect to an Investment Tranche but prior to the execution of an Entitlements Lease for such Investment Tranche, PG&E may, in its sole discretion, remove Projects from such Investment Tranche upon delivery to Citizens of an updated Project List in accordance with Section 3.4(b)-(c), as applicable; provided, that PG&E may not remove a Project from an Investment Tranche if the resulting Citizens Percentage Interest in the Entitlements to any remaining Project would be greater than 49.9% unless Citizens agrees in writing to reduce the amount of the estimated prepaid rent due for such Investment Tranche such that the Citizens Percentage Interest in the Entitlements to each remaining Project would be no greater than 49.9%. For the avoidance of doubt, any amendment or modification to an Investment Tranche pursuant to this Section 3.4(d) shall not be deemed to be a delivery by PG&E to Citizens of a Project List for purposes of determining the beginning of the subsequent Option Period.

ARTICLE IV

OWNERSHIP, OPTIONS AND CONDITIONS PRECEDENT

4.1 PG&E's Ownership. PG&E shall own 100% of the ownership interests in each Project. To the extent that Citizens has exercised and closed one or more Options, PG&E shall continue to own 100% of the ownership interests in each Project; provided, however, that PG&E's ownership interests in the Projects comprising an Investment Tranche that are the subject of an Option that has been closed upon pursuant to Section 4.2 shall be subject to a thirty (30) year lease to Citizens of the Citizens Percentage Interest of the Entitlements to such Projects.

4.2 Options. Citizens shall have the option to lease Entitlements to the Projects comprising each Investment Tranche as follows (each, an "Option"):

- (a) Option to Lease Entitlements for a Term. Citizens shall have the option to lease from PG&E and, upon Citizens' exercise of such option in accordance with Section 4.2(b), PG&E shall have the obligation to lease to Citizens (subject to the satisfaction of the applicable conditions precedent set forth in Section 4.3 and entry by the Parties into an Entitlements Lease), the Citizens Percentage

Interest of the Entitlements to each of the Projects comprising an Investment Tranche for a thirty (30) year term, provided that such Entitlements shall revert to PG&E at no cost to PG&E, free and clear of any liens or encumbrances, upon expiration of such thirty (30) year term or upon earlier termination of the applicable Entitlements Lease in accordance with the terms of the applicable Entitlements Lease.

(b) Exercise of an Option.

- (i) Option Period 1. PG&E shall deliver written notice to Citizens of the expected Target Closing Date no earlier than 120 days prior to, and no later than 90 days prior to, the expected Target Closing Date set forth in such notice. Citizens shall promptly deliver written notice to PG&E once the conditions precedent set forth in Section 4.3(a)(ii) have been satisfied. PG&E shall promptly deliver written notice to Citizens once the conditions precedent set forth in Sections 4.3(a)(i) and 4.3(a)(iii) have been satisfied. Citizens may exercise its Option for the Option Period 1 Investment Tranche by delivering an irrevocable written notice to PG&E following the satisfaction of all conditions precedent set forth in Section 4.3(a) but no later than the Target Closing Date. If Citizens fails to exercise its Option for the Option Period 1 Investment Tranche during the period set forth in the preceding sentence, such unexercised Option for the Option Period 1 Investment Tranche shall expire.
- (ii) Option Periods 2-5. Citizens may exercise an Option with respect to a subsequent Investment Tranche by delivering an irrevocable written notice to PG&E no later than thirty (30) days following the date PG&E delivered to Citizens the Project List for such Investment Tranche pursuant to Section 3.4(c) (the “Option Expiration Date”). If Citizens fails to exercise an Option for an Investment Tranche by the applicable Option Expiration Date, such unexercised Option for such Investment Tranche shall expire.

(c) Closing of an Option.

- (i) Option Period 1. No later than thirty (30) days following Citizens’ exercise of its Option for the Option Period 1 Investment Tranche, the Parties shall execute, acknowledge and deliver an Entitlements Lease with respect to such exercised Option and any and all other documents reasonably necessary to otherwise carry out the terms and

conditions of this DCOA. Upon the execution of an Entitlements Lease in connection with the closing of such exercised Option, Citizens shall pay to PG&E the prepaid rent amount in accordance with the Entitlements Lease, which shall comply with Section 4.2(d). The closing of such Option may be accomplished through the use of an escrow arrangement as may be requested by either Party that is on terms mutually acceptable to both Parties. Notwithstanding anything to the contrary herein, if an Entitlements Lease with respect to such exercised Option is not executed within thirty (30) days following the date such Option is exercised by Citizens (or such other date mutually agreed by the Parties), such Option shall be deemed to expire.

- (ii) Option Periods 2-5. Following Citizens' exercise of an Option for the Option Period 2 Investment Tranche, the Option Period 3 Investment Tranche, the Option Period 4 Investment Tranche or the Option Period 5 Investment Tranche, each Party shall use its respective reasonable best efforts to satisfy the applicable conditions precedent set forth in Section 4.3(b) and shall promptly provide written notice to the other Party of the satisfaction of any such condition precedent, as applicable. No later than thirty (30) days following the satisfaction of all applicable conditions precedent set forth in Section 4.3(b), the Parties shall execute, acknowledge and deliver an Entitlements Lease with respect to such exercised Option and any and all other documents reasonably necessary to otherwise carry out the terms and conditions of this DCOA. Upon the execution of an Entitlements Lease in connection with the closing of such exercised Option, Citizens shall pay to PG&E the prepaid rent amount in accordance with the Entitlements Lease, which shall comply with Section 4.2(d). The closing of an Option may be accomplished through the use of an escrow arrangement as may be requested by either Party that is on terms mutually acceptable to both Parties. Notwithstanding anything to the contrary herein, if an Entitlements Lease with respect to such an exercised Option is not executed within eleven (11) months of the date such Option is exercised by Citizens (or such other date mutually agreed by the Parties), such Option shall be deemed to expire.

- (d) Prepaid Rent for Close of an Option. The prepaid rent to be paid by Citizens for all Entitlements leased pursuant to a given Entitlements Lease shall be \$200 million or such other amount

mutually agreed to by the Parties and set forth in the applicable Entitlements Lease; provided, that if Citizens exercises an Option for an amount other than \$200 million in a particular Option Period or is not provided with or does not exercise an Option for a particular Option Period, the amount of Citizens' prepaid rent payment for Entitlements leased pursuant to subsequent Options may be adjusted (upward or downward) to reflect the previously exercised or unexercised amount, as applicable; provided, further, that in no event shall the Citizens Percentage Interest in the Entitlements to any Project under any Entitlements Lease be greater than 49.9% or the total value of Citizens' investment in Projects pursuant to the Investment Program exceed \$1.0 billion. Citizens shall be responsible for obtaining its own financing for the prepaid rent, and PG&E has no obligation to provide or guarantee financing to Citizens if Citizens is unable to secure any part of its financing.

4.3 Certain Conditions Precedent. The Parties acknowledge and agree that the lease of Entitlements in an Investment Tranche pursuant to Citizens' exercise of an Option (as described in Section 4.2) is expressly contingent upon and subject to:

- (a) With respect to the Option for the Option Period 1 Investment Tranche:
 - (i) PG&E's (1) receipt of a final, nonappealable order from the CPUC approving the Investment Program under Section 851 of the California Public Utilities Code or otherwise; (2) receipt of a final, nonappealable order from FERC approving PG&E's lease to Citizens of Entitlements to the Option Period 1 Investment Tranche under Section 203 of the Federal Power Act; (3) receipt of a final, nonappealable order from FERC approving PG&E's transmission service tariff for recovery from Citizens of Citizens' portion of certain costs associated with the lease of Entitlements to the Option Period 1 Investment Tranche; and (4) satisfaction (and full and final resolution, as applicable) of any condition imposed by a Governmental Authority that is required prior to the execution of the lease to Citizens of Entitlements to the Option Period 1 Investment Tranche, in each case, in form and substance acceptable to the Parties, in each Party's sole discretion. With respect to clause (1) above, PG&E will seek any necessary approvals from the CPUC no later than fifteen (15) Business Days after the Effective Date (or such other date mutually agreed by the Parties). In order to augment the information available to the CPUC for the foregoing application, Citizens agrees that no later than thirty (30)

days after PG&E files its Section 851 application with the CPUC, Citizens shall file a petition with FERC seeking a declaratory order approving its rate methodologies for the recovery of costs associated with its lease of Entitlements to the Investment Tranches pursuant to the Investment Program, including any incentive rate treatment Citizens may seek. With respect to clauses (2) and (3) above, PG&E will seek any necessary approvals from FERC no later than thirty (30) days after the date on which Citizens receives a final and nonappealable FERC order granting the relief requested in the petition for declaratory order described in this Section 4.3(a)(i) (or such other date mutually agreed by the Parties);

- (ii) Citizens' receipt of (1) final, nonappealable orders from FERC approving (A) Citizens' transmission service tariff for recovery of its costs associated with its lease of Entitlements to the Option Period 1 Investment Tranche consistent with the rate methodology described in Article IV of the applicable Entitlements Lease; (B) Citizens' issuance of securities under Section 204 of the Federal Power Act; and (C) Citizens' receipt from PG&E of a leasehold interest in Entitlements to the Option Period 1 Investment Tranche under Section 203 of the Federal Power Act and (2) CAISO approval for Citizens' wholly owned subsidiary to become a PTO, in the case of each of clauses (1) and (2), in form and substance acceptable to the Parties, in each Party's sole discretion. Citizens agrees that it will, or cause its applicable subsidiary to, seek such approvals from FERC no later than thirty (30) days after Citizens' receipt of a final and nonappealable FERC order granting the relief requested in the petition for declaratory order described in Section 4.3(a)(i) (or such other date mutually agreed by the Parties). Consistent with Section 4.3(a)(i), Citizens agrees to file its petition for declaratory order no later than thirty (30) days after the date on which PG&E files its Section 851 application with the CPUC. Citizens shall also seek such CAISO approval as soon as reasonably practicable but in no event later than July 1, 2024; and
- (iii) the achievement of the Commercial Operation Date for the Option Period 1 Investment Tranche.

- (b) With respect to an Option for any subsequent Investment Tranche:

- (i) The satisfaction of the conditions set forth in Sections 4.3(a)(i)–(ii);
- (ii) PG&E’s (1) receipt of a final, nonappealable order from FERC approving PG&E’s lease to Citizens of Entitlements to the applicable Investment Tranche under Section 203 of the Federal Power Act; (2) to the extent necessary, receipt of a final, nonappealable order from FERC approving PG&E’s transmission service tariff for recovery from Citizens of Citizens’ portion of certain costs associated with the lease of Entitlements to the applicable Investment Tranche; and (3) satisfaction (and full and final resolution, as applicable) of any condition imposed by a Governmental Authority that is required prior to the execution of the lease to Citizens of Entitlements to the applicable Investment Tranche, in each case, in form and substance acceptable to the Parties, in each Party’s sole discretion. With respect to clauses (1) and (2) above, PG&E agrees that it will make the necessary filings no later than thirty (30) days after Citizens’ delivery to PG&E of the written notice under Section 4.2(b)(ii) (or such other date mutually agreed by the Parties) and reasonably concurrently with Citizens seeking the approvals described in Section 4.3(b)(iii);
- (iii) Citizens’ receipt of final, nonappealable orders from FERC approving (1) Citizens’ transmission service tariff for recovery of its costs associated with its lease of Entitlements to the applicable Investment Tranche consistent with the rate methodology described in Article IV of the applicable Entitlements Lease; (2) Citizens’ issuance of securities under Section 204 of the Federal Power Act; and (3) Citizens’ receipt from PG&E of a leasehold interest in Entitlements to the applicable Investment Tranche under Section 203 of the Federal Power Act, in each case, in form and substance acceptable to the Parties, in each Party’s sole discretion. Citizens agrees that it will seek such approvals from FERC no later than thirty (30) days after Citizens’ delivery to PG&E of the written notice under Section 4.2(b)(ii) (or such other date mutually agreed by the Parties) and reasonably concurrently with PG&E seeking the approvals described in Section 4.3(b)(ii);
- (iv) the achievement of the Commercial Operation Date for such Investment Tranche; and

- (v) receipt by Citizens' wholly owned subsidiary of commitments for new third-party debt financing, on terms and conditions reasonably satisfactory to Citizens, sufficient to fund the payment of prepaid rent for the closing of such Option.

4.4 Low Income Energy Programs. The Parties acknowledge and agree that each Entitlements Lease shall obligate Citizens Pacific Transmission to make the Minimum Annual Low-Income Contributions as defined in Section 5.3.1, and in accordance with the terms and conditions of Sections 5.3.1 and 11.2, in each case, of the form of Entitlements Lease attached as Exhibit A to this Agreement as in effect on the Effective Date.

4.5 Capital and O&M Expenses. The Parties acknowledge and agree that each Entitlements Lease shall limit the cost recovery methodology used by Citizens Pacific Transmission (as defined therein) at FERC as set forth in Section 4.3.2 of the form of Entitlements Lease attached as Exhibit A to this Agreement as in effect on the Effective Date.

4.6 Additional Ratepayer Protections. The Parties acknowledge and agree that, with respect to each Entitlements Lease, PG&E shall exclude from its transmission rates for purposes of cost recovery (i) the Citizens Percentage Interest (as defined therein) of the capital costs associated with the Projects (as defined therein) paid to PG&E as Prepaid Rent (as defined therein) by Citizens Pacific Transmission pursuant to such Entitlements Lease, and (ii) the Additional Rent (as defined therein) allocated to Citizens Pacific Transmission by PG&E pursuant to such Entitlements Lease.

ARTICLE V

COOPERATION

5.1 Mutual Cooperation.

5.1.1 PG&E Regulatory Approvals. PG&E, at its sole cost and expense, shall be responsible for obtaining, and shall use its reasonable best efforts to obtain, the Required PG&E Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(i) and 4.3(b)(ii). Citizens agrees to cooperate in good faith with and assist PG&E in obtaining the Required PG&E Regulatory Approvals.

5.1.2 Citizens Regulatory Approvals. Citizens, at its sole cost and expense, shall be responsible for obtaining, and shall use its reasonable best efforts to obtain, the Required Citizens Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(ii) and 4.3(b)(iii). PG&E agrees to cooperate in good faith with and assist Citizens in obtaining the Required Citizens Regulatory Approvals.

ARTICLE VI

MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE

6.1 Meetings of the Parties. The Parties shall hold regularly scheduled meetings (no less frequently than monthly) for the purpose of reviewing each Party's progress, as applicable, in its development, design, permitting, engineering, procurement, construction, commissioning, financing, operating, and maintenance activities for the Projects and each Party's progress toward receiving the Required Regulatory Approvals. Either Party may call a special meeting at any time. Reasonable and sufficient notice of each meeting shall be given to each Party in order to allow full participation.

6.2 Sharing Information.

6.2.1 PG&E Information. Upon reasonable prior notice and during regular business hours, and subject to the availability of PG&E personnel to escort Citizens personnel or representatives, PG&E shall allow Citizens (at its own expense and risk) reasonable access to conduct a visual inspection of the project site(s) for any Project then in development and provide other information related to such Project(s) as may be reasonably requested by Citizens, including but not limited to:

- (a) costing information to ensure that costs for such Project(s) are allocated to appropriate portions of such Project(s) and that PG&E keeps its accounts and provides sufficient information to Citizens to allow Citizens to review those allocations and accounts on an on-going basis;
- (b) permitting information;
- (c) plans, specifications, design, or maps of such Project(s); and
- (d) contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of such Project(s).

6.2.2 Citizens Information. Upon reasonable notice, Citizens shall provide information related to the Projects and its involvement in the Investment Program to the extent within Citizens' possession or control, as may be reasonably requested by PG&E.

6.3 Required Regulatory Approvals. From time to time while any Required PG&E Regulatory Approvals remain outstanding, upon Citizens' request, PG&E shall provide Citizens with updates regarding the status (including the expected timeline for receipt) of such Required PG&E Regulatory Approvals. From time to time while any Required Citizens Regulatory Approvals remain outstanding, upon PG&E's request, Citizens shall provide PG&E with updates regarding the status (including the expected timeline for receipt) of such Required Citizens Regulatory Approvals.

6.4 Final Decisions. Notwithstanding anything to the contrary in this Agreement, PG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, and operation of the Projects. Any disputes regarding whether or not PG&E has complied with its obligations under this DCOA (including its obligations under Section 3.2) shall be resolved by the dispute resolution procedures under Article X.

ARTICLE VII

FORCE MAJEURE

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

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

ARTICLE VIII

WITHDRAWAL

8.1 Withdrawal. In the event any of the applications for the Required Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(i), 4.3(a)(ii), 4.3(b)(ii) and 4.3(b)(iii), with respect to the Investment Program or an Investment Tranche is denied or is approved with conditions that are materially adverse and unacceptable to a Party or otherwise materially inconsistent with the terms of the Investment Program or Entitlements Lease in a manner that is adverse to a Party, such Party shall have the right to withdraw from and terminate (or partially terminate, as applicable) this DCOA.

8.2 Notice. A Party that is entitled to withdraw from and terminate (or partially terminate, as applicable) this DCOA pursuant to Section 8.1 must, in order to withdraw from and terminate (or partially terminate, as applicable) this DCOA, provide written notice of its withdrawal and termination (or partial termination, as applicable) to the other Party within thirty (30) days after the occurrence of the event giving rise to such withdrawing Party's right to withdraw and terminate (or partially terminate, as applicable) pursuant to this Article VIII.

ARTICLE IX

EVENTS OF DEFAULT; REMEDIES

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

- (a) a Party shall fail to make payments for amounts due under this DCOA within thirty (30) days after written notice that such payment is past due;
- (b) a Party shall fail to comply with any other material provision of this DCOA, and any such failure shall continue uncured for thirty (30) days after written notice thereof, provided that if such failure is not capable of being cured within such period of thirty (30) days with the exercise of reasonable diligence but is otherwise capable of being cured, then such cure period shall be extended for an additional reasonable period of time so long as the defaulting Party is exercising commercially reasonable efforts to cure such failure; and
- (c) any representation made by a Party hereunder shall fail to be true in any material respect at the time such representation is given and such failure shall not be cured within thirty (30) days after written notice thereof by a non-defaulting Party.

9.2 Limitation on Damages. No Party shall be liable under this DCOA for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise. The provisions of this Section 9.2 shall not be construed to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and enforceable insurance policies.

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

ARTICLE X

DISPUTE RESOLUTION

10.1 Intent of the Parties. The sole procedure to resolve any claim arising out of or relating to this DCOA or any related agreement is the dispute resolution procedure set forth in this Article X; provided, however, that either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the

dispute by means of this procedure and nothing in this Section 10.1 shall restrict the rights of any party to file a complaint with the FERC under relevant provisions of the Federal Power Act.

10.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this DCOA or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five (5) Business Days after such referral date (the "Referral Date"), each Party shall provide one another written notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five (5) Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty (30) days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of such Referral Date, or if either Party refuses or does not meet within the thirty (30) day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

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

(a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty (60) days after written notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen (15) days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 10.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five (5) arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five (5) arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten (10) years experience in the field of the dispute.

(b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty (30) days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two (2) requests for production of documents prior to the commencement of the hearing.

Depositions shall be limited to a maximum of three per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven (7) hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than twenty-five (25) interrogatories (including subparts), upon good cause shown.

(c) The arbitrator's award shall be made within nine (9) months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty (30) days by agreement of the Parties or by the arbitrator, if necessary.

(d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

(e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.

(f) The existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 12.3.

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

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

ARTICLE XI

REPRESENTATIONS AND WARRANTIES

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

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

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

11.1.3 No Violation. Subject to the receipt of all Required PG&E Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3, none of the execution and delivery of this DCOA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of PG&E; (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority, except in the case of clause (2), (x) those approvals that are not required prior to the start of construction of any such Project, are not subject to the discretionary action of the applicable agency, and otherwise can be obtained in the ordinary course of business, and (y) those approvals that would not have a material adverse effect on the development, design, engineering, procurement, construction, commissioning, ownership, operation, maintenance or financing of any such Project, or the Investment Program generally, if not obtained.

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

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

ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

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

11.2.3 No Violation. Subject to the receipt of all Required Citizens Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3, none of the execution and delivery of this DCOA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of Citizens; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority, except in the case of clause (2), those approvals that would not have a material adverse effect on the exercise of an Option, leasing or financing of Citizens' leasehold interest in any such Project, or the Investment Program generally, if not obtained.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile or e-mail (if facsimile numbers or e-mail addresses are identified below or by subsequent notice and provided a copy is also sent by overnight mail) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two (2) Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three (3) Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by facsimile transmission or e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. A Party may change its address for notices by providing notice of the same in accordance with this Section 12.1.

If to PG&E:

Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: Michael Medeiros
Email: mjml@pge.com

With a copy to:

Jenner & Block LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Raunaq Kohli, Counsel to Pacific Gas and Electric Company
Fax: 212-891-1699
Email: rkohli@jenner.com

If to Citizens:

Citizens Energy Corporation
2 Seaport Lane, Suite 5C
Boston, MA 02210
Attention: Chief Executive Officer
Fax: 617-542-4487
Email: psmith@citizensenergy.com

With a copy to:

Duncan & Allen LLP
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
Attention: Ashley Bond, Counsel to Citizens Energy Corporation
Fax: 202-289-8450
Email: amb@duncanallen.com

12.2 Assignment. Citizens shall not assign this DCOA, or its rights or obligations hereunder, without the prior written consent of PG&E which may be granted or withheld in its sole discretion, and with respect to PG&E, PG&E shall not assign this DCOA, or its rights or obligations hereunder, without the prior written consent of Citizens, such consent not to be unreasonably withheld or delayed; provided, that with respect to both Citizens and PG&E, no such consent shall be required for (i) a collateral assignment of, or creation of a security interest in, this DCOA in connection with any financing or other financial arrangements, or (ii) an assignment in connection with the merger of a Party with, or the acquisition of substantially all of the transmission assets of a Party by, an entity with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of a Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of a Party if such interest constitutes more than thirty

percent (30%) of the fair market value of the assets of such parent entity) to a person that is not an Affiliate of such Party shall also constitute an assignment of this DCOA subject to the terms of this Section 12.2. Any assignment in violation of this Section 12.2 shall be null and void. Notwithstanding anything to the contrary herein, (x) PG&E consents to the exercise of the Options and execution of the Entitlements Leases (in accordance with Article IV) by Citizens Pacific Transmission LLC, a Delaware limited liability company and wholly owned subsidiary of Citizens (“Citizens Pacific Transmission”), or any other similar, wholly owned subsidiary of Citizens (and, if a wholly owned subsidiary of Citizens exercises any Option or enters into any Entitlements Lease, the Parties agree that any reference to Citizens in the context of exercising such Option or entering into (or taking any other action pursuant to) such Entitlements Lease shall be deemed to refer solely to such wholly owned subsidiary; provided, that, for the avoidance of doubt, in the event of any default hereunder Citizens shall be solely liable) and (y) Citizens consents to any assignment or transfer by PG&E of its rights or interests in this DCOA or Projects constituting all or a portion of an Investment Tranche to a subsidiary which PG&E owns or controls at least fifty-one percent (51%) of the equity ownership or voting interests (provided that, such PG&E subsidiary has previously executed a joinder agreement to this DCOA).

12.3 Confidentiality. During the term of this DCOA and for a period of three (3) years after the expiration or termination of this DCOA, the Parties shall keep confidential any information relating to the Projects or obtained in connection with this DCOA (such information, “Confidential Information”), and shall refrain from using, publishing or revealing such Confidential Information without the prior written consent of the Party whose Confidential Information the disclosing Party is seeking to disclose, unless (a) such Confidential Information is disclosed to its Affiliates, legal advisors, auditors and/or Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) the disclosing Party is compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (c) such Confidential Information is generally available to the public; (d) such Confidential Information was available to the disclosing Party on a non-confidential basis from a third-party, provided that the disclosing Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such Confidential Information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

12.4 Public Relations. The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding the participation of the Parties or their Affiliates in the Investment Program and the transactions contemplated by this DCOA; provided, that nothing herein shall prohibit or restrict either Party from making any public disclosure that is required by applicable law (including federal securities laws or stock exchange rules).

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

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

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

12.8 Entirety. This DCOA constitutes the entire agreement between the Parties hereto. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed.

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

12.10 Good Faith. In carrying out its obligations and duties under this DCOA, each Party shall have an implied obligation of good faith; provided, that the Parties agree and acknowledged that this Section 12.10 shall not alter the terms or obligations set forth elsewhere in this DCOA.

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

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

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

12.14 Counterparts; Electronic Execution. This DCOA may be executed in one or more counterparts, each of which shall be deemed an original. Receipt by facsimile or electronic

transmission (including PDF) of any executed signature page to this DCOA shall constitute effective delivery of such signature page (upon its release from escrow, if applicable).

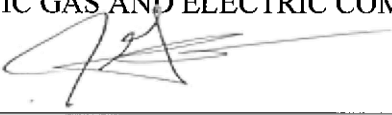
12.15 Expenses. PG&E and Citizens shall each pay their own expenses incurred in connection with the negotiation and execution of this DCOA.

12.16 Time is of the Essence. Each of the Parties acknowledges that timely commencement of the Investment Program is essential, and therefore time is of the essence in performing all obligations set forth herein.

[Signature page follows]

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

PACIFIC GAS AND ELECTRIC COMPANY

By: 
Name: Jason Glickman
Title: Executive Vice President - Engineering, Planning and Strategy
Date: February 20, 2024

CITIZENS ENERGY CORPORATION


By: 
Name: Peter F. Smith
Title: CEO
Date: Feb 20, 2024

Exhibit A
FORM OF ENTITLEMENTS LEASE
(attached)

FORM OF
[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE
BY AND BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY
AND
CITIZENS PACIFIC TRANSMISSION LLC

DATED AS OF [DATE]

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[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE

This [FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE (this “Lease”) is made and entered into as of [DATE] (the “Effective Date”), by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and Citizens Pacific Transmission LLC, a Delaware limited liability company (“Citizens Pacific Transmission”). Each of PG&E and Citizens Pacific Transmission shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

- A.** PG&E identifies in the ordinary course of its business electric transmission facilities, upgrades, rebuilds and expansions, to, among other things, improve reliability, integrate new generation (including renewable generation), and reduce congestion in its service area.
- B.** On February 20, 2024, PG&E and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”), entered into a Development, Coordination, and Option Agreement, (as amended, modified, or supplemented from time to time, the “DCOA”).
- C.** Citizens Pacific Transmission is an indirect, wholly owned subsidiary of Citizens Energy.
- D.** Pursuant to the DCOA, PG&E and Citizens Energy established an investment program pursuant to which Citizens Energy may be presented with options (each, an “Option”) to lease certain Entitlements (as defined below) to certain transmission facilities, upgrades, rebuilds and/or expansions that PG&E will, as applicable, develop, design, permit, engineer, procure, construct and, in each case, own, maintain and operate, pursuant to a form of lease substantially similar to this Lease.
- E.** Pursuant to the DCOA, Citizens Pacific Transmission is authorized to exercise any Option and execute this Lease following, among other things, the exercise of such Option.
- F.** Pursuant to the CAISO Agreements (as defined below), CAISO (as defined below) assumed Operational Control (as defined below) of the Projects (as defined below) upon completion.
- G.** In accordance with the requirements of the DCOA (including the satisfaction or waiver of the applicable conditions precedent set forth therein), Citizens Pacific Transmission notified PG&E that Citizens Pacific Transmission had exercised an Option.
- H.** The Parties desire to enter into this Lease to, among other things, set forth the terms pursuant to which Citizens Pacific Transmission will lease from PG&E certain Entitlements to the Projects, all as more particularly set forth herein.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

1.1 Definitions.

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

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

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

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Projects are assessed against PG&E and no Property Taxes are assessed on the Citizens Entitlements against Citizens Pacific Transmission, the aggregate amount of any Property Taxes that are reasonably attributable to the Citizens Entitlements during such period, and (ii) if the Property Taxes on the Projects are assessed against both PG&E and Citizens Pacific Transmission, the aggregate amount of such Property Taxes that are directly attributable to the Citizens Entitlements during such period.

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

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

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

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

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

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

“CAISO Eligible Customer” means an “Eligible Customer” as defined in the CAISO Agreements or any other successor customer who is eligible to obtain transmission service pursuant to the CAISO Agreements or similar term in a System Operator’s tariffs or agreements.

“Citizens Additional Rent Rate” means [Sheet ____ to] Appendix [__] of PG&E’s currently effective FERC Electric Tariff Volume No. 5 (FERC Docket No.ER[____]), which was authorized by FERC on [DATE], as amended, modified, or supplemented from time to time.

“Citizens Energy” has the meaning set forth in the recitals hereto.

“Citizens Entitlements” means the Citizens Percentage Interest in the Entitlements to the Projects identified in Exhibit A, which Citizens Pacific Transmission will turn over to the CAISO’s operational control.

“Citizens Percentage Interest” means, with respect to the Projects and subject to adjustment as otherwise required by this Lease, $[[X]\% \text{ as of the Effective Date}]^1$, which represents the percentage equal to the ratio of (i) the aggregate Prepaid Rent paid pursuant to Section 4.1.1, divided by (ii) the aggregate Project Costs for the Projects; provided, that in no event will the Citizens Percentage Interest be greater than 49.9%.

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

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

“Collateral Assignment” has the meaning set forth in Section 11.3.

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

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

“Comparison Date” shall have the meaning set forth in Section 4.3.2(d).

“Confidential Information” has the meaning set forth in Section 13.2.

¹ NTD: Insert percentage interest on Effective Date if known.

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

“CPUC” means the California Public Utilities Commission or its successors.

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

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

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

“Entitlements” has the meaning ascribed to such term in the CAISO Agreements.

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

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

“FERC” means the Federal Energy Regulatory Commission or its successors.

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

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

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

accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

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

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

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

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

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

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

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

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

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

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

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

“PG&E Percentage Interest” means a percentage equal to (i) 100% minus (ii) the Citizens Percentage Interest.

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

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

“Project” means each electric transmission facility, upgrade, rebuild and/or expansion that is described on Exhibit A to this Lease.

“Project Costs” means, with respect to a Project, the aggregate of all costs incurred by PG&E to develop, design, permit, engineer, procure and/or construct such Project, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date as described in Section 3.5.1 of this Lease.

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

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

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

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

“Reimbursable Property Taxes” means any Property Tax attributable to the Projects that is paid by PG&E and that Citizens Pacific Transmission is required by Section 8.1 to reimburse.

“Related Parties” means, with respect to any Person, such Person’s affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person’s affiliates.

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

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

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

“WECC” means the Western Electricity Coordinating Council or its successors.

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

1.2 Rules of Interpretation.

Unless otherwise provided herein or the context otherwise requires: (a) words denoting the singular include the plural and vice versa; (b) words denoting a gender include both genders; (c) references to a particular part, clause, section, paragraph, article, party, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or a party, exhibit, schedule or other attachment to the document in which the reference is contained; (d) a reference to any statute or regulation includes all statutes or regulations varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations issued or otherwise applicable under that statute to the extent consistent with the Parties’ original intent hereunder; (e) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time; (f) a definition of or reference to any document, instrument or

agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement; (g) a reference to any person includes such person's successors and permitted assigns in that designated capacity; (h) any reference to "days" shall mean calendar days unless Business Days are expressly specified; and (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

ARTICLE II

LEASE; TERM

2.1 Lease.

PG&E hereby leases to Citizens Pacific Transmission, and Citizens Pacific Transmission hereby leases from PG&E, the Citizens Entitlements on the terms and conditions set forth in this Lease. Citizens Pacific Transmission, as the holder of the Citizens Entitlements that are under the Operational Control of the CAISO (or any successor System Operator), for the benefit of and made available to CAISO Eligible Customers, is entitled to all associated rights and revenues from use of the Citizens Entitlements, or, in the absence of the CAISO Agreements, rights and revenues similar to such associated rights and revenues as of the Effective Date.

2.2 Term.

The term of this Lease shall commence as of the Effective Date (the "Commencement Date") and shall expire (unless otherwise earlier terminated pursuant to this Lease) at 11:59 p.m. Pacific time on the day before the 30th anniversary of the Commencement Date (the "Term"). At the conclusion the Term, Citizens Pacific Transmission shall have no further interest in the Projects hereunder, the Citizens Entitlements shall revert to PG&E free and clear of any liens or encumbrances, and Citizens Pacific Transmission and PG&E shall have no further rights or obligations vis-à-vis each other except to pay amounts and fulfill other obligations under this Lease existing as of the time of conclusion of the Term; provided, however, that Citizens Pacific Transmission shall promptly execute and deliver to PG&E such further agreements, instruments and documents, and take such further action, as PG&E may reasonably request in order to effectuate and acknowledge the expiration and termination of this Lease, including the filing of any notices or uniform commercial code termination statements with respect to any lien or security interest filings or notices that were made in connection with any Collateral Assignment. For the avoidance of doubt, the Parties acknowledge that the Commercial Operation Date has occurred as of or prior to the Commencement Date.

ARTICLE III

THIRD PARTY CONTRACTORS; UPGRADES AND REPAIRS; OPERATION AND MAINTENANCE; INTERCONNECTION

3.1 Completion of Construction; Third Party Contractors.

PG&E shall use commercially reasonable efforts to complete all punch list items and all other final construction activities on the Projects in accordance with Good Utility Practice as

soon as reasonably practicable. For avoidance of doubt, for purposes of this Article III and any other provisions of this Lease relating to work performed on the Projects by PG&E, PG&E may undertake work on the Projects itself or through third party contractors.

3.2 Operation and Maintenance.

Except to the extent that PG&E has transferred Operational Control of the Projects to the System Operator, PG&E shall be responsible for overseeing and performing all operations and maintenance services for the Projects (including any aspect thereof related to or necessary for the Citizens Entitlements) in accordance with Good Utility Practice and material regulations, including the CAISO Agreements (or any successor System Operator) and WECC reliability standards.

3.3 Future Upgrades.

Subject to the other terms and conditions of this Lease, PG&E shall be solely entitled to decide upon, develop, design, engineer, procure, construct, commission, own, operate, maintain, and finance any upgrades to all or any portion of the Projects during the Term. PG&E shall be solely responsible for paying the costs of such upgrades. Citizens Pacific Transmission agrees that it will not oppose any upgrades sought by PG&E, including before any Governmental Authority, System Operator, or Balancing Authority.

3.4 Future Replacements and Renewals.

PG&E shall be solely entitled to determine whether any additional capital investment is needed for replacement or renewal of facilities of the Projects, and if so, the timeframe for the same. PG&E shall be solely entitled to itself undertake or undertake by way of contracts with others to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance such replacement or renewals of the facilities of the Projects. PG&E shall be responsible for all costs of such replacement or renewal.

3.5 Adjustment of Citizens Percentage Interest.

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

3.5.1 Construction Cost True-Up.² The Parties acknowledge that the Prepaid Rent may have been determined prior to the date when all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments still due

² NTD: Parties to confirm estimated Project Costs prior to executing the Lease to ensure the Citizens Percentage Interest shall be no greater than 49.9% during the Term.

under pending construction contracts for work to be completed after the Effective Date, are fully known. Accordingly, PG&E shall provide to Citizens Pacific Transmission an accounting of such costs promptly after PG&E has finally determined such costs, and the Citizens Percentage Interest shall be adjusted at such time to equal the ratio of the Prepaid Rent divided by the aggregate of all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date.

3.5.2 Additional Capital Investments. To the extent that PG&E makes any additional capital investments in any Project pursuant to Section 3.3 or Section 3.4, then (1) the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest in the Projects prior to such additional capital investment multiplied by the net book value of the Projects prior to such additional capital investment divided by (b) the new net book value of the Projects (including all new funding of replacements or renewals as part of the new net book value); and (2) the PG&E Percentage Interest shall be adjusted in accordance with its definition. For example, assume that the Projects have a net book value of \$100 million prior to upgrades, replacement or renewals and require additional capital investments of \$30 million for upgrades or replacement costs pursuant to Section 3.3 or Section 3.4 (and thus would have a net book value of \$130 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 49% and PG&E makes such \$30 million capital investment in the Projects, then the Citizens Percentage Interest would be reduced from 49% to 37.69% ($49\% \times \$100 / \$130 = 37.69\%$) and the PG&E Percentage Interest would be increased from 51% to 62.31% ($100\% - 37.69\% = 62.31\%$). For purposes of this section, the “net book value” of the Projects shall be equal to PG&E’s historical cost basis of the Projects less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Pacific Transmission pays to PG&E shall not reduce the cost basis.

3.6 Interconnection Facilities.

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

ARTICLE IV

RENT; RATE RECOVERY

4.1 Rent.

The rent due under this Lease shall be as follows:

4.1.1 Prepaid Rent. Concurrently with the commencement of this Lease on the Commencement Date, Citizens Pacific Transmission shall make a payment of [\$200 million]³ to PG&E as prepaid rent (the “Prepaid Rent”).

4.1.2 Additional Rent. Citizens Pacific Transmission shall pay to PG&E, subject to Section 4.3.4 and Section 8.3, additional rent monthly in arrears in an amount equal to the sum of (i) the operations and maintenance costs incurred by PG&E that are reasonably attributable to the Citizens Entitlements, including a reasonable allocation of administrative and general activities, general, intangible and common plant, the amortized cost of removing the Projects, sales, use, payroll and excise taxes, and other costs described in the Citizens Additional Rent Rate (other than Property Tax) (the “Citizens Share of O&M Costs”), plus (ii) Reimbursable Property Tax (the sum of (i) and (ii) is referred to as the “Additional Rent” and, together with the Prepaid Rent, the “Rent”). PG&E shall provide to Citizens Pacific Transmission an invoice of the Additional Rent for each month during the Term within thirty (30) days after (but no earlier than) the conclusion of such month, and Citizens Pacific Transmission shall be required to pay such amount to PG&E within forty-five (45) days after receipt of such invoice.

4.2 Regulation of Citizens Pacific Transmission’s Rates.

Subject to Section 4.3, Citizens Pacific Transmission shall file or cause to be filed with FERC, a transmission service tariff for recovery of its costs associated with the Citizens Entitlements. The Citizens Entitlements shall be provided for the benefit of and made available to CAISO Eligible Customers at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act.

4.3 Citizens Pacific Transmission’s Cost Recovery Methodology.

Citizens Pacific Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Pacific Transmission limited to the recovery of the transmission costs described in this Section 4.3. For the avoidance of doubt, Citizens Pacific Transmission shall be entitled to, and PG&E shall not oppose, rate recovery that is not affected by any reduction in the Citizens Percentage Interest associated with PG&E’s funding of renewals, replacements or upgrades to all or any portion of the Projects pursuant to Section 3.3, Section 3.4 or otherwise.

4.3.1 Operating Costs. Citizens Pacific Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Pacific Transmission as provided for in Section 4.1.2 on an annual formulaic basis, including the Applicable Portion of Property Taxes directly attributable to the Citizens Entitlements to the Projects as allocated from PG&E to Citizens Pacific Transmission.

4.3.2 Capital Requirements. Citizens Pacific Transmission shall seek recovery for all costs associated with the Citizens Entitlements other than those described in Section 4.3.1 above at a fixed rate that is no higher than the approximate rate PG&E is projected, as of the

³ NTD: Update based on agreed upon Prepaid Rent for each Entitlements Lease.

Comparison Date, to recover over the lives of the Projects if PG&E held the Citizens Entitlements. This fixed rate is intended to cover all costs associated with the Citizens Entitlements (other than those costs described in Section 4.3.1 above), including Prepaid Rent and other costs of the Entitlements, debt service, capitalized interest, liquidity reserves, taxes (excluding the Applicable Portion of Property Taxes and the sales, use, payroll or excise taxes which are included in the Citizens Share of O&M Costs and the operating costs addressed by Section 4.3.1 above), and any and all other costs; provided, that Citizens Pacific Transmission will not seek from FERC a cost recovery methodology that provides cost recovery of any of its own or its affiliates': (i) project, development, transaction (other than Financing Costs that do not exceed 1% of the Prepaid Rent), regulatory, operating, maintenance, administrative and general costs, charges or expenses, (ii) sales, use, payroll or excise tax costs, (iii) billing and settlements costs, charges or expenses incurred in connection with CAISO, or (iv) financing costs, charges or expenses in excess of 1% of the Prepaid Rent. For purposes of determining the approximate rate PG&E is projected, as of the Comparison Date, to recover if PG&E held the Citizens Entitlements, the Parties agree to use the model attached hereto as Exhibit B.

(a) The model calculates a theoretical annual rate (for a [55]⁴-year depreciable life) that PG&E could recover at or within five (5) Business Days prior to the Commencement Date if PG&E held the Citizens Entitlements and then amortized that rate over a 30-year period on a level basis each year based on fixed and variable parameters set forth in the model to produce a theoretical levelized annual amount (the "PG&E Representative Rate"). The only variable parameters that shall be entered into the model to determine the PG&E Representative Rate are: (1) [the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [] basis points ([]%)],⁵ (2) the actual Costs of Entitlements (defined below), and (3) the portion of the actual Costs of Entitlements that is PG&E's actual AFUDC. The phrase "Costs of Entitlements" shall mean the sum of the Prepaid Rent and Financing Costs (defined below) incurred by Citizens Pacific Transmission allocated to the Citizens Entitlements. The phrase "Financing Costs" shall mean, with respect to the term financing that Citizens Pacific Transmission will consummate for the acquisition of its leasehold interest in the Citizens Entitlements, all reasonable and customary financing costs, including without limitation, lenders' fees, consultants' fees (for Citizens Pacific Transmission and its lenders), lawyers' fees (for Citizens Pacific Transmission and its lenders), and capitalized interest charged prior to commencement of rate recovery, and excluding any amounts set aside for reserve accounts; provided, that the Financing Costs included in the Costs of Entitlements shall not exceed one percent (1%) of the Prepaid Rent.

(b) The following parameters, among others, are constants in the model and shall not be reset at any time in determining the PG&E Representative Rate: (1) PG&E's return on common equity fixed at []%,⁶ (2) PG&E's return on preferred equity

⁴ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized depreciable life in a final and non-appealable FERC order, which is not subject to refund.

⁵ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

⁶ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on common equity in a final and non-appealable FERC order, which is not subject to refund.

fixed at [__%],⁷ and (3) PG&E's capital structure fixed at [__% equity, __% preferred equity, and __% debt]⁸. For purposes of explanation, the model also calculates the following parameters, among others, in determining the PG&E Representative Rate: (w) PG&E's federal income tax rate fixed at [21.00%] and state income tax rate fixed at [8.84%],⁹ [(x) PG&E's estimated debt rate for 30 years which is the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [__] basis points ([__]%)],¹⁰ (y) PG&E's weighted average cost of capital which is the weighted average (based on the PG&E fixed capital structure in clause (3) immediately above) of the PG&E return on equity in clauses (1) and (2) immediately above and the PG&E estimated debt rate in clause (x), and (z) the PG&E discount rate which is equal to the PG&E weighted average cost of capital in clause (y). The example attached hereto as part of Exhibit B sets forth the PG&E Representative Rate for a [five (5) day average Moody's Baa 30-year Utility Bond Index] equal to [X%], Costs of Entitlements equal to [\$202,000,000] and an AFUDC amount equal to [\$2,282,487.]¹¹

(c) At the time Citizens Pacific Transmission makes the compliance filing related to its application made on [DATE] in [FERC Docket No. ER__ - ____] seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 4.3.2 and conditionally accepted by FERC pursuant to an order issued on [DATE] in [FERC Dockets Nos. ER__ - ____ -000, ER__ - ____ -001 and EL__ - ____ -000,] Citizens Pacific Transmission shall demonstrate that its proposed rate methodology results in an annual fixed rate for recovery of the costs described in this Section 4.3.2 that is no greater than the PG&E Representative Rate.

(d) For purposes of determining whether Citizens Pacific Transmission has a fixed rate that is no higher than the approximate rate PG&E is projected to recover if PG&E held the Citizens Entitlements in compliance with this Section 4.3.2, as of or within five (5) Business Days prior to the Commencement Date (such date, the "Comparison Date"), the Parties shall compare the PG&E Representative Rate against Citizens Pacific Transmission's FERC-approved annual fixed rate for recovery of the costs described in this Section 4.3.2.

(e) In the event Citizens Pacific Transmission is not able to demonstrate to FERC that its fixed annual rate is no higher than the PG&E Representative Rate, then Citizens Pacific Transmission agrees to limit or cap its fixed annual rate before FERC such that its fixed annual rate shall be equal to the PG&E Representative Rate.

⁷ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on preferred equity in a final and non-appealable FERC order, which is not subject to refund.

⁸ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E capital structure in a final and non-appealable FERC order, which is not subject to refund.

⁹ NTD: Update at the time of Lease execution to reflect PG&E tax rate in effect at the time.

¹⁰ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

¹¹ NTD: Update based on Representative Rate Model to be attached at Lease execution.

4.3.3 Waiver of Section 205/206 Rights. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, to the fullest extent permitted by applicable law, Citizens Pacific Transmission, for itself and its successors and assigns, shall waive any rights it can or may have, now or in the future, whether under Sections 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and Citizens Pacific Transmission covenants and agrees not at any time to seek to so obtain, an order from FERC changing the FERC-approved fixed rate for recovery of the costs described in Section 4.3.2 above. For the avoidance of doubt, to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, Citizens Pacific Transmission may seek approval for inclusion in its rates of an allowance to recover any such new taxes, income taxes, Property Taxes, fees or other charges. PG&E acknowledges that among other things, Citizens Pacific Transmission will seek recovery of and PG&E will support Citizens Pacific Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Citizens Entitlements: (a) all Financing Costs that in the aggregate do not exceed one percent (1%) of Prepaid Rent, (b) all costs of abandoned facilities, provided such abandonment is due to factors beyond Citizens Pacific Transmission's control, and (c) all capital requirements as described in Section 4.3.2 above. PG&E shall fully support, through timely intervention and active participation in any proceeding relating to or affecting Citizens Pacific Transmission's rates, Citizens Pacific Transmission's recovery and implementation of rates conforming to the provisions of this Lease in accordance with Section 205 of the Federal Power Act and orders issued by FERC thereunder, in order that Citizens Pacific Transmission may acquire, finance, operate and maintain its leasehold interest in the Citizens Entitlements. PG&E's support shall include providing FERC with evidence (including affidavits and other customary documentation) that is requested by FERC, or reasonably requested by Citizens Pacific Transmission or other parties in such proceedings before FERC, to demonstrate that costs sought to be recovered by Citizens Pacific Transmission through its rates that were originally incurred by PG&E were prudently incurred.

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

ARTICLE V

MEETINGS; OTHER AGREEMENTS

5.1 Meetings.

Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Projects. Either Party may call a special meeting upon reasonable advance notice and in coordination with the other Party. For avoidance of doubt, PG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation and maintenance of the Projects; provided, however, that PG&E shall (i) provide Citizens Pacific Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Projects no less than once per year, and (ii) promptly inform Citizens Pacific Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Pacific Transmission or the Citizens Entitlements; provided, however, that all information obtained in connection with such meetings or this Section 5.1 shall be subject to the confidentiality provision in Section 13.2. Citizens Pacific Transmission shall provide PG&E with periodic reports regarding Citizens Pacific Transmission's activities associated with its leasehold interest in the Citizens Entitlements including Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

5.2 PG&E Covenants.

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

5.2.2 Inspections and Information Sharing. Upon reasonable prior notice and during regular business hours, and subject to the availability of PG&E personnel to escort Citizens Pacific Transmission personnel or representatives, PG&E shall allow Citizens Pacific Transmission at their own expense and risk reasonable access to conduct a visual inspection of the Project sites and provide other information related to the Projects as may be reasonably requested by Citizens Pacific Transmission, including:

- (a) Costing information to ensure that costs for the Projects are allocated to appropriate portions of the Projects and that PG&E keeps its accounts and provides sufficient information to Citizens Pacific Transmission to allow Citizens Pacific Transmission to review those allocations and accounts on an on-going basis;
- (b) Permitting information;
- (c) Plans, specifications, design, or maps of the Projects; and

(d) Contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of the Projects;

provided, however, that so long as there is no Event of Default and PG&E is not a Defaulting Party, only one such inspection will be permitted annually; provided, further, that all information obtained in connection with any such inspection or shared in accordance with this Section 5.2.2 shall be subject to the confidentiality provisions in Section 13.2. No inspection pursuant to this Section 5.2.2 shall interfere with the use, operation or maintenance of the Projects or the normal conduct of PG&E's business, and PG&E shall not be required to undertake or incur any additional liabilities in connection therewith.

5.3 Citizens Pacific Transmission Covenants.

5.3.1 Low Income Energy Programs. Citizens Pacific Transmission and PG&E have agreed that with respect to each calendar year during the Term that Citizens Pacific Transmission shall pay a portion of Citizens Pacific Transmission's net after-tax profits attributable to the Citizens Entitlements (as calculated before such payments are deducted from such profits as a business expense) to energy-related programs or entities assisting low-income persons in the PG&E service area. PG&E and Citizens Pacific Transmission shall coordinate with each other to ensure that Citizens Pacific Transmission's funding under this Section 5.3.1 is complementary and not duplicative of PG&E's activities; provided, that Citizens Pacific Transmission shall have ultimate decision-making authority with respect to the allocation and distribution of such funding. To implement this agreement, with respect to each calendar year during the Term, Citizens Pacific Transmission shall pay, by no later than April 30 of the following calendar year, to energy-related programs or entities assisting low income persons in the PG&E service area an amount (the "Minimum Annual Low-Income Contributions") equal to at least [____ percent (____%)]¹² of Citizens Pacific Transmission's Net After-Tax Cash Flow for such year (exclusive of the proceeds of indebtedness, but without deducting payments required under this Section 5.3.1). If Citizens Pacific Transmission has not finally determined its Net After-Tax Cash Flow for a calendar year during the Term by April 30 of the following calendar year, then Citizens Pacific Transmission shall make a good faith estimate of such Net After-Tax Cash Flow for purposes of making the payment required by the previous sentence and the amount of such payment shall be trued up by Citizens Pacific Transmission based on its final determination of such Net After-Tax Cash Flow for the applicable calendar year by no later than the date that is one hundred eighty (180) days after it has finally determined such Net After-Tax Cash Flow for the applicable calendar year. Each year as part of its annual reporting under Section 5.1, Citizens Pacific Transmission shall provide to PG&E a certificate from an officer of Citizens Pacific Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Pacific Transmission shall be deemed to be treated as a

¹² NTD: This percentage to be calculated (and inserted) pursuant to the rule below based on the cumulative prepaid rent paid by Citizens Energy (or its affiliates) across all of the Leases outstanding as of the Effective Date hereof. Rule: (i) 50% with respect to the first \$200 million tranche of prepaid rent, (ii) 60% with respect to the second \$200 million tranche of prepaid rent, (iii) 70% with respect to the third \$200 million tranche of prepaid rent, (iv) 80% with respect to the fourth \$200 million tranche of prepaid rent, and (v) 90% with respect to the fifth \$200 million tranche of prepaid rent.

corporation for tax purposes. For purposes of this Section 5.3.1, the following terms shall have the following meanings:

(a) “Net After-Tax Cash Flow” means, for any calendar year, the excess, if any, of (i) all Revenues received by Citizens Pacific Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Pacific Transmission with respect to such year, and (B) all interest, principal, fees, premiums and make-whole amounts paid (excluding therefrom any such amounts to the extent paid with funds on deposit in reserve accounts), and amounts used to fund cash reserves (excluding therefrom any amounts used to fund cash reserves for payments required (or expected to be required) under this Section 5.3.1), in each case with respect to such year by Citizens Pacific Transmission with respect to its indebtedness, in all cases, to the extent associated with the Citizens Entitlements.

(b) “Expenses” means the sum, computed without duplication, of all cash operating and maintenance expenses and capital expenditures of Citizens Pacific Transmission, and required reserves in respect of any such expenses, in all cases, associated with the Citizens Entitlements, including (without duplication) (i) all amounts paid by Citizens Pacific Transmission under this Lease (other than the Prepaid Rent) plus (ii) all costs described in Section 4.3.1 plus (iii) all federal, state and local income taxes that would be payable by Citizens Pacific Transmission if Citizens Pacific Transmission were treated as a corporation for tax purposes plus (iv) any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority described in Section 4.3.3 paid by Citizens Pacific Transmission plus (v) all administration, regulatory and operating costs incurred by Citizens Pacific Transmission, plus (vi) the applicable amortized portion of all project, development, regulatory and transactional costs and Financing Costs incurred by Citizens Pacific Transmission prior to the date of this Lease. Notwithstanding the foregoing, Expenses shall not include (A) any of the foregoing expenses to the extent paid with funds on deposit in reserve accounts, (B) distributions of any kind by Citizens Pacific Transmission made with respect to its equity interests held by any of its affiliates, (C) depreciation or obsolescence charges or reserves therefor, amortization of intangibles, or other bookkeeping entries of a similar non-cash nature, (D) expenses covered by the proceeds of insurance that are not included in the definition of Revenues below or (E) payments required by this Section 5.3.1.

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

5.3.2 Information Sharing. Upon reasonable notice, Citizens Pacific Transmission shall provide information related to the Projects as may be reasonably requested by

PG&E including but not limited to information regarding Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 that the CPUC requires PG&E to report to the CPUC. In connection with PG&E's reporting obligations to the CPUC as of the Effective Date, Citizens Pacific Transmission shall annually deliver to PG&E a written description that the Parties acknowledge may be delivered by PG&E to the CPUC that identifies (1) the entities, and (2) the actions or activities that Citizens Pacific Transmission has funded, in each case, in connection with its performance of its obligations under Section 5.3.1.

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

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default.

An "Event of Default" shall mean, with respect to either Party (a "Defaulting Party"), the occurrence of any of the following:

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

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

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

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

6.1.5 Bankruptcy. Such Party (a) commences any case, proceeding, or other action under any bankruptcy or insolvency law, seeking (i) to have an order for relief entered with respect to it, (ii) to adjudicate it as bankrupt or insolvent, (iii) reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (iv) appointment of a receiver, trustee, custodian, conservator, or other similar official for it or for all or any substantial part of its assets, (b) makes a general assignment for the benefit of its creditors, (c) has commenced against it in a court of competent jurisdiction any

case, proceeding, or other action of a nature referred to in clause (a) above which (x) results in the entry of an order for relief or any such adjudication or appointment or (y) remains undismissed, undischarged, unstayed, or unbonded for sixty (60) days, or (d) is generally not, or is unable to, or admits in writing its inability to, pay its debts as they become due.

6.2 Remedies.

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

6.3 Limitation on Liability.

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

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

7.1 PG&E.

As of the Effective Date, PG&E represents and warrants as follows:

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

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

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

7.2 Citizens Pacific Transmission.

As of the Effective Date, Citizens Pacific Transmission represents and warrants as follows:

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

7.2.2 Execution, Delivery and Enforceability. Citizens Pacific Transmission has full company power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Pacific Transmission of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary company action required on the part of Citizens Pacific Transmission. This Lease has been duly and validly executed and delivered by Citizens Pacific Transmission and constitutes the valid and legally binding obligations of Citizens Pacific Transmission, enforceable against

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

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

7.2.4 No Objection to Current Design. Citizens Pacific Transmission has no objection to the proposed schedule, plans, specifications, and design of the Projects as described in Exhibit A.

ARTICLE VIII

TAXES AND ASSESSMENTS

8.1 Property Taxes.

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

8.2 Section 467 Rental Agreement.

It is the intention of the Parties that (i) this Lease constitute a "Section 467 rental agreement" within the meaning of Section 467(d)(1) of the U.S. Internal Revenue Code and (ii) that prepaid rent accrue for U.S. tax purposes in accordance with Section 467(b)(1) of the U.S. Internal Revenue Code, and the provisions of this Lease shall to the fullest extent feasible be construed consistent with such intention. Attached as Exhibit C is a schedule allocating the Prepaid Rent over the Term, and as shown on such schedule, the Parties shall treat items of income and expense in a reciprocal manner. The Parties shall report the Prepaid Rent as accruing for tax purposes semi-annually in arrears. The Parties shall treat the Prepaid Rent to the

extent it exceeds the rent that has accrued as a loan by Citizens Pacific Transmission to PG&E that bears interest at a rate equal to 110% of the “applicable Federal rate” as required by Section 467(e)(4) of the U.S. Internal Revenue Code.

8.3 Additional Rent.

Additional Rent as defined in Section 4.1.2, once paid to PG&E, reimburses costs PG&E incurred on behalf of Citizens Pacific Transmission and is treated by PG&E as reimbursement of costs for tax purposes.

8.4 Tax Benefits. As between PG&E and Citizens Pacific Transmission, PG&E shall be solely entitled to enjoy all and any tax credits or benefits, including bonus tax depreciation deductions, derived from or related to the ownership of the Projects (notwithstanding Citizens Pacific Transmission’s leasehold interest in the Citizens Entitlements hereunder). Notwithstanding anything to the contrary herein, Citizens Pacific Transmission shall have no rights to any tax credits or benefits derived from or related to the ownership of the Projects.

ARTICLE IX

INSURANCE; INDEMNITY

9.1 Insurance.

9.1.1 Insurance; Additional Insureds. PG&E shall insure the Projects in accordance with its standard practices with respect to transmission projects. All insurance that PG&E may obtain for the Projects from time to time (except with regard to professional liability, workers’ compensation and employer’s liability) shall, with respect to third-party liability insurance, include as additional insureds (i) Citizens Pacific Transmission and its subsidiary and affiliated companies with a direct financial interest in the leased Entitlements, except where such subsidiary or affiliated entity is entitled to indemnification from Citizens Pacific Transmission, and (ii) the Citizens Pacific Transmission directors and officers (or their functional equivalent), except where such individual is entitled to indemnification from Citizens Pacific Transmission, as additional insureds (the “Additional Insureds”), in the case of each of clauses (i) and (ii) until the fifth (5th) anniversary of the expiration or earlier termination of this Lease. Each policy for such insurance shall provide that the insurance provided to such Additional Insureds is primary and non-contributory, such that no other insurance or self-insured retention carried or held by Citizens Pacific Transmission shall be called upon to contribute to a loss covered by insurance for the named insured. Upon Citizens Pacific Transmission’s written request, PG&E shall, within ten (10) Business Days, provide certificates of insurance showing the Additional Insureds as additional insureds in accordance with the requirements of this Section 9.1.1 and true and complete copies of the applicable additional insured endorsements.

9.1.2 Waiver of Right to Recovery Including Subrogation. PG&E hereby waives all its rights of recovery, under subrogation or otherwise, against Citizens Pacific Transmission, its officers, agents and employees, and all tiers of contractors, vendors and suppliers engaged directly by Citizens Pacific Transmission with respect to the Projects and the Citizens Entitlements, to the extent covered by insurance provided by PG&E and its contractors

and subcontractors of whatever tier, and further waives all rights of recovery which are not covered by insurance because of deductible or self-insurance obligations relating to such insurance. These waivers do not apply to PG&E's rights of recovery against its own contractors, subcontractors, vendors and suppliers of whatever tier. PG&E will use commercially reasonable efforts to require all tiers of its contractors, subcontractors, vendors and suppliers, by appropriate written agreements, to provide similar waivers each in favor of all parties enumerated in this paragraph. To the fullest extent permitted by law, PG&E will require all of its insurance policies to include clauses stating each insurer will waive all rights of recovery consistent with this paragraph. All waivers provided herein shall be effective as to any individual or entity (a) even if such individual or entity (i) would otherwise have a duty of indemnification, contractual or otherwise, and (ii) did not pay the insurance premium directly or indirectly, and (b) whether or not such individual or entity has an insurable interest in any property damaged.

9.1.3 Survival. This Section 9.1 shall survive the expiration or earlier termination of this Lease until the fifth (5th) anniversary thereof.

9.2 Indemnity. Except as provided in Section 6.3 and Section 9.3, PG&E shall be responsible for, and shall indemnify Citizens Pacific Transmission and its officers, employees, representatives, advisors, contractors and agents ("Indemnitees") from and against, all liability and expense on account of any and all damages, claims or actions (including injury to or death of persons or damage to property arising from any act or failure to act), by PG&E, its officers, employees, representatives, advisors, contractors or agents, whether by negligence or otherwise, arising out of or pertinent to the operation, maintenance, upgrades, replacement, repair, malfunction or defect of or in the Projects (including, without limitation, any fire, blackout or brownout caused by, resulting from, or exacerbated or perpetuated (in whole or in part) by the Projects). The indemnification provisions set forth in this Section 9.2 shall apply to all types of claims or actions including, but not limited to, claims or actions based on contract, tort, patent or trademark. The provisions of this Section 9.2 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of its insurance policies.

9.3 Indemnification Limitations.

9.3.1 Insurance Proceeds. The gross amount that PG&E is liable to, for, or on behalf of an Indemnatee shall be reduced by any insurance proceeds received by or on behalf of the Indemnatee in respect of the damage, claim, or action giving rise to an indemnity obligation hereunder.

9.3.2 Indemnatee Gross Negligence or Willful Misconduct.

PG&E shall not be liable to any Indemnatee for any liability, loss, claim, damage, cost or expense to the extent caused by or arising as a result of the gross negligence or willful misconduct of such Indemnatee, and Citizens Pacific Transmission agrees to indemnify, defend and hold harmless PG&E and its successors, assigns, officers, employees, representatives, advisors, contractors and agents from any liability, loss, claim, damage, cost or expense suffered or incurred by PG&E by reason of the gross negligence or willful misconduct of Citizens Pacific Transmission, its officers, employees, representatives, advisors, contractors or agents.

ARTICLE X

CASUALTY; CONDEMNATION; FORCE MAJEURE

10.1 Condemnation.

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

10.2 Casualty.

In the event of a casualty affecting any of the Projects, PG&E shall seek to restore service on such Project consistent with its general practices applicable to its transmission system.

10.3 Force Majeure.

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

ARTICLE XI

ASSIGNMENT AND SUBLETTING

11.1 No Sublet.

Citizens Pacific Transmission shall not sublet all or any portion of the Citizens Entitlements.

11.2 Assignment.

Neither Party shall assign this Lease without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, delayed or withheld; provided, that no such consent shall be required for (i) subject to Section 11.3, a collateral assignment of, or creation of a security interest in, this Lease in connection with any financing or refinancing of the Projects or the Rent due hereunder, or (ii) in the case of PG&E, an assignment in connection with the merger of PG&E with, or the acquisition of substantially all of the transmission assets of PG&E. Any assignee shall have an equal or greater credit rating as PG&E and the legal

authority and operational ability to satisfy the obligations of PG&E hereunder. For the avoidance of doubt, any assignment by Citizens Pacific Transmission shall also require any third party assignee to continue to make contributions in accordance with Section 5.3.1 of this Lease[; provided, that following any assignment of the Lease (including a deemed assignment pursuant to the immediately following sentence) in foreclosure, or through a sale or other transfer in lieu of foreclosure, the Minimum Annual Low-Income Contributions shall not be required to exceed fifty percent (50%) of the applicable Net After-Tax Cash Flow].¹³ For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of any Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of such Party) where the fair market value of such Party's interest in the Projects is greater than thirty percent (30%) of the fair market value of the assets of such Party or such parent entity to a person that is not an affiliate of such Party shall also constitute an assignment of this Lease requiring the other Party's prior written consent.

11.3 Form of Collateral Assignment.

In connection with any financing or refinancing of the Citizens Entitlements, Citizens Pacific Transmission and PG&E shall, and Citizens Pacific Transmission shall cause each lender to, enter into a consent to collateral assignment (a "Collateral Assignment") in the form of Exhibit D attached hereto. Each Party agrees to reasonably cooperate with each other in connection with any request for a Collateral Assignment and to provide any information reasonably requested by the other Party.

11.4 Right of First Refusal.

Except in connection with (i) a collateral assignment under clause (i) of Section 11.2 above or (ii) any foreclosure sale or deed in lieu of foreclosure in connection with the exercise of remedies under such collateral assignment, PG&E shall have the right of first refusal with respect to any proposed assignment by Citizens Pacific Transmission of all or any portion of its interest in this Lease. In the event Citizens Pacific Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Pacific Transmission in this Lease that Citizens Pacific Transmission is considering to accept, Citizens Pacific Transmission shall provide PG&E with a copy of the bona fide third party purchase offer within five (5) Business Days following receipt thereof. For a period of ninety (90) days following PG&E's receipt of the bona fide third party purchase offer, PG&E shall have the right to purchase such interest as set forth in the offer on the same terms and conditions set forth in such offer (excluding the required commitment to continue making the contributions in accordance with Section 5.3.1 of this Lease) and to conduct due diligence regarding the contemplated purchase. In the event that PG&E elects to exercise its right, PG&E and Citizens Pacific Transmission shall close the purchase and sale of the interest in this Lease upon such terms and conditions. In the event that PG&E elects not to exercise its right and subject to PG&E's prior written consent under Section 11.2 above, Citizens Pacific Transmission shall be free to sell such interest to the third party that made the offer on terms and conditions no less favorable to Citizens Pacific Transmission than those contained in the offer. In the event that

¹³ NTD: Bracketed proviso to be included in Leases that otherwise require Minimum Annual Low-Income Contributions to exceed fifty percent (50%) of applicable Net After-Tax Cash Flow.

such sale is not consummated within 12 months following PG&E's failure to exercise this right of first refusal, then PG&E's right of first refusal shall be revived with respect to such sale. In the event that there is a material revision in any offer in favor of any prospective purchaser, then PG&E's right of first refusal shall be revived so that PG&E again has the right of first refusal to purchase the interest in this Lease on the revised terms.

ARTICLE XII

DISPUTE RESOLUTION

12.1 Intent of the Parties.

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

12.2 Management Negotiations.

The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Lease or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five (5) Business Days after such referral date (the "Referral Date"), each Party shall provide one another Notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five (5) Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty (30) days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of such Referral Date, or if either Party refuses or does not meet within the thirty (30) day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

12.3 Arbitration.

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

(a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty (60) days after Notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen (15) days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 12.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten years experience in the field of the dispute.

(b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty (30) days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two requests for production of documents prior to the commencement of the hearing. Depositions shall be limited to a maximum of three per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than 25 interrogatories (including subparts), upon good cause shown.

(c) The arbitrator's award shall be made within nine months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty (30) days by agreement of the Parties or by the arbitrator, if necessary.

(d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

(e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.

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

12.4 Enforcement of Award.

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

12.5 Performance during Arbitration.

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

ARTICLE XIII

MISCELLANEOUS

13.1 Notices.

Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or e-mail (if e-mail addresses are identified below or by subsequent notice) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two (2) Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three (3) Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. A Party may change its address for notices by providing notice of the same in accordance with this Section 13.1.

If to PG&E:
Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: Michael Medeiros

Email: mjml@pge.com

With a copy to:

Jenner & Block LLP

1155 Avenue of the Americas

New York, NY 10036

Attention: Raunaq Kohli, Counsel to Pacific Gas and Electric Company

Fax: 212-891-1699

Email: rkohli@jenner.com

If to Citizens Pacific Transmission:

Citizens Pacific Transmission LLC

2 Seaport Lane, Suite 5C

Boston, MA 02210

Attention: Chief Executive Officer

Email: psmith@citizensenergy.com

With copies to:

Duncan & Allen LLP

1730 Rhode Island Avenue, N.W., Suite 700

Washington, D.C., 20036

Attention: Counsel to Citizens Energy Corporation

Email: amb@duncanallen.com

and

Hemenway & Barnes

60 State Street

Boston Massachusetts 02109-1899.

Attention: Stephen Kidder

Email: skidder@hembar.com

13.2 Confidentiality.

During the Term and for a period of three (3) years after the expiration or termination of this Lease, the Parties shall keep confidential any information relating to the Projects or obtained in connection with this Lease (such information, “Confidential Information”), and shall refrain from using, publishing or revealing such Confidential Information without the prior written consent of the Party whose Confidential Information the disclosing Party is seeking to disclose, unless (a) such Confidential Information is disclosed to its affiliates, legal advisors, auditors and/or Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) the disclosing Party is compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (c) such Confidential Information is generally available to the public; (d) such Confidential Information was available to the disclosing Party on a non-confidential basis from a third party, provided that the disclosing Party does not know,

and, by reasonable effort, could not know that such third party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such Confidential Information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

13.3 Public Relations.

The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding this Lease or Citizens Pacific Transmission's participation in the Projects.

13.4 Governing Law.

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

13.5 No Amendments or Modifications.

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

13.6 Further Assurances.

Citizens Pacific Transmission agrees, at PG&E's cost and expense, to promptly and duly execute and deliver to PG&E such further documents and agreements and take such further actions as PG&E may from time to time reasonably request in order to more effectively carry out the intent and purposes of this Lease, including the execution and delivery of supplements and/or amendments to any exhibit, appendix or other attachments to the Lease relating to upgrades, replacements, renewals and/or adjustments in Percentage Interests.

13.7 Delay and Waiver.

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

13.8 Entirety; Conflicts.

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

13.9 Relationship of the Parties.

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

13.10 Good Faith.

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

13.11 Successors and Assigns.

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

13.12 Third Parties.

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

13.13 Headings.

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

13.14 Construction of Lease.

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

13.15 Counterparts; Electronic Execution.

This Lease may be executed in one or more counterparts, each of which shall be deemed an original. Receipt by facsimile or electronic transmission (including PDF) of any executed

signature page to this Lease shall constitute effective delivery of such signature page (upon its release from escrow, if applicable).

[Signature page follows]

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

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Name:
Title:

CITIZENS PACIFIC TRANSMISSION:

CITIZENS PACIFIC TRANSMISSION LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Exhibit A
Project List
(attached)¹⁴

¹⁴ NTD: The final project list as of the Effective Date will be attached to this Lease.

Exhibit B

Model for PG&E Representative Rate

(attached)¹⁵

¹⁵ NTD: The final model as of the Effective Date will be populated with inputs determined in accordance with Section 4.3.2. The model template for the PG&E Representative Rate, and the example PG&E Representative Rate as of the date of execution of the DCOA, is set forth in the file titled “PG&E Representative Rate Model.xlsx”.

Exhibit C

Accrual of Prepaid Rent

(attached)¹⁶

¹⁶ NTD: The final table as of the Effective Date will be populated with the actual Prepaid Rent and AFR which will be known at the time of execution. The model template is set forth in the file titled “Citizens_Section 467 Lease Schedule 02-01-2024 Feb AFR.xlsx”.

Exhibit D

Form of Collateral Assignment

(attached)

Form of Collateral Assignment

CONSENT AND AGREEMENT

This CONSENT AND AGREEMENT ("Consent") is entered into as of [____], 20[____] among Pacific Gas and Electric Company ("PG&E"), Citizens Pacific Transmission LLC, a limited liability company duly organized and validly existing under the laws of the State of Delaware (the "Assignor"), and [____], in its capacity as collateral agent under the [Security Document] referred to below (the "Assignee").

RECITALS

WHEREAS, the Assignor is a party to a [Note Purchase Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the ["Note Purchase Agreement"])] with the Purchasers referred to therein];

WHEREAS, the Assignor, the Purchasers, the Assignee (together with the Purchasers, the "Secured Parties"), and [____], in its capacity as the Depositary Bank, are parties to the [Collateral Agency and Security Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the "Security Document")];

WHEREAS, PG&E and the Assignor entered into that certain [First/Second/Third/Fourth/Fifth] Entitlements Lease dated as of [the date hereof] (as amended, supplemented or modified and in effect from time to time, the "Assigned Agreement") in order for PG&E to lease to the Assignor certain entitlements in certain transmission facilities, upgrades, rebuilds and/or expansions, as further specified therein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized term used but not defined herein shall have the meaning specified for such term in the Assigned Agreement.

2. Consent and Agreement.

2.1 Consent to Assignment.

(a) Under the terms and conditions set forth in this Consent, PG&E hereby consents to (i) the collateral assignment by the Assignor of all its right, title and interest in, to and under the Assigned Agreement to the Assignee, as collateral security for the obligations as and to the extent provided in the Security Document, and (ii) the collateral assignment by the Assignor to any transferee or assignee of, or successor to, the Assignee (provided that any transferee or nominee is a Qualified Transferee). "Qualified Transferee" shall mean any transferee or assignee of, or successor to, the Assignee that (A) has the same financial capability to perform under the

Assigned Agreement as the Assignor has on the date hereof (taking into account the fact that such transferee or nominee may be, like the Assignor, a special purpose vehicle whose sole asset is or will be the Assigned Agreement), in each case as reasonably determined by PG&E, and (B) is not (1) listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the United States Department of the Treasury pursuant to any authorizing statute, Executive Order or regulation or (2) either (x) included within the term 'designated national' as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (y) designated under Sections 1(a), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders (clauses (1) and (2) together, a "Sanctioned Person").

(b) The Assignor agrees that it shall remain liable to PG&E for all obligations of the Assignor under the Assigned Agreement, notwithstanding the collateral assignment contemplated in the Security Document.

(c) If the Assignee elects to exercise its remedies under the Security Document to foreclose on its lien in the Assigned Agreement, the Assignee shall notify PG&E pursuant to Section 5.6 of this Consent. Upon completion of such foreclosure, and provided that (x) any and all regulatory approvals required for such exercise of remedies have been received and (y) the Assignee is not a Sanctioned Person, the Assignee (or its permitted assignee or transferee or successor thereof) (i) shall be entitled to all of the benefits of the Assigned Agreement, (ii) shall assume in writing and be liable for each and every duty, obligation and liability of the Assignor under the Assigned Agreement, including but not limited to the duties and obligations that arose or accrued prior to the date of execution of this Consent, and (iii) shall cure or cause to be cured any and all Events of Default by the Assignor that then exist as of the date of the assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof) except for any such Events of Default that, by their nature, are not capable of being cured by Assignee (or its permitted assignee or transferee or successor thereof); provided, that PG&E's sole remedies for the Assignee's failure to cure or cause to be cured such Events of Default shall be PG&E's remedies under the Assigned Agreement for such Events of Default and the enforcement of its rights under this Consent. Except as otherwise set forth in the immediately preceding sentence, none of the Secured Parties shall be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, and the assignment of the Assigned Agreement by the Assignor to the Assignee for the benefit of the Secured Parties pursuant to the Security Document, shall not give rise to any duties or obligations whatsoever on the part of the Secured Parties owing to PG&E until assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof).

2.2 No Material Amendments. PG&E and the Assignor will not enter into any amendment, supplement or other modification of the Assigned Agreement (an "Amendment") without the consent of the Assignee, unless such Amendment could not reasonably be expected to result in a Material Adverse Effect (as defined in the Note Purchase Agreement); provided, that any Amendment with respect to Section 2.1, 2.2,

4.1.1, 6.1.4, 6.1.5 or 11.2, or Article IX, of the Assigned Agreement shall require the consent of the Assignee. PG&E and the Assignor shall provide the Assignee with a written proposal (an “Amendment Proposal”) for any Amendment requiring the consent of the Assignee pursuant to the preceding sentence, and the Assignee shall provide its written consent or objection to such Amendment within ten (10) Business Days of its receipt of such Amendment Proposal. If the Assignee fails to object in writing to an Amendment within ten (10) Business Days of its receipt of the applicable Amendment Proposal and provided that the Assignee is not diligently negotiating the terms of such Amendment with PG&E and the Assignor, the Assignee shall be deemed to have consented to such Amendment.

2.3 Notices of Default and Right to Cure.

(a) PG&E shall deliver to the Assignee at the address set forth on the signature pages hereof, or at such other address as the Assignee may designate in writing from time to time to PG&E, concurrently with the delivery thereof to the Assignor, a copy of each notice of default under the Assigned Agreement. Notwithstanding anything to the contrary contained in the Assigned Agreement, such notice shall be coupled with an opportunity to cure any such default within sixty (60) days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to such default (except with respect to payment defaults, which cure must be made within ten (10) Business Days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to payment defaults), such cure period to commence upon receipt of notice by the Assignee. If possession of the Citizens Entitlements is necessary to cure any Event of Default by the Assignor under the Assigned Agreement, and the Assignee commences foreclosure proceedings against the Assignor, the Assignee will be allowed an additional sixty (60) days to complete such proceedings. In order for the Assignee to cure a default under Section 6.1.5 of the Assigned Agreement, the Assignee shall secure, as soon as reasonably practical after such default, an order from the court (the “Bankruptcy Court”) administering the proceeding under which the Assignor is a debtor in a proceeding under Title 11 of the United States Code, as amended (the “Bankruptcy Code”) in a form reasonably acceptable to PG&E which authorizes (i) the Assignor to pledge collateral to secure the Assignor’s obligations under the Assigned Agreement (whether by the maintenance or provision of a letter of credit or otherwise) whether such obligations arose prior to or following the default under Section 6.1.5 of the Assigned Agreement, (ii) PG&E to terminate the Assigned Agreement upon a subsequent default and expiration of cure periods described herein with respect to the Assignor (including, without limitation, the conversion of a case under Chapter 11 of the Bankruptcy Code to a case under Chapter 7 of the Bankruptcy Code), and to exercise rights of netting or setoff of obligations upon such termination, in each case without regard to Section 362 of the Bankruptcy Code and without regard to whether the amounts to be netted or setoff were incurred pre-petition or post-petition, (iii) that the rights of PG&E specified in the foregoing clause (ii) not be subject to being modified, stayed, avoided or otherwise limited by any further order of the Bankruptcy Court or any court proceeding under the Bankruptcy Code, and (iv) the assumption by Assignor of the Assigned Agreement (a “Bankruptcy Order”).

(b) Except to the extent that automatic cancellation, suspension or termination occurs pursuant to the Assigned Agreement, no cancellation, suspension or termination of the Assigned Agreement by PG&E, shall be binding upon the Assignee without such notice and the opportunity to cure during the applicable extended cure periods specified in this Section 2.3. If the Assignee fails to fully cure the effect of a default within the extended cure periods specified in this Section 2.3, PG&E shall have all its rights and remedies with respect to such default set forth in the Assigned Agreement.

2.4 Replacement Agreement. In the event that (a) the Assigned Agreement is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding involving the Assignor or (b) the Assigned Agreement is terminated as a result of any bankruptcy or insolvency proceeding involving the Assignor and, if within 60 days after such rejection or termination, the Assignee or its designated Qualified Transferee shall so request and shall certify in writing to PG&E that (i) it or such Qualified Transferee intends to perform the obligations of the Assignor as and to the extent required under the rejected or terminated Assigned Agreement and (ii) it or such Qualified Transferee is not a Sanctioned Person, PG&E will, subject to receipt of any and all regulatory approvals required for the new Assigned Agreement by the parties hereto, execute and deliver to the Assignee or such Qualified Transferee a new Assigned Agreement which shall be for the balance of the remaining term under the original Assigned Agreement before giving effect to such rejection or termination and shall contain the same conditions, agreements, terms, provisions and limitations as the original Assigned Agreement (except for any requirements which have been fulfilled by the Assignor and PG&E prior to such rejection or termination). References in this Consent to the "Assigned Agreement" shall be deemed also to refer to such new Assigned Agreement.

2.5 Payments to Designated Account. The Assignor and PG&E acknowledge and agree that all payments to be made by PG&E to the Assignor (if any) under the Assigned Agreement shall be made in lawful money of the United States of America in immediately available funds, to the following account:

Bank:	<input type="text"/>
ABA:	<input type="text"/>
A/C Name:	<input type="text"/>
A/C No.:	<input type="text"/>
Ref:	<input type="text"/>
Attn:	<input type="text"/>

or to such other person or entity and/or at such other address as the Assignee may from time to time specify in writing to PG&E. In making such payments, PG&E shall be entitled to rely conclusively on instructions that it may receive from time to time from the Assignee without any duty to make inquiry into the authority of the Assignee to give such instructions or the authenticity of any signatures placed upon such instructions.

3. Representations and Warranties. PG&E hereby represents and warrants to the Assignee that, as of the date of this Consent:

3.1 The execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been duly authorized by all necessary corporate action, and do not and will not violate any provision of any law, regulation, order, judgment, injunction, consent, approval or similar matters or breach any material agreement presently in effect with respect to or binding upon PG&E.

3.2 All government approvals necessary for the execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been obtained and are in full force and effect.

3.3 This Consent and the Assigned Agreement have been duly executed and constitute legal, valid and binding obligations of PG&E, enforceable against it in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights generally or by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, or by principles of public policy.

3.4 To the knowledge of PG&E, the Assignor is not in default under any material covenant or obligation under the Assigned Agreement, and no events have occurred that, with the giving of notice or the passage of time, would constitute a default by the Assignor under the Assigned Agreement, and the Assigned Agreement is in full force and effect and has not been amended.

3.5 Except as may be set forth in the reports of PG&E filed with the U.S. Securities and Exchange Commission, there is not pending or, to the knowledge of PG&E, threatened against PG&E or any of its affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under the Assigned Agreement or this Consent.

4. Damages Limitation. **NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY UNDER THIS CONSENT FOR ANY CONSEQUENTIAL, EXEMPLARY, PUNITIVE, REMOTE, OR SPECULATIVE DAMAGES OR LOST PROFITS.**

5. Miscellaneous.

5.1 This Consent shall be binding upon the successors and permitted assigns of each party and shall inure, together with the rights and remedies of the Assignee hereunder, to the benefit of the successors and permitted assigns of the parties hereto, including the Secured Parties and their respective permitted successors, transferees and assigns.

5.2 No amendment or waiver of any provisions of this Consent or consent to any departure by any party hereto from any provisions of this Consent shall in any event be effective unless the same shall be in writing and signed by the Assignee and PG&E.

5.3 This Consent shall be governed by, and construed under, the laws of the State of California applicable to contracts made and to be performed in such State and without reference to conflicts of laws. The parties hereto agree that any legal action or proceeding arising out of this Consent may be brought in the courts of the State of California, in and for the County of Alameda, or of the United States of America for the Northern District of California. By execution and delivery of this Consent, the parties hereto accept, for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. The parties hereto irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, to the Assignee, PG&E and the Assignor, as the case may be, at their respective addresses for notices as specified herein and that such service shall be effective five (5) Business Days after such mailing. Nothing herein shall affect the right to serve process in any other manner permitted by law or the right of the Assignee or PG&E to bring legal action or proceedings in any other competent jurisdiction. The parties hereto hereby waive any right to stay or dismiss any action or proceeding under or in connection with any or all of this Consent or the transactions contemplated hereby brought before the foregoing courts on the basis of *forum non-conveniens*.

5.4 EACH OF PG&E, THE ASSIGNEE AND THE ASSIGNOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS CONSENT AND AGREEMENT.

5.5 This Consent may be executed in one or more counterparts with the same effect as if such signatures were upon the same instrument. This Consent may be delivered by facsimile transmission.

5.6 All notices to be given under this Consent shall be in writing and shall be delivered personally, sent by certified mail return receipt requested or registered first-class mail, postage prepaid, or sent by electronic mail, or courier to the intended recipient at its address as set forth on the signature pages below, and except as otherwise provided in Section 2.5, all payments to be made under this Consent shall be made by wire transfer of immediately available funds or check representing immediately collectible funds to the account or address of the intended recipient as set forth on the signature pages hereto, unless the recipient has given notice of another address or account for receipt of notices or payments.

5.7 This Consent shall terminate in its entirety upon the indefeasible payment in full in cash of all obligations of the Assignor under the [Note Purchase Agreement]. The Assignee agrees to give prompt written notice to the Assignor and PG&E of the occurrence of such event.

5.8 The captions or headings at the beginning of each Section of this Consent are for convenience only and are not a part of this Consent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of PG&E, the Assignee and the Assignor has duly executed this Consent and Agreement as of the date first above written.

PACIFIC GAS AND ELECTRIC
COMPANY

By: _____
Name:
Title:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

with copies to:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

and

Jenner & Block LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Raunaq Kohli, Counsel to Pacific
Gas and Electric Company
Email: rkohli@jenner.com

CITIZENS PACIFIC TRANSMISSION
LLC

By: _____

Name:

Title:

Citizens Pacific Transmission LLC
2 Seaport Lane, Suite 5C
Boston, MA 02210
Attention: Chief Executive Officer
Email: psmith@citizensenergy.com

with copies to:

Duncan & Allen LLP
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C. 20036
Attention: Counsel to Citizens Energy
Corporation
Email: amb@duncanallen.com

and

Hemenway & Barnes
75 State Street
Boston, Massachusetts 02109-1899
Attention: Stephen Kidder
Email: skidder@hembar.com

[]

By: _____

Name:

Title:

[]

[]

[]

Attn: []

Email: []

Exhibit B

OPTION PERIOD 1 INVESTMENT TRANCHE

(attached)

Option Period 1 Investment Tranche¹

	Project Name	Estimated Project Cost	Estimated Citizens Percentage Interest ²	Estimated Project Rent
1	Rio Oso: Install 230kV MPAC (Modular Protection, Automation, and Control building)	\$26,007,302.20	45.309%	\$11,783,660.07
2	Rio Oso: Installed 230kV BAAH/GIS	\$100,002,565.00	45.309%	\$45,310,206.47
3	Gates: 500kV T-Line	\$29,458,986.90	45.309%	\$13,347,585.42
4	Gates: 500kV Dynamic Voltage Support	\$38,281,171.10	45.309%	\$17,344,832.77
5	Monta Vista: Install 230kV MPAC	\$24,742,308.90	45.309%	\$11,210,503.70
6	Table Mountain: Modify 500kV Series Caps 1&2	\$56,930,705.20	45.309%	\$25,794,758.44
7	Arco 230kV Control Building NU	\$14,438,115.20	45.309%	\$6,541,772.01
8	Tesla 500kV: Replace CB 542 and CB 642	\$9,906,525.60	45.309%	\$4,488,552.07
9	Q1277 Tesla Substation RNU (Reliability Network Upgrade)	\$6,198,760.60	45.309%	\$2,808,599.19

Estimated Total Project Rent: \$138,630,470.14

¹ Subject to adjustment by PG&E pursuant to Section 3.4(d).

² Not to be greater than 49.9% for any Project.

Appendix B

Proposed Transmission Owner Tariff

Citizens Pacific Transmission LLC

**Transmission Owner Tariff
(Proposed)**

[DATE]

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1. **Preamble.** The Participating TO's revenue requirements and applicable rates and charges for transmission access over the ISO Controlled Grid and the terms and conditions for transmission expansion and interconnection are set forth in this TO Tariff and the ISO Tariff. For purposes of this TO Tariff and the ISO Tariff, Citizens Pacific Transmission, LLC is a Non-Load-Serving Participating TO and has no End-Use Customers.

- 1.1 **Transmission Access for Participating TOs.** Participating TOs are able to participate in the ISO and utilize the entire ISO Controlled Grid to serve their End-Use Customers. The applicable High Voltage Access Charges and Transition Charges shall be paid by Participating TOs to the ISO pursuant to the ISO Tariff. If a Participating TO utilizes the Low Voltage Transmission Facilities of another Participating TO, the Participating TO shall also pay the Low Voltage Access Charge of the other Participating TO.

- 1.2 **Transmission Access for Wheeling Customers.** Wheeling allows Scheduling Coordinators to deliver Energy through or out of the ISO Controlled Grid to serve a load located outside the transmission or Distribution System of a Participating TO. Wheeling Access Charges shall be paid by Scheduling Coordinators to the ISO pursuant to the ISO Tariff.

- 1.3 **Transmission Access for End-Users.** End-Users receive transmission service over the ISO Controlled Grid through the Participating TO to whose transmission or distribution facilities the End-User is directly connected. Charges to End-Users for access to the ISO Controlled Grid shall be paid to the applicable Participating TO to whose transmission or distribution facilities the End-User is directly connected.

2. **Effective Date.** This TO Tariff is effective on the date on which the Projects are placed into service under the Operational Control of the ISO, or an Entitlements Lease has been executed, whichever is later, and shall continue to be effective, as amended from time to time, so long as Citizens Pacific Transmission LLC is a party to the Transmission Control Agreement.

- 2.1 **Termination.** This TO Tariff may be terminated by Citizens Pacific Transmission upon such advance notice and with such authorization as FERC may require.

3. **TO Definitions.** Certain capitalized terms used in this TO Tariff shall have the meanings set out below unless otherwise stated or the context otherwise requires. Capitalized terms used in this TO Tariff and not defined below shall have the meanings set out in the ISO Tariff as it may be amended from time to time.

- 3.1 **Access Charge.** A charge paid by all UDCs, MSSs, and, in certain cases, Scheduling Coordinators delivering Energy to Gross Load, as set forth in Section 26.1 of the ISO Tariff. The Access Charge includes the High Voltage

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

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

- 3.11 Completed Interconnection Application.** An Interconnection Application that satisfies all of the information and other requirements of Section 10.3 of this TO Tariff and, if applicable, the information requirements as specified by the ISO and posted on the ISO Home Page.
- 3.12 Congestion.** A characteristic of the transmission system produced by a binding Constraint to the optimum economic dispatch to meet Demand such that the LMP, exclusive of Marginal Cost of Losses, at different Locations of the transmission system is not equal.
- 3.13 Congestion Management.** The alleviation of Congestion in accordance with applicable ISO Protocols and Good Utility Practice.
- 3.14 Converted Rights.** Those transmission service rights determined in accordance with Section 4.3.1.6 of the ISO Tariff.
- 3.15 CPUC.** The California Public Utilities Commission or its successor.
- 3.16 Demand.** The rates at which Energy is delivered to Load and Scheduling Points by Generation, transmission or distribution facilities. It is the product of voltage and the in-phase component of alternating current measured in units of watts or standard multiples therefore, e.g. 1000 W = 1 kW, 1000 kW = 1 MW, etc.
- 3.17 Direct Assignment Facilities.** Facilities or portions of facilities that are owned by the Participating TO necessary to physically and electrically interconnect a particular party requesting interconnection under this TO Tariff to the ISO Controlled Grid at the point of interconnection. Direct Assignment Facilities shall be specified in the Interconnection Agreement that governs Interconnection service to such party and shall be subject to FERC approval.
- 3.18 Dispatch.** The operating control of an integrated electric system to: i) assign specific Generation Units and other sources of supply to effect the supply to meet the relevant area Demand taken as Load rises or falls; ii) control operations and maintenance of high voltage lines, substations, and equipment, including administration of safety procedures; iii) operate Interconnections; iv) manage Energy transactions with other interconnected Control Areas; and v) curtail Demand.
- 3.19 Distribution System.** The distribution assets of a TO, UDC, or MSS.
- 3.20 Eligible Customer.** (i) Any utility (including any Participating TO, Market Participant or power marketer), Federal power marketing agency, or any person generating Energy for sale or resale; Energy sold or produced by such entity may be Energy produced in the United States, Canada or Mexico; however, such entity is not eligible for transmission service that would be prohibited by FPA Section 212(h)(2); and (ii) any retail customer taking unbundled

transmission service pursuant to a state retail access program or pursuant to a voluntary offer of unbundled retail transmissions service by the Participating TO.

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

which the party requesting such Interconnection, Market Participant, Project Sponsor or identified principal beneficiaries agrees to reimburse the Participating TO for the cost of performing or reviewing a Facilities Study.

- 3.29 Facility or Facilities Study.** An engineering study conducted to determine required modifications to the Participating TO's transmission system, including the estimated cost and scheduled completion date for such modifications, that will be required to provide needed services.
- 3.30 FERC.** The Federal Energy Regulatory Commission, or its successor.
- 3.31 FPA.** The Federal Power Act, 16 U.S.C. § 791a et seq., as it may be amended from time to time.
- 3.32 Generating Unit.** An individual electric generator and its associated plant and apparatus whose electrical output is capable of being separately identified and metered or a Physical Scheduling Plant, that, in either case, is: (a) located within the ISO Control Area; (b) connected to the ISO Controlled Grid, either directly or via interconnected transmission or distribution facilities; and (c) that is capable of producing and delivering net Energy (Energy in excess of a generation stations' internal power requirements).
- 3.33 Generation.** Energy delivered from a Generating Unit.
- 3.34 Good Utility Practice.** Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition.
- 3.35 Gross Load.** For purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly connected to the Distribution System of a Utility Distribution Company or MSS Operator located in a PTO Service Territory. Gross Load shall exclude (1) Load with respect to which the Wheeling Access Charge is payable, (2) Load that is exempt from the Access Charge pursuant to Section 4.1, Appendix I of the ISO Tariff, and the portion of the load of an individual retail customer of a Utility Distribution Company, Small Utility Distribution Company or MSS Operator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customer's site through over-the-fence arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations

implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) secures Standby Service from the Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an Outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed Transmission Revenue Requirements will be provided by each Participating TO to the ISO.

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

relation to the operation of the ISO Controlled Grid and the participation in the markets for Energy and Ancillary Services in accordance with the ISO Tariff.

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

- 3.53 Local Reliability Criteria.** Reliability criteria established by the ISO, unique to the transmission systems of each of the Participating TOs, as they may be updated from time to time.
- 3.54 Low Voltage Access Charge.** The Access Charge applicable under Section 26.1 of the ISO Tariff to recover the Low Voltage Transmission Revenue Requirement of the Participating TO.
- 3.55 Low Voltage Transmission Revenue Requirement.** The portion of the Participating TO's TRR associated with and allocable to the Participating TO's Low Voltage Transmission Facilities and Converted Rights associated with Low Voltage Transmission Facilities.
- 3.56 Low Voltage Wheeling Access Charge.** The Wheeling Access Charge associated with the recovery of the Participating TO's Low Voltage Transmission Revenue Requirement in accordance with Section 26.1 of the ISO Tariff.
- 3.57 Market Participant.** An entity, including a Scheduling Coordinator, who participates in the Energy marketplace through the buying, selling, transmission, or distribution of Energy or Ancillary Services into, out of, or through the ISO Controlled Grid.
- 3.58 Metered Subsystem ("MSS").** A geographically contiguous system, located within a single zone which has been operating as an electric utility for a number of years prior to the ISO Operations Date as a municipal utility, water district, irrigation district, state agency or federal power marketing authority subsumed within the ISO Balancing Authority Area and encompassed by ISO certified revenue quality meters at each interface point with the ISO Controlled Grid and ISO-certified revenue quality meters on all Generating Units or, if aggregated, each individual resource and Participating Load internal to the system, which is operated in accordance with a MSS agreement described in Section 4.9.1 of the ISO Tariff.
- 3.59 NERC.** The North American Electric Reliability Corporation or its successor.
- 3.60 New High Voltage Transmission Facility.** A High Voltage Transmission Facility of the Participating TO that enters service on or after the Transition Date described in Section 4 of Appendix F, Schedule 3 of the ISO Tariff, or a capital addition made on or after the Transition Date described in Section 4.1. of Appendix F, Schedule 3 of the ISO Tariff to a High Voltage Transmission Facility that existed prior to the Transition Date.
- 3.61 New Participating TO.** A Participating TO that is not an Original Participating TO.

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

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

- 3.70 Projects.** Citizens Pacific Transmission's lease of Entitlements in certain high voltage transmission projects of Pacific Gas & Electric Company as those interests are defined in each Entitlements Lease executed between Citizens Pacific Transmission and Pacific Gas & Electric Company. [A copy of the First Entitlements Lease is attached hereto as Appendix I].
- 3.71 Project Proponent.** A Market Participant or group of Market Participants that (i) advocates a transmission addition or upgrade; (ii) is unwilling to pay the full cost of the proposed transmission addition or upgrade, and thus is not a Project Sponsor; and (iii) initiates proceedings under the ISO &DR Procedures to determine the need for the proposed transmission addition or upgrade.
- 3.72 Project Sponsor.** A Market Participant or group of Market Participants or a Participating TO that proposes the construction of a transmission addition or upgrade in accordance with Section 24 of the ISO Tariff.
- 3.73 Regional Transmission Group ("RTG").** A voluntary organization approved by FERC and composed of transmission owners, transmission users, and other entities, organized to efficiently coordinate the planning, expansion, and use of transmission on a regional and inter-regional basis.
- 3.74 Regulation.** The service provided either by Generating Units certified by the ISO as equipped and capable of responding to the ISO's direct digital control (AGC) signals, or by System Resources that have been certified by the ISO as capable of delivering such service to the ISO Balancing Authority Area, in an upward and downward direction to match, on a Real Time basis, Demand and resources, consistent with established NERC and WSCC reliability standards, including any requirements of the Nuclear Regulatory Commission. Regulation is used to control the Power output of electric generators within a prescribed area in response to a change in system frequency, tieline loading, or the relation of these to each other so as to maintain the target system frequency and/or the established interchange with other Balancing Authority Areas within the predetermined Regulation Limits. Regulation includes both the increase of output by a Generating unit or System Resource (Regulation Up) and the decrease in output by a Generating unit or System Resource (Regulation Down). Regulation Up and Regulation Down are distinct capacity products, with separately stated requirements and ASMPs in each Settlement Period.

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

agrees to reimburse the Participating TO for the cost of performing or reviewing a System Impact Study.

- 3.84 TO Tariff.** This Transmission Owner Tariff, as it may be amended or superseded.
- 3.85 Transition Charge.** A component of the Access Charge determined by the ISO and assessed by the Participating TO along with the High Voltage Access Charge in accordance with Section 5.7 of Appendix F, Schedule 3 of the ISO Tariff.
- 3.86 Transmission Control Agreement (“TCA”).** The agreement between the ISO and Participating TOs establishing the terms and conditions under which TOs will become Participating TOs and how the ISO and each Participating TO will discharge its respective duties and responsibilities, as may be modified from time to time.
- 3.87 Transmission Owner (“TO”).** An entity owning transmission facilities or having firm contractual rights to use transmission facilities.
- 3.88 Transmission Revenue Balancing Account Adjustment (“TRBAA”).** A mechanism established by the Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Section 6 and 8 of Appendix F, Schedule 3 of the ISO Tariff, flow through to ISO Tariff and TO Tariff transmission customers.
- 3.89 Transmission Revenue Credit.** The proceeds received from the ISO (other than for the recovery of the Participating TO’s High Voltage and Low Voltage Transmission Revenue Requirement through the High Voltage and Low Voltage Transmission Access Charges) and charges imposed by the ISO that are received and paid by the Participating TO in its role as Participating TO, as defined in the ISO Tariff.
- 3.90 Transmission Revenue Requirement (“TRR”).** The total annual authorized revenue requirement associated with transmission facilities and Entitlements turned over to the Operational Control of the ISO by the Participating TO. The costs of any transmission facility turned over to the Operational Control of the ISO shall be fully included in the Participating TO’s TRR. The TRR includes the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and is shown in Appendix III.
- 3.91 Transmission System Rights (“TSRs”).** TSRs represent Citizens Pacific Transmission’s exclusive transmission entitlement on the Project. Citizens Pacific Transmission, as the holder of the TSRs, is entitled to all associated rights as are available under the ISO Tariff and Protocols. The use of this definition does not limit Citizens Pacific Transmission from seeking any

additional revenues or rights that are authorized by FERC due to a beneficial increase in the ISO controlled grid capacity resulting from the Project.

- 3.92 Uncontrollable Force.** Any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of the ISO or Market Participant, as the case may be, which could not be avoided through the exercise of Good Utility Practice.
- 3.93 Utility Distribution Company (“UDC”).** An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and/or that provides regulated retail electric service to End-Users.
- 3.94 Voltage Support.** Services provided by Generating Units or other equipment such- as shunt capacitors, static var compensators, or synchronous condensers that are required to maintain established grid voltage criteria. This service is required under normal or system emergency conditions.
- 3.95 Western Electricity Coordinating Council (“WECC”).** The Western Electricity Coordinating Council or its successor.
- 3.96 Wheeling Access Charge.** The charge assessed by the ISO that is paid by a Scheduling Coordinator for Wheeling in accordance with Section 26.1.4.1 of the ISO Tariff. Wheeling Access Charges shall not apply for Wheeling under a bundled non-economy Energy coordination agreement of a Participating TO executed prior to July 9, 1996. The Wheeling Access Charge consists of a High Voltage Wheeling Access Charge and, if applicable, a Low Voltage Wheeling Access Charge.
- 3.97 Wheeling Out.** Except for Existing Rights exercised under an Existing Contract in accordance with Section 16.1 of the ISO Tariff, the use of the ISO Controlled Grid for the transmission of Energy from a Generating Unit located within the ISO Controlled Grid to serve a Load located outside the transmission and Distribution System of a Participating TO.
- 3.98 Wheeling Through.** Except for Existing Rights exercised under an Existing Contract in accordance with Section 16.1 of the ISO Tariff, the use of the ISO Controlled Grid for the transmission of Energy from a resource located outside the ISO Controlled Grid to serve a Load located outside the transmission and Distribution System of a Participating TO.
- 3.99 Wheeling.** Wheeling Out or Wheeling Through.
- 3.100 Wholesale Customer.** A person wishing to purchase Energy and Ancillary Services at a Bulk Supply Point or a Scheduling Point for resale.

4. **Eligibility.** Transmission service over a Participating TO's system shall be provided only to Eligible Customers.
5. **Access Charges and Transmission Rates.** The applicable Access Charges are provided in the ISO Tariff.
 - 5.1 **Low Voltage Access Charge.** The Low Voltage Access Charge shall be determined in accordance with the ISO Tariff. As Citizens Pacific Transmission is a Non-Load-Serving Participant TO, the ISO shall charge for and collect the Low Voltage Access Charge on Citizens Pacific Transmission's behalf pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13 of the ISO Tariff from the Participating TO to whose facilities Citizens Pacific Transmission's Low Voltage Transmission Facilities are directly connected. The rate for Citizens Pacific Transmission's Low Voltage Access Charge Shall be Citizens Pacific Transmission's Low Voltage Transmission Revenue Requirement divided by the forecasted Gross Load of the Participating TO that is the Low Voltage Access Charge customer. The Low Voltage Access Charge customer shall pay the ISO a Low Voltage Access Charge equal to the product of Citizens Pacific Transmission's Low Voltage Access Charge rate and the actual Gross Load of the Participating TO that is the Low Voltage Access Charge Customer. Under the terms of the Development, Coordination and Option Agreement and each Entitlements Lease between Citizens Pacific Transmission and PG&E, Citizens Pacific Transmission will not hold an interest in any Low Voltage Transmission Facilities.
 - 5.2 **Wheeling Access Charge.** The Wheeling Access Charge shall be determined in accordance with the ISO Tariff. The Wheeling Access Charge assessed by the ISO consists of a High Voltage Wheeling Access Charge and, if applicable, a Low Voltage Wheeling Access Charge. The High Voltage Wheeling Access Charge is set forth in the ISO Tariff.
 - 5.3 **Transmission Revenue Requirement.** As set forth in the ISO Tariff, the Transmission Revenue Requirement for each Participating TO is used to develop the Access Charges set forth in the ISO Tariff and is used by the ISO to calculate the disbursement of Wheeling revenues among Participating TOs. Wheeling revenues are disbursed by the ISO to Participating TOs pursuant to Section 26.1.4.3 of the ISO Tariff. Citizens Pacific Transmission's TRR is set forth in Appendix III.
 - 5.4 **Transmission System Rights.** Citizens Pacific Transmission owns the TSRs with respect to the Project.
 - 5.5 **Transmission Revenue Balancing Account Adjustment.** The Participating TO shall maintain a Transmission Revenue Balancing Account with an annual Transmission Revenue Balancing Account Adjustment ("TRBAA") that will

ensure that all Transmission Revenue Credits and adjustments for any over-or under-recovery of its annual Transmission Revenue Requirement, if any, specified in Sections 6, 8 and 13 of Appendix F, Schedule 3 of the ISO Tariff, flow through to transmission customers. The TRBAA used to calculate the High Voltage Revenue Requirement shall include other adjustments specified in Appendix F, Schedule 3, Sections 6, 8 and 13 of the ISO Tariff.

The TRBAA shall be equal to:

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

Where:

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

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

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

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

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

7. **Billing and Payment.**

- 7.1 The ISO, in accordance with the ISO Tariff, shall pay the Participating TO, among other things, all applicable Access Charge revenues and Wheeling revenues in connection with the Project.

- 7.2** Users of Citizens Pacific Transmission's High and Low Voltage Transmission Facilities and Entitlements placed under the ISO's Operational Control shall pay to the ISO all applicable charges in accordance with the ISO Tariff.

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

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

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

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

8.1.3 Interconnection Agreement. Pursuant to Section 10.4, 10.7.1, or 10.9.1, a party requesting an Interconnection shall request in writing that the Participating TO tender to such part an Interconnection Agreement

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

8.1.4 Due Diligence to Construct. The Participating TO shall use due diligence to construct, within a reasonable time, any Direct Assignment Facilities and any Reliability Upgrades that it is obligated to construct

pursuant to this TO Tariff and Section 24 of the ISO Tariff. The Participating TO's obligation to build will be subject to: (1) its ability, after making a good faith effort, to obtain any necessary approvals and property rights under applicable federal, state, and local laws; (2) the presence of a cost recovery mechanism with cost responsibility assigned to accordance with the ISO Tariff or applicable FERC precedent; and (3) a signed Interconnection Agreement or a signed Expedited Interconnection Agreement, or, by mutual agreement of the parties, FERC acceptance for filing of an unexecuted Interconnection Agreement.

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

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

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

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

8.3 Request for FERC Deference Regarding Need Determination. It is intended that FERC grant substantial deference to the factual determinations of the ISO, (including the ISO's ADR Procedures), the CPUC, WECC, or RTG coordinated planning processes as to the need for or construction of a facility, the need for full cost recovery, and the allocation of costs.

9. Expansion Process

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

9.1.1 Payment of Facilities Study's Cost.

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

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

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

9.1.2 Payment Procedure. Where a Facilities Study is being conducted pursuant to this TO Tariff, the Participating TO shall, within thirty days of the receipt of all reasonably required information, tender to the Market Participant, Project Sponsor, Project Proponent, ISO, or identified principal beneficiaries, as the case may be, a Facilities Study Agreement that defines the scope, content, assumptions, and terms of reference for such study, the estimated time required to complete it, and such other provisions as the parties may reasonably require and pursuant to which

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

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

9.2 Obligation to Build.

9.2.1 Due Diligence to Construct. Subject to Section 9.3.3 of this TO Tariff, the Participating TO shall use due diligence to construct, within a reasonable time, additions or upgrades to its transmission system that it is obligated to construct pursuant to the ISO Tariff and this TO Tariff. Alternatively, if a Market Participant requests the Participating TO to file an unexecuted Participation Agreement and commits to abide by the terms, conditions, and cost assignments determined to be just and reasonable under the ISO ADR Procedures, including any determination by FERC or on appeal of a FERC determination in accordance with that process, the Participating TO shall promptly file an unexecuted Participation Agreement. Provided, however, that if the ISO ADR Procedures concerns whether the requesting entity is an Eligible Customer, the Participating TO shall not be obligated to file an unexecuted Participation Agreement or alternatively, if a Market Participant requests

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

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

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

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

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

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

9.3.2 Coordination of Third-Party System Additions. Where transmission additions or upgrades being built pursuant to the ISO Tariff require additions or upgrades on other systems, to the extent consistent with Section 9.3.3 of this TO Tariff, the Participating TO shall coordinate construction on its own system with the construction required by others.

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

10. Interconnection Process

- 10.1 Applicability.** All requests for Interconnection directly to the ISO Controlled Grid from parties eligible to request such Interconnection consistent with Section 210(a) of the FPA shall be processed pursuant to the provisions of this Section 10. All requests for Interconnection of wholesale generation directly to the ISO Controlled Grid shall be processed pursuant to the provisions of the ISO Tariff.
- 10.2 Applications.** Except as provided in Section 10.2.1, a party requesting Interconnection shall submit a written Interconnection Application which provides the information required in Section 10.3 to the Participating TO and shall send a copy of the application to the ISO. The Participating TO shall timestamp the application to establish study priority.
- 10.3 Interconnection Application.** An Interconnection Application shall provide all the information listed in 18 CFR § 2.20, including, but not limited to, the following: (i) the identity, address, telephone number, and facsimile number of the entity requesting Interconnection; (ii) the Interconnection point(s) to the ISO Controlled Grid contemplated by the applicant; (iii) the resultant (or new) maximum amount of Interconnection capacity contemplated by the applicant; (iv) the proposed date for energizing the Interconnection and the term of the Interconnection service, and (v) such other information as the Participating TO reasonably required to process the application. In addition to the information specified above, the following information may also be provided in order to properly evaluate system conditions: (vi) If the applicant is a wholesale load, the electrical location of the source of the power (if known) to be transmitted pursuant to applicant's request for Interconnection. If the source of the power is not known, a system purchase will be assumed. If the location of the load is not known, a system sale will be assumed; and, in addition, if an applicant proposes to perform or cause a third party to perform any required System Impact Study or any required Facilities Study, it shall so indicate in its Interconnection Application. The results of any study or studies performed by an applicant must be approved by both the ISO and the Participating TO. Within ten (10) Business

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

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

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

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

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

10.6 Impact Study Cost Reimbursement and Agreement.

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

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

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

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

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

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

10.9 Facilities Study Procedures. Upon receipt of an executed Facilities Study Agreement or initiation of the ISO ADR Procedures and receipt of payment for the estimated study costs, the Participating TO will use due diligence to either (a)

complete the required Facilities Study within a sixty (60) calendar day period or (b) complete its review of an applicant's Facilities Study within thirty (30) calendar days of its receipt of the Completed Study. In the event that Participating TO is unable to complete the required Facilities Study within such time period, it shall so notify the applicant, in writing, and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed Facilities Study shall be made available to the applicant.

10.9.1 Execution of Interconnection Agreement. Within thirty (30) Business Days of receipt of the completed Facilities Study performed by the Participating TO or receipt of written approval of the applicant's Facilities Study from the Participating TO, the applicant shall request the Participating TO to tender an Interconnection Agreement within thirty (30) Business Days of such request. The Participating TO shall tender to the applicant an Interconnection Agreement as provided in Section 8.1.3.

10.10 Partial Interim Service. If the Participating TO determines that there will not be adequate transmission capability to satisfy the full amount requested in a Completed Interconnection Application, the Participating TO nonetheless shall be obligated to offer and provide the portion of the requested Interconnection that can be accommodated without any additional Direct Assignments Facilities or Reliability Upgrades. However, the Participating TO shall not be obligated to provide the incremental amount of requested Interconnection that requires such additional facilities or upgrades until such facilities or upgrades have been placed in service.

10.11 Expedited Interconnection Procedures. In lieu of the procedures set forth above, the applicant shall have the option to expedite the processing of its Completed Interconnection Application. In order to exercise this option, the applicant shall submit in writing a Request for Expedited Interconnection Procedures to the Participating TO within ten (10) Business Days after receiving a copy of the System Impact Study for the proposed Interconnection. Within ten (10) Business Days after receiving a Request for Expedited Procedures, the Participating TO shall tender an Expedited Interconnection Agreement that requires the applicant to compensate the Participating TO for all costs reasonably incurred pursuant to the terms of this TO Tariff for processing the Completed Interconnection Application and providing the requested Interconnection. While the Participating TO agrees to provide the applicant with its best estimate of the costs of any needed Direct Assignment Facilities and, if applicable, Reliability Upgrades, and such other charges that may be incurred, unless otherwise agreed by the parties, such estimate shall not be binding and the applicant must agree in writing to compensate the Participating TO for all actual Interconnection costs reasonably incurred pursuant to the provisions of this TO Tariff. The applicant shall execute and return such Expedited Service Agreement within ten (10) Business Days of its receipt or the applicant's request for Interconnection will

cease to be a Completed Interconnection Application and will be deemed terminated and withdrawn, In that event, the applicant shall reimburse the Participating TO for all costs reasonably incurred in processing the application not covered by the terms of the System Impact Study Agreement.

11. Uncontrollable Forces and Indemnification

11.1 Procedures to Follow if Uncontrollable Force Occurs. In the event of the occurrence of an Uncontrollable Force which prevents a Party from performing any of its obligations under this TO Tariff, such Party shall (i) immediately notify the other Parties in writing of the occurrence of such Uncontrollable Force, (ii) not be entitled to suspend performance in any greater or longer duration that is required by the Uncontrollable Force, (iii) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance hereunder, (iv) keep the other Parties apprised of such efforts on a continual basis and (v) provide written notice of the resumption of performance hereunder. Notwithstanding any of the foregoing, the settlement of any strike, lockout, or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the Party to this TO Tariff involved in such strike, lockout, or labor dispute, and the requirement that a Party must use its best efforts to remedy the cause of the Uncontrollable Force and mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts, or labor disputes. No Party will be considered in default as to any obligation under this TO Tariff if prevented from fulfilling the obligation due to the occurrence of an Uncontrollable Force.

11.2 Indemnification. A Market Participant shall at all times indemnify, defend, and save the Participating TO harmless from any and all damages, losses, claims, (including claims and actions relating to injury or to death of any person or damage to property), demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from the Participating TO's performance of its obligations under this TO Tariff on behalf of a Market Participant, except in cases of negligence or intentional wrongdoing by the Participating TO.

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

accordance with this TO Tariff to exercise its rights under the Federal Power Act and pursuant to the FERC's rules and regulations promulgated thereunder.

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

13. Creditworthiness

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

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

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

15. [Reserved]

16. Miscellaneous.

- 16.1 Notices.** Any notice, demand, or request in accordance with this TO Tariff, unless otherwise provided in this TO Tariff, shall be in writing and shall be deemed properly served, given, or made: (i) upon delivery if delivered in person, (ii) five days after deposit in the mail if sent by first class United States

mail, postage prepaid, (iii) upon receipt of confirmation by return electronic facsimile if sent by facsimile, or (iv) upon Party at the address set forth in Appendix IV. Any Party may at any time, by notice to the other Parties, change the designation or address of the person specified in Appendix IV to receive notice on its behalf. Any notice of a routine character in connection with service under this TO Tariff or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this TO Tariff.

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

16.3 Confidentiality.

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

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

- 16.4 TO Tariff Supersedes Existing Tariffs.** This TO Tariff, together with the ISO Tariff and wholesale distribution access tariff if any, supersedes any pre-existing open access transmission tariff of the Participating TO.
- 16.5 Titles.** The captions and headings in this TO Tariff are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms, and conditions of this TO Tariff.
- 16.6 Severability.** If any term, covenant, or condition of this TO Tariff or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this TO Tariff and their application shall not be affected thereby but shall remain in force and effect. The Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination, unless a court or governmental agency of competent jurisdiction holds that such provisions are not severable from all other provisions of this TO Tariff.
- 16.7 Preservation of Obligations.** Upon termination of this TO Tariff, all unsatisfied obligations of each Party shall be preserved until satisfied.
- 16.8 Governing Law.** This TO Tariff shall be interpreted, governed by, and construed under the laws of the State of California, without regard to the principles of conflict of laws thereof, or the laws of the United States, as applicable, as if executed and to be performed wholly within the State of California.
- 16.9 Appendices Incorporated.** The several appendices to this TO Tariff, as may be revised from time to time, are attached to this TO Tariff and are incorporated by reference as if fully set forth herein.
- 16.10 Conflict With ISO Tariff.** If a Market Participant identifies a conflict between the TO Tariff and the ISO Tariff, the Participating TO and the Market Participant shall make good-faith efforts to resolve the conflict. If the parties are unable to informally resolve that conflict, the Parties may use the ISO ADR Procedures to resolve it as set forth in Section 14 of this Tariff.
- 16.11 Conflicting Operating Instructions.** In the event a Market Participant receives conflicting operating instructions from the ISO and one or more Participating TO(s), if human safety would not knowingly be neither jeopardized nor electric facilities subject to damage while the Market Participant seeks to reconcile the conflict with the appropriate ISO and Participating TO employees before acting, the Market Participant should attempt a reconciliation. Otherwise, the Market

Participant shall adhere to ISO Tariff provision 4.2 and follow the ISO's instructions. In no event shall a Market Participant be required to follow operating instructions from the ISO if following those instructions would knowingly jeopardize human safety.

- 16.12 Conflict With Entitlements Lease.** For so long as either the Development Coordination Option Agreement dated as of February 20, 2024, or the First Entitlements Lease dated as of [Date] (attached hereto as Appendices I and II, respectively) is in full force and effect, Sections 8, 9, and 10 of this TO Tariff shall be superseded by the corresponding sections of the TO Tariff of Pacific Gas and Electric Company.

APPENDIX I
DEVELOPMENT COORDINATION OPTION AGREEMENT DATED AS OF
FEBRUARY 20, 2024

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

BY AND BETWEEN

PACIFIC GAS AND ELECTRIC COMPANY

AND

CITIZENS ENERGY CORPORATION

DATED AS OF FEBRUARY 20, 2024

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DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

This DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT (this “DCOA”) is made and entered into as of February 20, 2024 (the “Effective Date”), by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens”). Each of PG&E and Citizens shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, PG&E identifies in the ordinary course of its business transmission facilities, upgrades, rebuilds and expansions to, among other things, improve reliability, integrate new generation (including renewable generation), and reduce congestion in its service area (as more fully defined herein, the “Projects”); and

WHEREAS, subject to the conditions specified herein, the Parties desire to establish an investment program between the Parties pursuant to which PG&E will, as applicable, develop, design, permit, engineer, procure, construct and, in each case, own certain Projects, and Citizens (or its wholly owned subsidiary) will have the option to lease certain Entitlements (as defined below) to such Projects for an aggregate investment of no more than \$1.0 billion.

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

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

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

“Affiliate” of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where “control” means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

“AFUDC” means, with respect to a Project, an Allowance for Funds Used During Construction, recognizing the cost to PG&E of financing the development, design, permitting, engineering, procurement, and construction of such Project.

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

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

“Balancing Authority Area” means an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- (i) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (ii) maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice;
- (iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
- (iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

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

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

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

“CEQA” means the California Environmental Quality Act.

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

“Citizens Pacific Transmission” has the meaning set forth in Section 12.2.

“Citizens Percentage Interest” means, with respect to each Project comprising an Investment Tranche and subject to adjustment pursuant to the terms of the applicable Entitlements Lease, the percentage equal to the ratio of (i) the aggregate Project Rent for such

Investment Tranche, divided by (ii) the aggregate Project Costs for such Investment Tranche; provided, that in no event will the Citizens Percentage Interest be greater than 49.9%.

“Commercial Operation Date” and “COD” means, with respect to an Investment Tranche, the date on which the last Project comprising such Investment Tranche begins commercial operation and Operational Control of such Project has been transferred to and accepted by the CAISO in accordance with the terms of the CAISO Agreements.

“CPUC” means the California Public Utilities Commission or its successors.

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

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

“Entitlements” has the meaning ascribed to such term in the CAISO Agreements.

“Entitlements Lease” means an agreement substantially in the form of Exhibit A attached hereto, with changes to which the Parties may mutually agree at the relevant time.

“Event of Default” has the meaning set forth in Section 9.1.

“FERC” means the Federal Energy Regulatory Commission or its successors.

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

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety

and expedition. Good Utility Practice is not limited to the optimum practice, method, or act to the exclusion of all others, but rather to the acceptable practices, methods, or acts generally accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

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

“Investment Tranche” means any of the Option Period 1 Investment Tranche, the Option Period 2 Investment Tranche, the Option Period 3 Investment Tranche, the Option Period 4 Investment Tranche, or the Option Period 5 Investment Tranche.

“Investment Program” means, collectively, the Options and Investment Tranches contemplated by this Agreement.

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

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

“Option Period” means any of Option Period 1, Option Period 2, Option Period 3, Option Period 4, or Option Period 5.

“Option Period 1” means the period beginning on the Effective Date and ending on the earlier of (x) the expiration of the Option exercise period for the Option Period 1 Investment Tranche pursuant to Section 4.2(b)(i), and (y) the effective date of the Entitlements Lease for the Option Period 1 Investment Tranche.

“Option Period 2” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the second Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 1, or (y) the second Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 2” means the nine (9) month period following the end of Option Period 1.

“Option Period 3” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the third Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 2, or (y) the third Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 3” means the nine (9) month period following the end of Option Period 2.

“Option Period 4” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the fourth Option hereunder; provided, that if either (x) PG&E does not deliver a Project List

within nine (9) months following the end of Option Period 3, or (y) the fourth Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 4” means the nine (9) month period following the end of Option Period 3.

“Option Period 5” means the twelve (12) month period (as may be extended by the mutual agreement of the Parties) beginning on the date PG&E delivers to Citizens a Project List for the fifth Option hereunder; provided, that if either (x) PG&E does not deliver a Project List within nine (9) months following the end of Option Period 4, or (y) the fifth Option expires pursuant to Section 4.2(b)(ii) or Section 4.2(c)(ii), “Option Period 5” means the nine (9) month period following the end of Option Period 4.

“Option Period 1 Investment Tranche” means, collectively, the Projects set forth on Exhibit B.

“Option Period 2 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 2.

“Option Period 3 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 3.

“Option Period 4 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 4.

“Option Period 5 Investment Tranche” means, collectively, the Projects identified by PG&E in accordance with Section 3.4(c) with respect to Option Period 5.

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

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

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

“Project” means, with respect to an Investment Tranche, each electric transmission facility, upgrade, rebuild and/or expansion that meets the criteria set forth in Section 3.4(a) and that is or will be identified on Exhibit A to the Entitlements Lease with respect to such Investment Tranche.

“Project Costs” means, with respect to a Project, the aggregate of all costs incurred by PG&E to develop, design, permit, engineer and/or construct such Project, including AFUDC and payments made under construction contracts for work to be completed after the respective effective date of the applicable Entitlements Lease, which is subject to adjustment pursuant to Section 3.5.1 of the applicable Entitlements Lease.

“Project List” means each of (i) Exhibit B and (ii) any schedule, in a form substantially similar to Exhibit B, delivered by PG&E to Citizens pursuant to Section 3.4(c).

“Project Rent” means, with respect to a Project, an amount equal to (i) the total amount of rent payable by Citizens under the applicable Entitlements Lease, as determined pursuant to Section 4.2(d), multiplied by (ii) a ratio equal to (x) the Project Costs for such Project, divided by (y) the aggregate Project Costs for the Investment Tranche subject to the applicable Entitlements Lease.

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

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person’s Affiliates.

“Required Citizens Regulatory Approvals” means (i) with respect to the applicable Investment Tranche, approvals from each Governmental Authority with authority over Citizens’ leasehold interest in the Entitlements to the Projects comprising such Investment Tranche, including FERC and CAISO, necessary for Citizens to exercise an Option, or to lease and finance its leasehold interest in the Entitlements to any such Project, other than those approvals that would not have a material adverse effect on the exercise of an Option, leasing or financing of Citizens’ leasehold interest in the Entitlements to any such Project, or the Investment Program generally, if not obtained, and (ii) the approvals contemplated by Section 4.3(a)(ii).

“Required PG&E Regulatory Approvals” means (i) with respect to the applicable Investment Tranche, approvals from each Governmental Authority with authority over the Projects comprising such Investment Tranche, including the CPUC and FERC, necessary for PG&E to consummate the transactions contemplated hereunder with respect to such Investment Tranche, or, as applicable to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance the Projects comprising such Investment Tranche, other than (x) those approvals that are not required prior to the start of construction of any such Project, are not subject to the discretionary action of the applicable agency, and otherwise can be obtained in the ordinary course of business, and (y) those approvals that would not have a material adverse effect on the development, design, engineering, procurement, construction, commissioning, ownership, operation, maintenance or financing of any such Project, or the Investment Program generally, if not obtained, and (ii) the approvals contemplated by Section 4.3(a)(i).

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

“Target Closing Date” means, with respect to the Option Period 1 Investment Tranche, the date that is thirty (30) days after the delivery of the last of the written notices required under Section 4.2(b) that the conditions precedent described in Section 4.3(a) have been achieved; provided, in no event shall the Target Closing Date extend beyond the date that is twelve (12) months after the Effective Date or occur prior to the expected Target Closing Date set forth in PG&E’s written notice thereof pursuant to Section 4.2(b); provided, further, that the Target Closing Date shall be extended beyond such twelve (12) months if Sections 4.3(a)(i)-(ii) have not been satisfied by such date and the Parties in their reasonable discretion agree that such Sections 4.3(a)(i)-(ii) are ultimately likely to be satisfied.

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

“Useful Life” means, with respect to a Project, the period during which such Project can provide, is capable of providing or can be used for electric transmission service.

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

ARTICLE II

TERM; OTHER AGREEMENTS

2.1 Term. The “Term” of this DCOA shall commence on the Effective Date and shall end upon the earlier of (i) the expiration of the Option for the Option Period 5 Investment Tranche pursuant to Section 4.2(b)(ii) or Section 4.2(c), (ii) the date that the Parties enter into an Entitlements Lease that includes the Option Period 5 Investment Tranche, (iii) the date that the Parties enter into an Entitlements Lease representing, together with all prior Entitlements Leases, an aggregate investment by Citizens pursuant to the Investment Program of \$1.0 billion, (iv) the date on which all Parties mutually agree in writing to terminate this DCOA this DCOA, or (v) December 31, 2030 (as such date may be extended by the mutual agreement of the Parties, acting in their sole discretion).

2.2 Subsequent Agreements. If Citizens timely exercises any Option, then upon the closing of such Option in accordance with Article IV, the Parties shall enter into an Entitlements Lease with respect to such Investment Tranche, and one or more consents to collateral assignment, estoppels and other acknowledgments of the foregoing in a customary form that is reasonably acceptable to the Parties and a Party’s lenders. The Parties further expect that since they have addressed so many details regarding the Investment Program, notwithstanding their still being in the development phases with respect to the Investment Tranches, a Party’s lenders may seek clarifications, amendments or modifications of this DCOA. In such event, the Parties will exercise good faith efforts to accommodate such requests provided that no Party is hereby committing itself to any such clarification, amendment or modification of this DCOA which, in

such Party's sole discretion, would impair or interfere with the benefits that a Party expects to derive from its participation in the Investment Program.

2.3 Partial Termination. Upon the date that the Parties enter into an Entitlements Lease with respect to an Investment Tranche, this DCOA will have no further force or effect with respect to such Investment Tranche.

ARTICLE III

DEVELOPMENT, CONSTRUCTION, AND IDENTIFICATION OF PROJECTS

3.1 General Responsibility for Development and Construction of the Projects. PG&E shall be responsible for the development, design, permitting, engineering, procurement, and/or construction of each Project. PG&E shall bear all costs for development and construction of each Project, until such time as Citizens has exercised and closed the Option with respect to the Investment Tranche to which such Project is a part. PG&E's activities and responsibilities for each Project (as applicable) shall include the acquisition of permits and land rights necessary to construct such Project, which shall be done in PG&E's name and at PG&E's expense, provided that if Citizens exercises its Option with respect to the Investment Tranche to which such Project is a part, an interest in such permits and land rights shall be transferred to Citizens to the extent necessary to lease to Citizens its Entitlements to such Project.

3.2 Performance Standards. Each Party shall use commercially reasonable efforts to promote the following objectives (as applicable):

- (a) to minimize capital costs of each Project;
- (b) to minimize operational expenses of each Project;
- (c) to maximize the Useful Life of each Project;
- (d) to minimize the downtime of each Project;
- (e) not to exceed the budgets for each Project;
- (f) to complete construction of each Project in a timely manner; and
- (g) to incur only those costs which are prudent in accomplishing their respective purposes.

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

3.4 Identification of Projects.

- (a) Eligibility Requirements. Each Project, at the time of its submission by PG&E on a Project List pursuant to Sections 3.4(b)-(d), must satisfy the following requirements:
 - (i) an amount equal to or greater than the expected Citizens Percentage Interest of the capital costs of the proposed Project must not already be included in PG&E's FERC transmission rates for purposes of cost recovery;
 - (ii) the proposed Project must be expected to be eligible for cost recovery directly from the CAISO through the High-Voltage CAISO Transmission Access Charge (as defined in the CAISO Agreements);
 - (iii) the proposed Project must be expected to operate at 200 kilovolts or above; and
 - (iv) the proposed Project must have received all regulatory approvals and permits necessary at that time, including, to the extent applicable, having undergone CEQA review.
- (b) Option Period 1. Exhibit B sets forth the Projects consisting of the Option Period 1 Investment Tranche (subject to adjustment pursuant to Section 3.4(d)), PG&E's estimated costs to develop, design, permit, engineer and/or construct each such Project, the estimated Citizens Percentage Interest in, and estimated Project Rent due for, each such Project, in each case, based on an assumed prepaid rent amount of \$200 million or such other amount as may be determined by the Parties in accordance with Section 4.2(d).
- (c) Option Periods 2-5. With respect to each of Option Periods 2 through 5, PG&E, no earlier than one (1) day and no later than nine (9) months following the end of the immediately preceding Option Period, may (but does not have an obligation to) deliver to Citizens a Project List that sets out the Projects comprising the upcoming Investment Tranche (subject to adjustment pursuant to Section 3.4(d)), PG&E's estimated costs to develop, design, permit, engineer and/or construct each such Project, the estimated Citizens Percentage Interest in, and Project Rent due for, each such Project, in each case, based on an assumed prepaid rent amount of \$200 million or such other amount as may be determined by the Parties in accordance with Section 4.2(d). If PG&E does not deliver a Project List within the timeframe set forth in the foregoing sentence, then in accordance with Article I, such Option

Period shall be extinguished and the subsequent Option Period shall begin.

- (d) Amendments to Projects. Prior to Citizens' exercise of an Option with respect to an Investment Tranche pursuant to Section 4.2(b), PG&E may, in its sole discretion, add or remove Projects from such Investment Tranche upon delivery to Citizens of an updated Project List in accordance with Section 3.4(b)-(c), as applicable. Following Citizens' exercise of an Option with respect to an Investment Tranche but prior to the execution of an Entitlements Lease for such Investment Tranche, PG&E may, in its sole discretion, remove Projects from such Investment Tranche upon delivery to Citizens of an updated Project List in accordance with Section 3.4(b)-(c), as applicable; provided, that PG&E may not remove a Project from an Investment Tranche if the resulting Citizens Percentage Interest in the Entitlements to any remaining Project would be greater than 49.9% unless Citizens agrees in writing to reduce the amount of the estimated prepaid rent due for such Investment Tranche such that the Citizens Percentage Interest in the Entitlements to each remaining Project would be no greater than 49.9%. For the avoidance of doubt, any amendment or modification to an Investment Tranche pursuant to this Section 3.4(d) shall not be deemed to be a delivery by PG&E to Citizens of a Project List for purposes of determining the beginning of the subsequent Option Period.

ARTICLE IV

OWNERSHIP, OPTIONS AND CONDITIONS PRECEDENT

4.1 PG&E's Ownership. PG&E shall own 100% of the ownership interests in each Project. To the extent that Citizens has exercised and closed one or more Options, PG&E shall continue to own 100% of the ownership interests in each Project; provided, however, that PG&E's ownership interests in the Projects comprising an Investment Tranche that are the subject of an Option that has been closed upon pursuant to Section 4.2 shall be subject to a thirty (30) year lease to Citizens of the Citizens Percentage Interest of the Entitlements to such Projects.

4.2 Options. Citizens shall have the option to lease Entitlements to the Projects comprising each Investment Tranche as follows (each, an "Option"):

- (a) Option to Lease Entitlements for a Term. Citizens shall have the option to lease from PG&E and, upon Citizens' exercise of such option in accordance with Section 4.2(b), PG&E shall have the obligation to lease to Citizens (subject to the satisfaction of the applicable conditions precedent set forth in Section 4.3 and entry by the Parties into an Entitlements Lease), the Citizens Percentage

Interest of the Entitlements to each of the Projects comprising an Investment Tranche for a thirty (30) year term, provided that such Entitlements shall revert to PG&E at no cost to PG&E, free and clear of any liens or encumbrances, upon expiration of such thirty (30) year term or upon earlier termination of the applicable Entitlements Lease in accordance with the terms of the applicable Entitlements Lease.

(b) Exercise of an Option.

- (i) Option Period 1. PG&E shall deliver written notice to Citizens of the expected Target Closing Date no earlier than 120 days prior to, and no later than 90 days prior to, the expected Target Closing Date set forth in such notice. Citizens shall promptly deliver written notice to PG&E once the conditions precedent set forth in Section 4.3(a)(ii) have been satisfied. PG&E shall promptly deliver written notice to Citizens once the conditions precedent set forth in Sections 4.3(a)(i) and 4.3(a)(iii) have been satisfied. Citizens may exercise its Option for the Option Period 1 Investment Tranche by delivering an irrevocable written notice to PG&E following the satisfaction of all conditions precedent set forth in Section 4.3(a) but no later than the Target Closing Date. If Citizens fails to exercise its Option for the Option Period 1 Investment Tranche during the period set forth in the preceding sentence, such unexercised Option for the Option Period 1 Investment Tranche shall expire.
- (ii) Option Periods 2-5. Citizens may exercise an Option with respect to a subsequent Investment Tranche by delivering an irrevocable written notice to PG&E no later than thirty (30) days following the date PG&E delivered to Citizens the Project List for such Investment Tranche pursuant to Section 3.4(c) (the “Option Expiration Date”). If Citizens fails to exercise an Option for an Investment Tranche by the applicable Option Expiration Date, such unexercised Option for such Investment Tranche shall expire.

(c) Closing of an Option.

- (i) Option Period 1. No later than thirty (30) days following Citizens’ exercise of its Option for the Option Period 1 Investment Tranche, the Parties shall execute, acknowledge and deliver an Entitlements Lease with respect to such exercised Option and any and all other documents reasonably necessary to otherwise carry out the terms and

conditions of this DCOA. Upon the execution of an Entitlements Lease in connection with the closing of such exercised Option, Citizens shall pay to PG&E the prepaid rent amount in accordance with the Entitlements Lease, which shall comply with Section 4.2(d). The closing of such Option may be accomplished through the use of an escrow arrangement as may be requested by either Party that is on terms mutually acceptable to both Parties. Notwithstanding anything to the contrary herein, if an Entitlements Lease with respect to such exercised Option is not executed within thirty (30) days following the date such Option is exercised by Citizens (or such other date mutually agreed by the Parties), such Option shall be deemed to expire.

- (ii) Option Periods 2-5. Following Citizens' exercise of an Option for the Option Period 2 Investment Tranche, the Option Period 3 Investment Tranche, the Option Period 4 Investment Tranche or the Option Period 5 Investment Tranche, each Party shall use its respective reasonable best efforts to satisfy the applicable conditions precedent set forth in Section 4.3(b) and shall promptly provide written notice to the other Party of the satisfaction of any such condition precedent, as applicable. No later than thirty (30) days following the satisfaction of all applicable conditions precedent set forth in Section 4.3(b), the Parties shall execute, acknowledge and deliver an Entitlements Lease with respect to such exercised Option and any and all other documents reasonably necessary to otherwise carry out the terms and conditions of this DCOA. Upon the execution of an Entitlements Lease in connection with the closing of such exercised Option, Citizens shall pay to PG&E the prepaid rent amount in accordance with the Entitlements Lease, which shall comply with Section 4.2(d). The closing of an Option may be accomplished through the use of an escrow arrangement as may be requested by either Party that is on terms mutually acceptable to both Parties. Notwithstanding anything to the contrary herein, if an Entitlements Lease with respect to such an exercised Option is not executed within eleven (11) months of the date such Option is exercised by Citizens (or such other date mutually agreed by the Parties), such Option shall be deemed to expire.

- (d) Prepaid Rent for Close of an Option. The prepaid rent to be paid by Citizens for all Entitlements leased pursuant to a given Entitlements Lease shall be \$200 million or such other amount

mutually agreed to by the Parties and set forth in the applicable Entitlements Lease; provided, that if Citizens exercises an Option for an amount other than \$200 million in a particular Option Period or is not provided with or does not exercise an Option for a particular Option Period, the amount of Citizens' prepaid rent payment for Entitlements leased pursuant to subsequent Options may be adjusted (upward or downward) to reflect the previously exercised or unexercised amount, as applicable; provided, further, that in no event shall the Citizens Percentage Interest in the Entitlements to any Project under any Entitlements Lease be greater than 49.9% or the total value of Citizens' investment in Projects pursuant to the Investment Program exceed \$1.0 billion. Citizens shall be responsible for obtaining its own financing for the prepaid rent, and PG&E has no obligation to provide or guarantee financing to Citizens if Citizens is unable to secure any part of its financing.

4.3 Certain Conditions Precedent. The Parties acknowledge and agree that the lease of Entitlements in an Investment Tranche pursuant to Citizens' exercise of an Option (as described in Section 4.2) is expressly contingent upon and subject to:

- (a) With respect to the Option for the Option Period 1 Investment Tranche:
 - (i) PG&E's (1) receipt of a final, nonappealable order from the CPUC approving the Investment Program under Section 851 of the California Public Utilities Code or otherwise; (2) receipt of a final, nonappealable order from FERC approving PG&E's lease to Citizens of Entitlements to the Option Period 1 Investment Tranche under Section 203 of the Federal Power Act; (3) receipt of a final, nonappealable order from FERC approving PG&E's transmission service tariff for recovery from Citizens of Citizens' portion of certain costs associated with the lease of Entitlements to the Option Period 1 Investment Tranche; and (4) satisfaction (and full and final resolution, as applicable) of any condition imposed by a Governmental Authority that is required prior to the execution of the lease to Citizens of Entitlements to the Option Period 1 Investment Tranche, in each case, in form and substance acceptable to the Parties, in each Party's sole discretion. With respect to clause (1) above, PG&E will seek any necessary approvals from the CPUC no later than fifteen (15) Business Days after the Effective Date (or such other date mutually agreed by the Parties). In order to augment the information available to the CPUC for the foregoing application, Citizens agrees that no later than thirty (30)

days after PG&E files its Section 851 application with the CPUC, Citizens shall file a petition with FERC seeking a declaratory order approving its rate methodologies for the recovery of costs associated with its lease of Entitlements to the Investment Tranches pursuant to the Investment Program, including any incentive rate treatment Citizens may seek. With respect to clauses (2) and (3) above, PG&E will seek any necessary approvals from FERC no later than thirty (30) days after the date on which Citizens receives a final and nonappealable FERC order granting the relief requested in the petition for declaratory order described in this Section 4.3(a)(i) (or such other date mutually agreed by the Parties);

- (ii) Citizens' receipt of (1) final, nonappealable orders from FERC approving (A) Citizens' transmission service tariff for recovery of its costs associated with its lease of Entitlements to the Option Period 1 Investment Tranche consistent with the rate methodology described in Article IV of the applicable Entitlements Lease; (B) Citizens' issuance of securities under Section 204 of the Federal Power Act; and (C) Citizens' receipt from PG&E of a leasehold interest in Entitlements to the Option Period 1 Investment Tranche under Section 203 of the Federal Power Act and (2) CAISO approval for Citizens' wholly owned subsidiary to become a PTO, in the case of each of clauses (1) and (2), in form and substance acceptable to the Parties, in each Party's sole discretion. Citizens agrees that it will, or cause its applicable subsidiary to, seek such approvals from FERC no later than thirty (30) days after Citizens' receipt of a final and nonappealable FERC order granting the relief requested in the petition for declaratory order described in Section 4.3(a)(i) (or such other date mutually agreed by the Parties). Consistent with Section 4.3(a)(i), Citizens agrees to file its petition for declaratory order no later than thirty (30) days after the date on which PG&E files its Section 851 application with the CPUC. Citizens shall also seek such CAISO approval as soon as reasonably practicable but in no event later than July 1, 2024; and
- (iii) the achievement of the Commercial Operation Date for the Option Period 1 Investment Tranche.

- (b) With respect to an Option for any subsequent Investment Tranche:

- (i) The satisfaction of the conditions set forth in Sections 4.3(a)(i)–(ii);
- (ii) PG&E’s (1) receipt of a final, nonappealable order from FERC approving PG&E’s lease to Citizens of Entitlements to the applicable Investment Tranche under Section 203 of the Federal Power Act; (2) to the extent necessary, receipt of a final, nonappealable order from FERC approving PG&E’s transmission service tariff for recovery from Citizens of Citizens’ portion of certain costs associated with the lease of Entitlements to the applicable Investment Tranche; and (3) satisfaction (and full and final resolution, as applicable) of any condition imposed by a Governmental Authority that is required prior to the execution of the lease to Citizens of Entitlements to the applicable Investment Tranche, in each case, in form and substance acceptable to the Parties, in each Party’s sole discretion. With respect to clauses (1) and (2) above, PG&E agrees that it will make the necessary filings no later than thirty (30) days after Citizens’ delivery to PG&E of the written notice under Section 4.2(b)(ii) (or such other date mutually agreed by the Parties) and reasonably concurrently with Citizens seeking the approvals described in Section 4.3(b)(iii);
- (iii) Citizens’ receipt of final, nonappealable orders from FERC approving (1) Citizens’ transmission service tariff for recovery of its costs associated with its lease of Entitlements to the applicable Investment Tranche consistent with the rate methodology described in Article IV of the applicable Entitlements Lease; (2) Citizens’ issuance of securities under Section 204 of the Federal Power Act; and (3) Citizens’ receipt from PG&E of a leasehold interest in Entitlements to the applicable Investment Tranche under Section 203 of the Federal Power Act, in each case, in form and substance acceptable to the Parties, in each Party’s sole discretion. Citizens agrees that it will seek such approvals from FERC no later than thirty (30) days after Citizens’ delivery to PG&E of the written notice under Section 4.2(b)(ii) (or such other date mutually agreed by the Parties) and reasonably concurrently with PG&E seeking the approvals described in Section 4.3(b)(ii);
- (iv) the achievement of the Commercial Operation Date for such Investment Tranche; and

- (v) receipt by Citizens' wholly owned subsidiary of commitments for new third-party debt financing, on terms and conditions reasonably satisfactory to Citizens, sufficient to fund the payment of prepaid rent for the closing of such Option.

4.4 Low Income Energy Programs. The Parties acknowledge and agree that each Entitlements Lease shall obligate Citizens Pacific Transmission to make the Minimum Annual Low-Income Contributions as defined in Section 5.3.1, and in accordance with the terms and conditions of Sections 5.3.1 and 11.2, in each case, of the form of Entitlements Lease attached as Exhibit A to this Agreement as in effect on the Effective Date.

4.5 Capital and O&M Expenses. The Parties acknowledge and agree that each Entitlements Lease shall limit the cost recovery methodology used by Citizens Pacific Transmission (as defined therein) at FERC as set forth in Section 4.3.2 of the form of Entitlements Lease attached as Exhibit A to this Agreement as in effect on the Effective Date.

4.6 Additional Ratepayer Protections. The Parties acknowledge and agree that, with respect to each Entitlements Lease, PG&E shall exclude from its transmission rates for purposes of cost recovery (i) the Citizens Percentage Interest (as defined therein) of the capital costs associated with the Projects (as defined therein) paid to PG&E as Prepaid Rent (as defined therein) by Citizens Pacific Transmission pursuant to such Entitlements Lease, and (ii) the Additional Rent (as defined therein) allocated to Citizens Pacific Transmission by PG&E pursuant to such Entitlements Lease.

ARTICLE V

COOPERATION

5.1 Mutual Cooperation.

5.1.1 PG&E Regulatory Approvals. PG&E, at its sole cost and expense, shall be responsible for obtaining, and shall use its reasonable best efforts to obtain, the Required PG&E Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(i) and 4.3(b)(ii). Citizens agrees to cooperate in good faith with and assist PG&E in obtaining the Required PG&E Regulatory Approvals.

5.1.2 Citizens Regulatory Approvals. Citizens, at its sole cost and expense, shall be responsible for obtaining, and shall use its reasonable best efforts to obtain, the Required Citizens Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(ii) and 4.3(b)(iii). PG&E agrees to cooperate in good faith with and assist Citizens in obtaining the Required Citizens Regulatory Approvals.

ARTICLE VI

MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE

6.1 Meetings of the Parties. The Parties shall hold regularly scheduled meetings (no less frequently than monthly) for the purpose of reviewing each Party's progress, as applicable, in its development, design, permitting, engineering, procurement, construction, commissioning, financing, operating, and maintenance activities for the Projects and each Party's progress toward receiving the Required Regulatory Approvals. Either Party may call a special meeting at any time. Reasonable and sufficient notice of each meeting shall be given to each Party in order to allow full participation.

6.2 Sharing Information.

6.2.1 PG&E Information. Upon reasonable prior notice and during regular business hours, and subject to the availability of PG&E personnel to escort Citizens personnel or representatives, PG&E shall allow Citizens (at its own expense and risk) reasonable access to conduct a visual inspection of the project site(s) for any Project then in development and provide other information related to such Project(s) as may be reasonably requested by Citizens, including but not limited to:

- (a) costing information to ensure that costs for such Project(s) are allocated to appropriate portions of such Project(s) and that PG&E keeps its accounts and provides sufficient information to Citizens to allow Citizens to review those allocations and accounts on an on-going basis;
- (b) permitting information;
- (c) plans, specifications, design, or maps of such Project(s); and
- (d) contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of such Project(s).

6.2.2 Citizens Information. Upon reasonable notice, Citizens shall provide information related to the Projects and its involvement in the Investment Program to the extent within Citizens' possession or control, as may be reasonably requested by PG&E.

6.3 Required Regulatory Approvals. From time to time while any Required PG&E Regulatory Approvals remain outstanding, upon Citizens' request, PG&E shall provide Citizens with updates regarding the status (including the expected timeline for receipt) of such Required PG&E Regulatory Approvals. From time to time while any Required Citizens Regulatory Approvals remain outstanding, upon PG&E's request, Citizens shall provide PG&E with updates regarding the status (including the expected timeline for receipt) of such Required Citizens Regulatory Approvals.

6.4 Final Decisions. Notwithstanding anything to the contrary in this Agreement, PG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, and operation of the Projects. Any disputes regarding whether or not PG&E has complied with its obligations under this DCOA (including its obligations under Section 3.2) shall be resolved by the dispute resolution procedures under Article X.

ARTICLE VII

FORCE MAJEURE

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

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

ARTICLE VIII

WITHDRAWAL

8.1 Withdrawal. In the event any of the applications for the Required Regulatory Approvals, including such actions contemplated by Sections 4.3(a)(i), 4.3(a)(ii), 4.3(b)(ii) and 4.3(b)(iii), with respect to the Investment Program or an Investment Tranche is denied or is approved with conditions that are materially adverse and unacceptable to a Party or otherwise materially inconsistent with the terms of the Investment Program or Entitlements Lease in a manner that is adverse to a Party, such Party shall have the right to withdraw from and terminate (or partially terminate, as applicable) this DCOA.

8.2 Notice. A Party that is entitled to withdraw from and terminate (or partially terminate, as applicable) this DCOA pursuant to Section 8.1 must, in order to withdraw from and terminate (or partially terminate, as applicable) this DCOA, provide written notice of its withdrawal and termination (or partial termination, as applicable) to the other Party within thirty (30) days after the occurrence of the event giving rise to such withdrawing Party's right to withdraw and terminate (or partially terminate, as applicable) pursuant to this Article VIII.

ARTICLE IX

EVENTS OF DEFAULT; REMEDIES

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

- (a) a Party shall fail to make payments for amounts due under this DCOA within thirty (30) days after written notice that such payment is past due;
- (b) a Party shall fail to comply with any other material provision of this DCOA, and any such failure shall continue uncured for thirty (30) days after written notice thereof, provided that if such failure is not capable of being cured within such period of thirty (30) days with the exercise of reasonable diligence but is otherwise capable of being cured, then such cure period shall be extended for an additional reasonable period of time so long as the defaulting Party is exercising commercially reasonable efforts to cure such failure; and
- (c) any representation made by a Party hereunder shall fail to be true in any material respect at the time such representation is given and such failure shall not be cured within thirty (30) days after written notice thereof by a non-defaulting Party.

9.2 Limitation on Damages. No Party shall be liable under this DCOA for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise. The provisions of this Section 9.2 shall not be construed to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and enforceable insurance policies.

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

ARTICLE X

DISPUTE RESOLUTION

10.1 Intent of the Parties. The sole procedure to resolve any claim arising out of or relating to this DCOA or any related agreement is the dispute resolution procedure set forth in this Article X; provided, however, that either Party may seek a preliminary injunction or other provisional judicial remedy if such action is necessary to prevent irreparable harm or preserve the status quo, in which case both Parties nonetheless will continue to pursue resolution of the

dispute by means of this procedure and nothing in this Section 10.1 shall restrict the rights of any party to file a complaint with the FERC under relevant provisions of the Federal Power Act.

10.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this DCOA or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five (5) Business Days after such referral date (the "Referral Date"), each Party shall provide one another written notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five (5) Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty (30) days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of such Referral Date, or if either Party refuses or does not meet within the thirty (30) day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

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

(a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty (60) days after written notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen (15) days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 10.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five (5) arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five (5) arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten (10) years experience in the field of the dispute.

(b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty (30) days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two (2) requests for production of documents prior to the commencement of the hearing.

Depositions shall be limited to a maximum of three per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven (7) hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than twenty-five (25) interrogatories (including subparts), upon good cause shown.

(c) The arbitrator's award shall be made within nine (9) months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty (30) days by agreement of the Parties or by the arbitrator, if necessary.

(d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

(e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.

(f) The existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 12.3.

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

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

ARTICLE XI

REPRESENTATIONS AND WARRANTIES

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

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

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

11.1.3 No Violation. Subject to the receipt of all Required PG&E Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3, none of the execution and delivery of this DCOA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of PG&E; (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority, except in the case of clause (2), (x) those approvals that are not required prior to the start of construction of any such Project, are not subject to the discretionary action of the applicable agency, and otherwise can be obtained in the ordinary course of business, and (y) those approvals that would not have a material adverse effect on the development, design, engineering, procurement, construction, commissioning, ownership, operation, maintenance or financing of any such Project, or the Investment Program generally, if not obtained.

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

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

ability to own its properties or transact its business, or to carry out the transactions and activities contemplated hereby.

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

11.2.3 No Violation. Subject to the receipt of all Required Citizens Regulatory Approvals and the approvals from the CPUC and FERC described in Section 4.3, none of the execution and delivery of this DCOA, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the Articles of Incorporation or Bylaws of Citizens; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority, except in the case of clause (2), those approvals that would not have a material adverse effect on the exercise of an Option, leasing or financing of Citizens' leasehold interest in any such Project, or the Investment Program generally, if not obtained.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or facsimile or e-mail (if facsimile numbers or e-mail addresses are identified below or by subsequent notice and provided a copy is also sent by overnight mail) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two (2) Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three (3) Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by facsimile transmission or e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. A Party may change its address for notices by providing notice of the same in accordance with this Section 12.1.

If to PG&E:

Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: Michael Medeiros
Email: mjml@pge.com

With a copy to:

Jenner & Block LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Raunaq Kohli, Counsel to Pacific Gas and Electric Company
Fax: 212-891-1699
Email: rkohli@jenner.com

If to Citizens:

Citizens Energy Corporation
2 Seaport Lane, Suite 5C
Boston, MA 02210
Attention: Chief Executive Officer
Fax: 617-542-4487
Email: psmith@citizensenergy.com

With a copy to:

Duncan & Allen LLP
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
Attention: Ashley Bond, Counsel to Citizens Energy Corporation
Fax: 202-289-8450
Email: amb@duncanallen.com

12.2 Assignment. Citizens shall not assign this DCOA, or its rights or obligations hereunder, without the prior written consent of PG&E which may be granted or withheld in its sole discretion, and with respect to PG&E, PG&E shall not assign this DCOA, or its rights or obligations hereunder, without the prior written consent of Citizens, such consent not to be unreasonably withheld or delayed; provided, that with respect to both Citizens and PG&E, no such consent shall be required for (i) a collateral assignment of, or creation of a security interest in, this DCOA in connection with any financing or other financial arrangements, or (ii) an assignment in connection with the merger of a Party with, or the acquisition of substantially all of the transmission assets of a Party by, an entity with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of a Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of a Party if such interest constitutes more than thirty

percent (30%) of the fair market value of the assets of such parent entity) to a person that is not an Affiliate of such Party shall also constitute an assignment of this DCOA subject to the terms of this Section 12.2. Any assignment in violation of this Section 12.2 shall be null and void. Notwithstanding anything to the contrary herein, (x) PG&E consents to the exercise of the Options and execution of the Entitlements Leases (in accordance with Article IV) by Citizens Pacific Transmission LLC, a Delaware limited liability company and wholly owned subsidiary of Citizens (“Citizens Pacific Transmission”), or any other similar, wholly owned subsidiary of Citizens (and, if a wholly owned subsidiary of Citizens exercises any Option or enters into any Entitlements Lease, the Parties agree that any reference to Citizens in the context of exercising such Option or entering into (or taking any other action pursuant to) such Entitlements Lease shall be deemed to refer solely to such wholly owned subsidiary; provided, that, for the avoidance of doubt, in the event of any default hereunder Citizens shall be solely liable) and (y) Citizens consents to any assignment or transfer by PG&E of its rights or interests in this DCOA or Projects constituting all or a portion of an Investment Tranche to a subsidiary which PG&E owns or controls at least fifty-one percent (51%) of the equity ownership or voting interests (provided that, such PG&E subsidiary has previously executed a joinder agreement to this DCOA).

12.3 Confidentiality. During the term of this DCOA and for a period of three (3) years after the expiration or termination of this DCOA, the Parties shall keep confidential any information relating to the Projects or obtained in connection with this DCOA (such information, “Confidential Information”), and shall refrain from using, publishing or revealing such Confidential Information without the prior written consent of the Party whose Confidential Information the disclosing Party is seeking to disclose, unless (a) such Confidential Information is disclosed to its Affiliates, legal advisors, auditors and/or Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) the disclosing Party is compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (c) such Confidential Information is generally available to the public; (d) such Confidential Information was available to the disclosing Party on a non-confidential basis from a third-party, provided that the disclosing Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such Confidential Information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

12.4 Public Relations. The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding the participation of the Parties or their Affiliates in the Investment Program and the transactions contemplated by this DCOA; provided, that nothing herein shall prohibit or restrict either Party from making any public disclosure that is required by applicable law (including federal securities laws or stock exchange rules).

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

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

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

12.8 Entirety. This DCOA constitutes the entire agreement between the Parties hereto. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed.

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

12.10 Good Faith. In carrying out its obligations and duties under this DCOA, each Party shall have an implied obligation of good faith; provided, that the Parties agree and acknowledged that this Section 12.10 shall not alter the terms or obligations set forth elsewhere in this DCOA.

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

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

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

12.14 Counterparts; Electronic Execution. This DCOA may be executed in one or more counterparts, each of which shall be deemed an original. Receipt by facsimile or electronic

transmission (including PDF) of any executed signature page to this DCOA shall constitute effective delivery of such signature page (upon its release from escrow, if applicable).

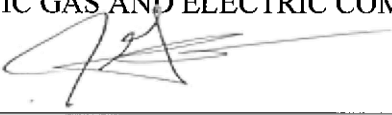
12.15 Expenses. PG&E and Citizens shall each pay their own expenses incurred in connection with the negotiation and execution of this DCOA.

12.16 Time is of the Essence. Each of the Parties acknowledges that timely commencement of the Investment Program is essential, and therefore time is of the essence in performing all obligations set forth herein.

[Signature page follows]

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

PACIFIC GAS AND ELECTRIC COMPANY

By: 
Name: Jason Glickman
Title: Executive Vice President - Engineering, Planning and Strategy
Date: February 20, 2024

CITIZENS ENERGY CORPORATION


By: 
Name: Peter F. Smith
Title: CEO
Date: Feb 20, 2024

Exhibit A
FORM OF ENTITLEMENTS LEASE
(attached)

FORM OF
[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE

BY AND BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY
AND
CITIZENS PACIFIC TRANSMISSION LLC

DATED AS OF [DATE]

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[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE

This [FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE (this “Lease”) is made and entered into as of [DATE] (the “Effective Date”), by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and Citizens Pacific Transmission LLC, a Delaware limited liability company (“Citizens Pacific Transmission”). Each of PG&E and Citizens Pacific Transmission shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

- A.** PG&E identifies in the ordinary course of its business electric transmission facilities, upgrades, rebuilds and expansions, to, among other things, improve reliability, integrate new generation (including renewable generation), and reduce congestion in its service area.
- B.** On February 20, 2024, PG&E and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”), entered into a Development, Coordination, and Option Agreement, (as amended, modified, or supplemented from time to time, the “DCOA”).
- C.** Citizens Pacific Transmission is an indirect, wholly owned subsidiary of Citizens Energy.
- D.** Pursuant to the DCOA, PG&E and Citizens Energy established an investment program pursuant to which Citizens Energy may be presented with options (each, an “Option”) to lease certain Entitlements (as defined below) to certain transmission facilities, upgrades, rebuilds and/or expansions that PG&E will, as applicable, develop, design, permit, engineer, procure, construct and, in each case, own, maintain and operate, pursuant to a form of lease substantially similar to this Lease.
- E.** Pursuant to the DCOA, Citizens Pacific Transmission is authorized to exercise any Option and execute this Lease following, among other things, the exercise of such Option.
- F.** Pursuant to the CAISO Agreements (as defined below), CAISO (as defined below) assumed Operational Control (as defined below) of the Projects (as defined below) upon completion.
- G.** In accordance with the requirements of the DCOA (including the satisfaction or waiver of the applicable conditions precedent set forth therein), Citizens Pacific Transmission notified PG&E that Citizens Pacific Transmission had exercised an Option.
- H.** The Parties desire to enter into this Lease to, among other things, set forth the terms pursuant to which Citizens Pacific Transmission will lease from PG&E certain Entitlements to the Projects, all as more particularly set forth herein.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

1.1 Definitions.

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

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

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

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Projects are assessed against PG&E and no Property Taxes are assessed on the Citizens Entitlements against Citizens Pacific Transmission, the aggregate amount of any Property Taxes that are reasonably attributable to the Citizens Entitlements during such period, and (ii) if the Property Taxes on the Projects are assessed against both PG&E and Citizens Pacific Transmission, the aggregate amount of such Property Taxes that are directly attributable to the Citizens Entitlements during such period.

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

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

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

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

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

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

“CAISO Eligible Customer” means an “Eligible Customer” as defined in the CAISO Agreements or any other successor customer who is eligible to obtain transmission service pursuant to the CAISO Agreements or similar term in a System Operator’s tariffs or agreements.

“Citizens Additional Rent Rate” means [Sheet ____ to] Appendix [] of PG&E’s currently effective FERC Electric Tariff Volume No. 5 (FERC Docket No.ER[____]), which was authorized by FERC on [DATE], as amended, modified, or supplemented from time to time.

“Citizens Energy” has the meaning set forth in the recitals hereto.

“Citizens Entitlements” means the Citizens Percentage Interest in the Entitlements to the Projects identified in Exhibit A, which Citizens Pacific Transmission will turn over to the CAISO’s operational control.

“Citizens Percentage Interest” means, with respect to the Projects and subject to adjustment as otherwise required by this Lease, $[[X]\% \text{ as of the Effective Date}]^1$, which represents the percentage equal to the ratio of (i) the aggregate Prepaid Rent paid pursuant to Section 4.1.1, divided by (ii) the aggregate Project Costs for the Projects; provided, that in no event will the Citizens Percentage Interest be greater than 49.9%.

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

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

“Collateral Assignment” has the meaning set forth in Section 11.3.

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

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

“Comparison Date” shall have the meaning set forth in Section 4.3.2(d).

“Confidential Information” has the meaning set forth in Section 13.2.

¹ NTD: Insert percentage interest on Effective Date if known.

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

“CPUC” means the California Public Utilities Commission or its successors.

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

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

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

“Entitlements” has the meaning ascribed to such term in the CAISO Agreements.

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

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

“FERC” means the Federal Energy Regulatory Commission or its successors.

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

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

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

accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

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

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

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

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

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

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

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

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

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

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

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

“PG&E Percentage Interest” means a percentage equal to (i) 100% minus (ii) the Citizens Percentage Interest.

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

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

“Project” means each electric transmission facility, upgrade, rebuild and/or expansion that is described on Exhibit A to this Lease.

“Project Costs” means, with respect to a Project, the aggregate of all costs incurred by PG&E to develop, design, permit, engineer, procure and/or construct such Project, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date as described in Section 3.5.1 of this Lease.

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

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

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

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

“Reimbursable Property Taxes” means any Property Tax attributable to the Projects that is paid by PG&E and that Citizens Pacific Transmission is required by Section 8.1 to reimburse.

“Related Parties” means, with respect to any Person, such Person’s affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person’s affiliates.

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

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

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

“WECC” means the Western Electricity Coordinating Council or its successors.

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

1.2 Rules of Interpretation.

Unless otherwise provided herein or the context otherwise requires: (a) words denoting the singular include the plural and vice versa; (b) words denoting a gender include both genders; (c) references to a particular part, clause, section, paragraph, article, party, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or a party, exhibit, schedule or other attachment to the document in which the reference is contained; (d) a reference to any statute or regulation includes all statutes or regulations varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations issued or otherwise applicable under that statute to the extent consistent with the Parties’ original intent hereunder; (e) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time; (f) a definition of or reference to any document, instrument or

agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement; (g) a reference to any person includes such person's successors and permitted assigns in that designated capacity; (h) any reference to "days" shall mean calendar days unless Business Days are expressly specified; and (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

ARTICLE II

LEASE; TERM

2.1 Lease.

PG&E hereby leases to Citizens Pacific Transmission, and Citizens Pacific Transmission hereby leases from PG&E, the Citizens Entitlements on the terms and conditions set forth in this Lease. Citizens Pacific Transmission, as the holder of the Citizens Entitlements that are under the Operational Control of the CAISO (or any successor System Operator), for the benefit of and made available to CAISO Eligible Customers, is entitled to all associated rights and revenues from use of the Citizens Entitlements, or, in the absence of the CAISO Agreements, rights and revenues similar to such associated rights and revenues as of the Effective Date.

2.2 Term.

The term of this Lease shall commence as of the Effective Date (the "Commencement Date") and shall expire (unless otherwise earlier terminated pursuant to this Lease) at 11:59 p.m. Pacific time on the day before the 30th anniversary of the Commencement Date (the "Term"). At the conclusion the Term, Citizens Pacific Transmission shall have no further interest in the Projects hereunder, the Citizens Entitlements shall revert to PG&E free and clear of any liens or encumbrances, and Citizens Pacific Transmission and PG&E shall have no further rights or obligations vis-à-vis each other except to pay amounts and fulfill other obligations under this Lease existing as of the time of conclusion of the Term; provided, however, that Citizens Pacific Transmission shall promptly execute and deliver to PG&E such further agreements, instruments and documents, and take such further action, as PG&E may reasonably request in order to effectuate and acknowledge the expiration and termination of this Lease, including the filing of any notices or uniform commercial code termination statements with respect to any lien or security interest filings or notices that were made in connection with any Collateral Assignment. For the avoidance of doubt, the Parties acknowledge that the Commercial Operation Date has occurred as of or prior to the Commencement Date.

ARTICLE III

THIRD PARTY CONTRACTORS; UPGRADES AND REPAIRS; OPERATION AND MAINTENANCE; INTERCONNECTION

3.1 Completion of Construction; Third Party Contractors.

PG&E shall use commercially reasonable efforts to complete all punch list items and all other final construction activities on the Projects in accordance with Good Utility Practice as

soon as reasonably practicable. For avoidance of doubt, for purposes of this Article III and any other provisions of this Lease relating to work performed on the Projects by PG&E, PG&E may undertake work on the Projects itself or through third party contractors.

3.2 Operation and Maintenance.

Except to the extent that PG&E has transferred Operational Control of the Projects to the System Operator, PG&E shall be responsible for overseeing and performing all operations and maintenance services for the Projects (including any aspect thereof related to or necessary for the Citizens Entitlements) in accordance with Good Utility Practice and material regulations, including the CAISO Agreements (or any successor System Operator) and WECC reliability standards.

3.3 Future Upgrades.

Subject to the other terms and conditions of this Lease, PG&E shall be solely entitled to decide upon, develop, design, engineer, procure, construct, commission, own, operate, maintain, and finance any upgrades to all or any portion of the Projects during the Term. PG&E shall be solely responsible for paying the costs of such upgrades. Citizens Pacific Transmission agrees that it will not oppose any upgrades sought by PG&E, including before any Governmental Authority, System Operator, or Balancing Authority.

3.4 Future Replacements and Renewals.

PG&E shall be solely entitled to determine whether any additional capital investment is needed for replacement or renewal of facilities of the Projects, and if so, the timeframe for the same. PG&E shall be solely entitled to itself undertake or undertake by way of contracts with others to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance such replacement or renewals of the facilities of the Projects. PG&E shall be responsible for all costs of such replacement or renewal.

3.5 Adjustment of Citizens Percentage Interest.

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

3.5.1 Construction Cost True-Up.² The Parties acknowledge that the Prepaid Rent may have been determined prior to the date when all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments still due

² NTD: Parties to confirm estimated Project Costs prior to executing the Lease to ensure the Citizens Percentage Interest shall be no greater than 49.9% during the Term.

under pending construction contracts for work to be completed after the Effective Date, are fully known. Accordingly, PG&E shall provide to Citizens Pacific Transmission an accounting of such costs promptly after PG&E has finally determined such costs, and the Citizens Percentage Interest shall be adjusted at such time to equal the ratio of the Prepaid Rent divided by the aggregate of all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date.

3.5.2 Additional Capital Investments. To the extent that PG&E makes any additional capital investments in any Project pursuant to Section 3.3 or Section 3.4, then (1) the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest in the Projects prior to such additional capital investment multiplied by the net book value of the Projects prior to such additional capital investment divided by (b) the new net book value of the Projects (including all new funding of replacements or renewals as part of the new net book value); and (2) the PG&E Percentage Interest shall be adjusted in accordance with its definition. For example, assume that the Projects have a net book value of \$100 million prior to upgrades, replacement or renewals and require additional capital investments of \$30 million for upgrades or replacement costs pursuant to Section 3.3 or Section 3.4 (and thus would have a net book value of \$130 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 49% and PG&E makes such \$30 million capital investment in the Projects, then the Citizens Percentage Interest would be reduced from 49% to 37.69% ($49\% \times \$100 / \$130 = 37.69\%$) and the PG&E Percentage Interest would be increased from 51% to 62.31% ($100\% - 37.69\% = 62.31\%$). For purposes of this section, the “net book value” of the Projects shall be equal to PG&E’s historical cost basis of the Projects less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Pacific Transmission pays to PG&E shall not reduce the cost basis.

3.6 Interconnection Facilities.

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

ARTICLE IV

RENT; RATE RECOVERY

4.1 Rent.

The rent due under this Lease shall be as follows:

4.1.1 Prepaid Rent. Concurrently with the commencement of this Lease on the Commencement Date, Citizens Pacific Transmission shall make a payment of [\$200 million]³ to PG&E as prepaid rent (the “Prepaid Rent”).

4.1.2 Additional Rent. Citizens Pacific Transmission shall pay to PG&E, subject to Section 4.3.4 and Section 8.3, additional rent monthly in arrears in an amount equal to the sum of (i) the operations and maintenance costs incurred by PG&E that are reasonably attributable to the Citizens Entitlements, including a reasonable allocation of administrative and general activities, general, intangible and common plant, the amortized cost of removing the Projects, sales, use, payroll and excise taxes, and other costs described in the Citizens Additional Rent Rate (other than Property Tax) (the “Citizens Share of O&M Costs”), plus (ii) Reimbursable Property Tax (the sum of (i) and (ii) is referred to as the “Additional Rent” and, together with the Prepaid Rent, the “Rent”). PG&E shall provide to Citizens Pacific Transmission an invoice of the Additional Rent for each month during the Term within thirty (30) days after (but no earlier than) the conclusion of such month, and Citizens Pacific Transmission shall be required to pay such amount to PG&E within forty-five (45) days after receipt of such invoice.

4.2 Regulation of Citizens Pacific Transmission’s Rates.

Subject to Section 4.3, Citizens Pacific Transmission shall file or cause to be filed with FERC, a transmission service tariff for recovery of its costs associated with the Citizens Entitlements. The Citizens Entitlements shall be provided for the benefit of and made available to CAISO Eligible Customers at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act.

4.3 Citizens Pacific Transmission’s Cost Recovery Methodology.

Citizens Pacific Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Pacific Transmission limited to the recovery of the transmission costs described in this Section 4.3. For the avoidance of doubt, Citizens Pacific Transmission shall be entitled to, and PG&E shall not oppose, rate recovery that is not affected by any reduction in the Citizens Percentage Interest associated with PG&E’s funding of renewals, replacements or upgrades to all or any portion of the Projects pursuant to Section 3.3, Section 3.4 or otherwise.

4.3.1 Operating Costs. Citizens Pacific Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Pacific Transmission as provided for in Section 4.1.2 on an annual formulaic basis, including the Applicable Portion of Property Taxes directly attributable to the Citizens Entitlements to the Projects as allocated from PG&E to Citizens Pacific Transmission.

4.3.2 Capital Requirements. Citizens Pacific Transmission shall seek recovery for all costs associated with the Citizens Entitlements other than those described in Section 4.3.1 above at a fixed rate that is no higher than the approximate rate PG&E is projected, as of the

³ NTD: Update based on agreed upon Prepaid Rent for each Entitlements Lease.

Comparison Date, to recover over the lives of the Projects if PG&E held the Citizens Entitlements. This fixed rate is intended to cover all costs associated with the Citizens Entitlements (other than those costs described in Section 4.3.1 above), including Prepaid Rent and other costs of the Entitlements, debt service, capitalized interest, liquidity reserves, taxes (excluding the Applicable Portion of Property Taxes and the sales, use, payroll or excise taxes which are included in the Citizens Share of O&M Costs and the operating costs addressed by Section 4.3.1 above), and any and all other costs; provided, that Citizens Pacific Transmission will not seek from FERC a cost recovery methodology that provides cost recovery of any of its own or its affiliates': (i) project, development, transaction (other than Financing Costs that do not exceed 1% of the Prepaid Rent), regulatory, operating, maintenance, administrative and general costs, charges or expenses, (ii) sales, use, payroll or excise tax costs, (iii) billing and settlements costs, charges or expenses incurred in connection with CAISO, or (iv) financing costs, charges or expenses in excess of 1% of the Prepaid Rent. For purposes of determining the approximate rate PG&E is projected, as of the Comparison Date, to recover if PG&E held the Citizens Entitlements, the Parties agree to use the model attached hereto as Exhibit B.

(a) The model calculates a theoretical annual rate (for a [55]⁴-year depreciable life) that PG&E could recover at or within five (5) Business Days prior to the Commencement Date if PG&E held the Citizens Entitlements and then amortized that rate over a 30-year period on a level basis each year based on fixed and variable parameters set forth in the model to produce a theoretical levelized annual amount (the "PG&E Representative Rate"). The only variable parameters that shall be entered into the model to determine the PG&E Representative Rate are: (1) [the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [] basis points ([]%)],⁵ (2) the actual Costs of Entitlements (defined below), and (3) the portion of the actual Costs of Entitlements that is PG&E's actual AFUDC. The phrase "Costs of Entitlements" shall mean the sum of the Prepaid Rent and Financing Costs (defined below) incurred by Citizens Pacific Transmission allocated to the Citizens Entitlements. The phrase "Financing Costs" shall mean, with respect to the term financing that Citizens Pacific Transmission will consummate for the acquisition of its leasehold interest in the Citizens Entitlements, all reasonable and customary financing costs, including without limitation, lenders' fees, consultants' fees (for Citizens Pacific Transmission and its lenders), lawyers' fees (for Citizens Pacific Transmission and its lenders), and capitalized interest charged prior to commencement of rate recovery, and excluding any amounts set aside for reserve accounts; provided, that the Financing Costs included in the Costs of Entitlements shall not exceed one percent (1%) of the Prepaid Rent.

(b) The following parameters, among others, are constants in the model and shall not be reset at any time in determining the PG&E Representative Rate: (1) PG&E's return on common equity fixed at []%,⁶ (2) PG&E's return on preferred equity

⁴ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized depreciable life in a final and non-appealable FERC order, which is not subject to refund.

⁵ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

⁶ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on common equity in a final and non-appealable FERC order, which is not subject to refund.

fixed at [__%],⁷ and (3) PG&E's capital structure fixed at [__% equity, __% preferred equity, and __% debt]⁸. For purposes of explanation, the model also calculates the following parameters, among others, in determining the PG&E Representative Rate: (w) PG&E's federal income tax rate fixed at [21.00%] and state income tax rate fixed at [8.84%],⁹ [(x) PG&E's estimated debt rate for 30 years which is the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [__] basis points ([__]%)],¹⁰ (y) PG&E's weighted average cost of capital which is the weighted average (based on the PG&E fixed capital structure in clause (3) immediately above) of the PG&E return on equity in clauses (1) and (2) immediately above and the PG&E estimated debt rate in clause (x), and (z) the PG&E discount rate which is equal to the PG&E weighted average cost of capital in clause (y). The example attached hereto as part of Exhibit B sets forth the PG&E Representative Rate for a [five (5) day average Moody's Baa 30-year Utility Bond Index] equal to [X%], Costs of Entitlements equal to [\$202,000,000] and an AFUDC amount equal to [\$2,282,487.]¹¹

(c) At the time Citizens Pacific Transmission makes the compliance filing related to its application made on [DATE] in [FERC Docket No. ER__ - ____] seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 4.3.2 and conditionally accepted by FERC pursuant to an order issued on [DATE] in [FERC Dockets Nos. ER__ - ____ -000, ER__ - ____ -001 and EL__ - ____ -000,] Citizens Pacific Transmission shall demonstrate that its proposed rate methodology results in an annual fixed rate for recovery of the costs described in this Section 4.3.2 that is no greater than the PG&E Representative Rate.

(d) For purposes of determining whether Citizens Pacific Transmission has a fixed rate that is no higher than the approximate rate PG&E is projected to recover if PG&E held the Citizens Entitlements in compliance with this Section 4.3.2, as of or within five (5) Business Days prior to the Commencement Date (such date, the "Comparison Date"), the Parties shall compare the PG&E Representative Rate against Citizens Pacific Transmission's FERC-approved annual fixed rate for recovery of the costs described in this Section 4.3.2.

(e) In the event Citizens Pacific Transmission is not able to demonstrate to FERC that its fixed annual rate is no higher than the PG&E Representative Rate, then Citizens Pacific Transmission agrees to limit or cap its fixed annual rate before FERC such that its fixed annual rate shall be equal to the PG&E Representative Rate.

⁷ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on preferred equity in a final and non-appealable FERC order, which is not subject to refund.

⁸ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E capital structure in a final and non-appealable FERC order, which is not subject to refund.

⁹ NTD: Update at the time of Lease execution to reflect PG&E tax rate in effect at the time.

¹⁰ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

¹¹ NTD: Update based on Representative Rate Model to be attached at Lease execution.

4.3.3 Waiver of Section 205/206 Rights. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, to the fullest extent permitted by applicable law, Citizens Pacific Transmission, for itself and its successors and assigns, shall waive any rights it can or may have, now or in the future, whether under Sections 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and Citizens Pacific Transmission covenants and agrees not at any time to seek to so obtain, an order from FERC changing the FERC-approved fixed rate for recovery of the costs described in Section 4.3.2 above. For the avoidance of doubt, to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, Citizens Pacific Transmission may seek approval for inclusion in its rates of an allowance to recover any such new taxes, income taxes, Property Taxes, fees or other charges. PG&E acknowledges that among other things, Citizens Pacific Transmission will seek recovery of and PG&E will support Citizens Pacific Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Citizens Entitlements: (a) all Financing Costs that in the aggregate do not exceed one percent (1%) of Prepaid Rent, (b) all costs of abandoned facilities, provided such abandonment is due to factors beyond Citizens Pacific Transmission's control, and (c) all capital requirements as described in Section 4.3.2 above. PG&E shall fully support, through timely intervention and active participation in any proceeding relating to or affecting Citizens Pacific Transmission's rates, Citizens Pacific Transmission's recovery and implementation of rates conforming to the provisions of this Lease in accordance with Section 205 of the Federal Power Act and orders issued by FERC thereunder, in order that Citizens Pacific Transmission may acquire, finance, operate and maintain its leasehold interest in the Citizens Entitlements. PG&E's support shall include providing FERC with evidence (including affidavits and other customary documentation) that is requested by FERC, or reasonably requested by Citizens Pacific Transmission or other parties in such proceedings before FERC, to demonstrate that costs sought to be recovered by Citizens Pacific Transmission through its rates that were originally incurred by PG&E were prudently incurred.

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

ARTICLE V

MEETINGS; OTHER AGREEMENTS

5.1 Meetings.

Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Projects. Either Party may call a special meeting upon reasonable advance notice and in coordination with the other Party. For avoidance of doubt, PG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation and maintenance of the Projects; provided, however, that PG&E shall (i) provide Citizens Pacific Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Projects no less than once per year, and (ii) promptly inform Citizens Pacific Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Pacific Transmission or the Citizens Entitlements; provided, however, that all information obtained in connection with such meetings or this Section 5.1 shall be subject to the confidentiality provision in Section 13.2. Citizens Pacific Transmission shall provide PG&E with periodic reports regarding Citizens Pacific Transmission's activities associated with its leasehold interest in the Citizens Entitlements including Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

5.2 PG&E Covenants.

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

5.2.2 Inspections and Information Sharing. Upon reasonable prior notice and during regular business hours, and subject to the availability of PG&E personnel to escort Citizens Pacific Transmission personnel or representatives, PG&E shall allow Citizens Pacific Transmission at their own expense and risk reasonable access to conduct a visual inspection of the Project sites and provide other information related to the Projects as may be reasonably requested by Citizens Pacific Transmission, including:

- (a) Costing information to ensure that costs for the Projects are allocated to appropriate portions of the Projects and that PG&E keeps its accounts and provides sufficient information to Citizens Pacific Transmission to allow Citizens Pacific Transmission to review those allocations and accounts on an on-going basis;
- (b) Permitting information;
- (c) Plans, specifications, design, or maps of the Projects; and

(d) Contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of the Projects;

provided, however, that so long as there is no Event of Default and PG&E is not a Defaulting Party, only one such inspection will be permitted annually; provided, further, that all information obtained in connection with any such inspection or shared in accordance with this Section 5.2.2 shall be subject to the confidentiality provisions in Section 13.2. No inspection pursuant to this Section 5.2.2 shall interfere with the use, operation or maintenance of the Projects or the normal conduct of PG&E's business, and PG&E shall not be required to undertake or incur any additional liabilities in connection therewith.

5.3 Citizens Pacific Transmission Covenants.

5.3.1 Low Income Energy Programs. Citizens Pacific Transmission and PG&E have agreed that with respect to each calendar year during the Term that Citizens Pacific Transmission shall pay a portion of Citizens Pacific Transmission's net after-tax profits attributable to the Citizens Entitlements (as calculated before such payments are deducted from such profits as a business expense) to energy-related programs or entities assisting low-income persons in the PG&E service area. PG&E and Citizens Pacific Transmission shall coordinate with each other to ensure that Citizens Pacific Transmission's funding under this Section 5.3.1 is complementary and not duplicative of PG&E's activities; provided, that Citizens Pacific Transmission shall have ultimate decision-making authority with respect to the allocation and distribution of such funding. To implement this agreement, with respect to each calendar year during the Term, Citizens Pacific Transmission shall pay, by no later than April 30 of the following calendar year, to energy-related programs or entities assisting low income persons in the PG&E service area an amount (the "Minimum Annual Low-Income Contributions") equal to at least [____ percent (____%)]¹² of Citizens Pacific Transmission's Net After-Tax Cash Flow for such year (exclusive of the proceeds of indebtedness, but without deducting payments required under this Section 5.3.1). If Citizens Pacific Transmission has not finally determined its Net After-Tax Cash Flow for a calendar year during the Term by April 30 of the following calendar year, then Citizens Pacific Transmission shall make a good faith estimate of such Net After-Tax Cash Flow for purposes of making the payment required by the previous sentence and the amount of such payment shall be trued up by Citizens Pacific Transmission based on its final determination of such Net After-Tax Cash Flow for the applicable calendar year by no later than the date that is one hundred eighty (180) days after it has finally determined such Net After-Tax Cash Flow for the applicable calendar year. Each year as part of its annual reporting under Section 5.1, Citizens Pacific Transmission shall provide to PG&E a certificate from an officer of Citizens Pacific Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Pacific Transmission shall be deemed to be treated as a

¹² NTD: This percentage to be calculated (and inserted) pursuant to the rule below based on the cumulative prepaid rent paid by Citizens Energy (or its affiliates) across all of the Leases outstanding as of the Effective Date hereof. Rule: (i) 50% with respect to the first \$200 million tranche of prepaid rent, (ii) 60% with respect to the second \$200 million tranche of prepaid rent, (iii) 70% with respect to the third \$200 million tranche of prepaid rent, (iv) 80% with respect to the fourth \$200 million tranche of prepaid rent, and (v) 90% with respect to the fifth \$200 million tranche of prepaid rent.

corporation for tax purposes. For purposes of this Section 5.3.1, the following terms shall have the following meanings:

(a) “Net After-Tax Cash Flow” means, for any calendar year, the excess, if any, of (i) all Revenues received by Citizens Pacific Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Pacific Transmission with respect to such year, and (B) all interest, principal, fees, premiums and make-whole amounts paid (excluding therefrom any such amounts to the extent paid with funds on deposit in reserve accounts), and amounts used to fund cash reserves (excluding therefrom any amounts used to fund cash reserves for payments required (or expected to be required) under this Section 5.3.1), in each case with respect to such year by Citizens Pacific Transmission with respect to its indebtedness, in all cases, to the extent associated with the Citizens Entitlements.

(b) “Expenses” means the sum, computed without duplication, of all cash operating and maintenance expenses and capital expenditures of Citizens Pacific Transmission, and required reserves in respect of any such expenses, in all cases, associated with the Citizens Entitlements, including (without duplication) (i) all amounts paid by Citizens Pacific Transmission under this Lease (other than the Prepaid Rent) plus (ii) all costs described in Section 4.3.1 plus (iii) all federal, state and local income taxes that would be payable by Citizens Pacific Transmission if Citizens Pacific Transmission were treated as a corporation for tax purposes plus (iv) any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority described in Section 4.3.3 paid by Citizens Pacific Transmission plus (v) all administration, regulatory and operating costs incurred by Citizens Pacific Transmission, plus (vi) the applicable amortized portion of all project, development, regulatory and transactional costs and Financing Costs incurred by Citizens Pacific Transmission prior to the date of this Lease. Notwithstanding the foregoing, Expenses shall not include (A) any of the foregoing expenses to the extent paid with funds on deposit in reserve accounts, (B) distributions of any kind by Citizens Pacific Transmission made with respect to its equity interests held by any of its affiliates, (C) depreciation or obsolescence charges or reserves therefor, amortization of intangibles, or other bookkeeping entries of a similar non-cash nature, (D) expenses covered by the proceeds of insurance that are not included in the definition of Revenues below or (E) payments required by this Section 5.3.1.

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

5.3.2 Information Sharing. Upon reasonable notice, Citizens Pacific Transmission shall provide information related to the Projects as may be reasonably requested by

PG&E including but not limited to information regarding Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 that the CPUC requires PG&E to report to the CPUC. In connection with PG&E's reporting obligations to the CPUC as of the Effective Date, Citizens Pacific Transmission shall annually deliver to PG&E a written description that the Parties acknowledge may be delivered by PG&E to the CPUC that identifies (1) the entities, and (2) the actions or activities that Citizens Pacific Transmission has funded, in each case, in connection with its performance of its obligations under Section 5.3.1.

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

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default.

An "Event of Default" shall mean, with respect to either Party (a "Defaulting Party"), the occurrence of any of the following:

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

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

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

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

6.1.5 Bankruptcy. Such Party (a) commences any case, proceeding, or other action under any bankruptcy or insolvency law, seeking (i) to have an order for relief entered with respect to it, (ii) to adjudicate it as bankrupt or insolvent, (iii) reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (iv) appointment of a receiver, trustee, custodian, conservator, or other similar official for it or for all or any substantial part of its assets, (b) makes a general assignment for the benefit of its creditors, (c) has commenced against it in a court of competent jurisdiction any

case, proceeding, or other action of a nature referred to in clause (a) above which (x) results in the entry of an order for relief or any such adjudication or appointment or (y) remains undismissed, undischarged, unstayed, or unbonded for sixty (60) days, or (d) is generally not, or is unable to, or admits in writing its inability to, pay its debts as they become due.

6.2 Remedies.

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

6.3 Limitation on Liability.

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

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

7.1 PG&E.

As of the Effective Date, PG&E represents and warrants as follows:

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

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

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

7.2 Citizens Pacific Transmission.

As of the Effective Date, Citizens Pacific Transmission represents and warrants as follows:

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

7.2.2 Execution, Delivery and Enforceability. Citizens Pacific Transmission has full company power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Pacific Transmission of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary company action required on the part of Citizens Pacific Transmission. This Lease has been duly and validly executed and delivered by Citizens Pacific Transmission and constitutes the valid and legally binding obligations of Citizens Pacific Transmission, enforceable against

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

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

7.2.4 No Objection to Current Design. Citizens Pacific Transmission has no objection to the proposed schedule, plans, specifications, and design of the Projects as described in Exhibit A.

ARTICLE VIII

TAXES AND ASSESSMENTS

8.1 Property Taxes.

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

8.2 Section 467 Rental Agreement.

It is the intention of the Parties that (i) this Lease constitute a "Section 467 rental agreement" within the meaning of Section 467(d)(1) of the U.S. Internal Revenue Code and (ii) that prepaid rent accrue for U.S. tax purposes in accordance with Section 467(b)(1) of the U.S. Internal Revenue Code, and the provisions of this Lease shall to the fullest extent feasible be construed consistent with such intention. Attached as Exhibit C is a schedule allocating the Prepaid Rent over the Term, and as shown on such schedule, the Parties shall treat items of income and expense in a reciprocal manner. The Parties shall report the Prepaid Rent as accruing for tax purposes semi-annually in arrears. The Parties shall treat the Prepaid Rent to the

extent it exceeds the rent that has accrued as a loan by Citizens Pacific Transmission to PG&E that bears interest at a rate equal to 110% of the “applicable Federal rate” as required by Section 467(e)(4) of the U.S. Internal Revenue Code.

8.3 Additional Rent.

Additional Rent as defined in Section 4.1.2, once paid to PG&E, reimburses costs PG&E incurred on behalf of Citizens Pacific Transmission and is treated by PG&E as reimbursement of costs for tax purposes.

8.4 Tax Benefits. As between PG&E and Citizens Pacific Transmission, PG&E shall be solely entitled to enjoy all and any tax credits or benefits, including bonus tax depreciation deductions, derived from or related to the ownership of the Projects (notwithstanding Citizens Pacific Transmission’s leasehold interest in the Citizens Entitlements hereunder). Notwithstanding anything to the contrary herein, Citizens Pacific Transmission shall have no rights to any tax credits or benefits derived from or related to the ownership of the Projects.

ARTICLE IX

INSURANCE; INDEMNITY

9.1 Insurance.

9.1.1 Insurance; Additional Insureds. PG&E shall insure the Projects in accordance with its standard practices with respect to transmission projects. All insurance that PG&E may obtain for the Projects from time to time (except with regard to professional liability, workers’ compensation and employer’s liability) shall, with respect to third-party liability insurance, include as additional insureds (i) Citizens Pacific Transmission and its subsidiary and affiliated companies with a direct financial interest in the leased Entitlements, except where such subsidiary or affiliated entity is entitled to indemnification from Citizens Pacific Transmission, and (ii) the Citizens Pacific Transmission directors and officers (or their functional equivalent), except where such individual is entitled to indemnification from Citizens Pacific Transmission, as additional insureds (the “Additional Insureds”), in the case of each of clauses (i) and (ii) until the fifth (5th) anniversary of the expiration or earlier termination of this Lease. Each policy for such insurance shall provide that the insurance provided to such Additional Insureds is primary and non-contributory, such that no other insurance or self-insured retention carried or held by Citizens Pacific Transmission shall be called upon to contribute to a loss covered by insurance for the named insured. Upon Citizens Pacific Transmission’s written request, PG&E shall, within ten (10) Business Days, provide certificates of insurance showing the Additional Insureds as additional insureds in accordance with the requirements of this Section 9.1.1 and true and complete copies of the applicable additional insured endorsements.

9.1.2 Waiver of Right to Recovery Including Subrogation. PG&E hereby waives all its rights of recovery, under subrogation or otherwise, against Citizens Pacific Transmission, its officers, agents and employees, and all tiers of contractors, vendors and suppliers engaged directly by Citizens Pacific Transmission with respect to the Projects and the Citizens Entitlements, to the extent covered by insurance provided by PG&E and its contractors

and subcontractors of whatever tier, and further waives all rights of recovery which are not covered by insurance because of deductible or self-insurance obligations relating to such insurance. These waivers do not apply to PG&E's rights of recovery against its own contractors, subcontractors, vendors and suppliers of whatever tier. PG&E will use commercially reasonable efforts to require all tiers of its contractors, subcontractors, vendors and suppliers, by appropriate written agreements, to provide similar waivers each in favor of all parties enumerated in this paragraph. To the fullest extent permitted by law, PG&E will require all of its insurance policies to include clauses stating each insurer will waive all rights of recovery consistent with this paragraph. All waivers provided herein shall be effective as to any individual or entity (a) even if such individual or entity (i) would otherwise have a duty of indemnification, contractual or otherwise, and (ii) did not pay the insurance premium directly or indirectly, and (b) whether or not such individual or entity has an insurable interest in any property damaged.

9.1.3 Survival. This Section 9.1 shall survive the expiration or earlier termination of this Lease until the fifth (5th) anniversary thereof.

9.2 Indemnity. Except as provided in Section 6.3 and Section 9.3, PG&E shall be responsible for, and shall indemnify Citizens Pacific Transmission and its officers, employees, representatives, advisors, contractors and agents ("Indemnitees") from and against, all liability and expense on account of any and all damages, claims or actions (including injury to or death of persons or damage to property arising from any act or failure to act), by PG&E, its officers, employees, representatives, advisors, contractors or agents, whether by negligence or otherwise, arising out of or pertinent to the operation, maintenance, upgrades, replacement, repair, malfunction or defect of or in the Projects (including, without limitation, any fire, blackout or brownout caused by, resulting from, or exacerbated or perpetuated (in whole or in part) by the Projects). The indemnification provisions set forth in this Section 9.2 shall apply to all types of claims or actions including, but not limited to, claims or actions based on contract, tort, patent or trademark. The provisions of this Section 9.2 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of its insurance policies.

9.3 Indemnification Limitations.

9.3.1 Insurance Proceeds. The gross amount that PG&E is liable to, for, or on behalf of an Indemnatee shall be reduced by any insurance proceeds received by or on behalf of the Indemnatee in respect of the damage, claim, or action giving rise to an indemnity obligation hereunder.

9.3.2 Indemnatee Gross Negligence or Willful Misconduct.

PG&E shall not be liable to any Indemnatee for any liability, loss, claim, damage, cost or expense to the extent caused by or arising as a result of the gross negligence or willful misconduct of such Indemnatee, and Citizens Pacific Transmission agrees to indemnify, defend and hold harmless PG&E and its successors, assigns, officers, employees, representatives, advisors, contractors and agents from any liability, loss, claim, damage, cost or expense suffered or incurred by PG&E by reason of the gross negligence or willful misconduct of Citizens Pacific Transmission, its officers, employees, representatives, advisors, contractors or agents.

ARTICLE X

CASUALTY; CONDEMNATION; FORCE MAJEURE

10.1 Condemnation.

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

10.2 Casualty.

In the event of a casualty affecting any of the Projects, PG&E shall seek to restore service on such Project consistent with its general practices applicable to its transmission system.

10.3 Force Majeure.

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

ARTICLE XI

ASSIGNMENT AND SUBLETTING

11.1 No Sublet.

Citizens Pacific Transmission shall not sublet all or any portion of the Citizens Entitlements.

11.2 Assignment.

Neither Party shall assign this Lease without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, delayed or withheld; provided, that no such consent shall be required for (i) subject to Section 11.3, a collateral assignment of, or creation of a security interest in, this Lease in connection with any financing or refinancing of the Projects or the Rent due hereunder, or (ii) in the case of PG&E, an assignment in connection with the merger of PG&E with, or the acquisition of substantially all of the transmission assets of PG&E. Any assignee shall have an equal or greater credit rating as PG&E and the legal

authority and operational ability to satisfy the obligations of PG&E hereunder. For the avoidance of doubt, any assignment by Citizens Pacific Transmission shall also require any third party assignee to continue to make contributions in accordance with Section 5.3.1 of this Lease[; provided, that following any assignment of the Lease (including a deemed assignment pursuant to the immediately following sentence) in foreclosure, or through a sale or other transfer in lieu of foreclosure, the Minimum Annual Low-Income Contributions shall not be required to exceed fifty percent (50%) of the applicable Net After-Tax Cash Flow].¹³ For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of any Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of such Party) where the fair market value of such Party's interest in the Projects is greater than thirty percent (30%) of the fair market value of the assets of such Party or such parent entity to a person that is not an affiliate of such Party shall also constitute an assignment of this Lease requiring the other Party's prior written consent.

11.3 Form of Collateral Assignment.

In connection with any financing or refinancing of the Citizens Entitlements, Citizens Pacific Transmission and PG&E shall, and Citizens Pacific Transmission shall cause each lender to, enter into a consent to collateral assignment (a "Collateral Assignment") in the form of Exhibit D attached hereto. Each Party agrees to reasonably cooperate with each other in connection with any request for a Collateral Assignment and to provide any information reasonably requested by the other Party.

11.4 Right of First Refusal.

Except in connection with (i) a collateral assignment under clause (i) of Section 11.2 above or (ii) any foreclosure sale or deed in lieu of foreclosure in connection with the exercise of remedies under such collateral assignment, PG&E shall have the right of first refusal with respect to any proposed assignment by Citizens Pacific Transmission of all or any portion of its interest in this Lease. In the event Citizens Pacific Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Pacific Transmission in this Lease that Citizens Pacific Transmission is considering to accept, Citizens Pacific Transmission shall provide PG&E with a copy of the bona fide third party purchase offer within five (5) Business Days following receipt thereof. For a period of ninety (90) days following PG&E's receipt of the bona fide third party purchase offer, PG&E shall have the right to purchase such interest as set forth in the offer on the same terms and conditions set forth in such offer (excluding the required commitment to continue making the contributions in accordance with Section 5.3.1 of this Lease) and to conduct due diligence regarding the contemplated purchase. In the event that PG&E elects to exercise its right, PG&E and Citizens Pacific Transmission shall close the purchase and sale of the interest in this Lease upon such terms and conditions. In the event that PG&E elects not to exercise its right and subject to PG&E's prior written consent under Section 11.2 above, Citizens Pacific Transmission shall be free to sell such interest to the third party that made the offer on terms and conditions no less favorable to Citizens Pacific Transmission than those contained in the offer. In the event that

¹³ NTD: Bracketed proviso to be included in Leases that otherwise require Minimum Annual Low-Income Contributions to exceed fifty percent (50%) of applicable Net After-Tax Cash Flow.

such sale is not consummated within 12 months following PG&E's failure to exercise this right of first refusal, then PG&E's right of first refusal shall be revived with respect to such sale. In the event that there is a material revision in any offer in favor of any prospective purchaser, then PG&E's right of first refusal shall be revived so that PG&E again has the right of first refusal to purchase the interest in this Lease on the revised terms.

ARTICLE XII

DISPUTE RESOLUTION

12.1 Intent of the Parties.

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

12.2 Management Negotiations.

The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Lease or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five (5) Business Days after such referral date (the "Referral Date"), each Party shall provide one another Notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five (5) Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty (30) days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of such Referral Date, or if either Party refuses or does not meet within the thirty (30) day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

12.3 Arbitration.

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

(a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty (60) days after Notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen (15) days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 12.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten years experience in the field of the dispute.

(b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty (30) days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two requests for production of documents prior to the commencement of the hearing. Depositions shall be limited to a maximum of three per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than 25 interrogatories (including subparts), upon good cause shown.

(c) The arbitrator's award shall be made within nine months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty (30) days by agreement of the Parties or by the arbitrator, if necessary.

(d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

(e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.

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

12.4 Enforcement of Award.

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

12.5 Performance during Arbitration.

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

ARTICLE XIII

MISCELLANEOUS

13.1 Notices.

Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or e-mail (if e-mail addresses are identified below or by subsequent notice) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two (2) Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three (3) Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. A Party may change its address for notices by providing notice of the same in accordance with this Section 13.1.

If to PG&E:
Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: Michael Medeiros

Email: mjml@pge.com

With a copy to:

Jenner & Block LLP

1155 Avenue of the Americas

New York, NY 10036

Attention: Raunaq Kohli, Counsel to Pacific Gas and Electric Company

Fax: 212-891-1699

Email: rkohli@jenner.com

If to Citizens Pacific Transmission:

Citizens Pacific Transmission LLC

2 Seaport Lane, Suite 5C

Boston, MA 02210

Attention: Chief Executive Officer

Email: psmith@citizensenergy.com

With copies to:

Duncan & Allen LLP

1730 Rhode Island Avenue, N.W., Suite 700

Washington, D.C., 20036

Attention: Counsel to Citizens Energy Corporation

Email: amb@duncanallen.com

and

Hemenway & Barnes

60 State Street

Boston Massachusetts 02109-1899.

Attention: Stephen Kidder

Email: skidder@hembar.com

13.2 Confidentiality.

During the Term and for a period of three (3) years after the expiration or termination of this Lease, the Parties shall keep confidential any information relating to the Projects or obtained in connection with this Lease (such information, “Confidential Information”), and shall refrain from using, publishing or revealing such Confidential Information without the prior written consent of the Party whose Confidential Information the disclosing Party is seeking to disclose, unless (a) such Confidential Information is disclosed to its affiliates, legal advisors, auditors and/or Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) the disclosing Party is compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (c) such Confidential Information is generally available to the public; (d) such Confidential Information was available to the disclosing Party on a non-confidential basis from a third party, provided that the disclosing Party does not know,

and, by reasonable effort, could not know that such third party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such Confidential Information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

13.3 Public Relations.

The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding this Lease or Citizens Pacific Transmission's participation in the Projects.

13.4 Governing Law.

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

13.5 No Amendments or Modifications.

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

13.6 Further Assurances.

Citizens Pacific Transmission agrees, at PG&E's cost and expense, to promptly and duly execute and deliver to PG&E such further documents and agreements and take such further actions as PG&E may from time to time reasonably request in order to more effectively carry out the intent and purposes of this Lease, including the execution and delivery of supplements and/or amendments to any exhibit, appendix or other attachments to the Lease relating to upgrades, replacements, renewals and/or adjustments in Percentage Interests.

13.7 Delay and Waiver.

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

13.8 Entirety; Conflicts.

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

13.9 Relationship of the Parties.

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

13.10 Good Faith.

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

13.11 Successors and Assigns.

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

13.12 Third Parties.

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

13.13 Headings.

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

13.14 Construction of Lease.

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

13.15 Counterparts; Electronic Execution.

This Lease may be executed in one or more counterparts, each of which shall be deemed an original. Receipt by facsimile or electronic transmission (including PDF) of any executed

signature page to this Lease shall constitute effective delivery of such signature page (upon its release from escrow, if applicable).

[Signature page follows]

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

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Name:
Title:

CITIZENS PACIFIC TRANSMISSION:

CITIZENS PACIFIC TRANSMISSION LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Exhibit A
Project List
(attached)¹⁴

¹⁴ NTD: The final project list as of the Effective Date will be attached to this Lease.

Exhibit B

Model for PG&E Representative Rate

(attached)¹⁵

¹⁵ NTD: The final model as of the Effective Date will be populated with inputs determined in accordance with Section 4.3.2. The model template for the PG&E Representative Rate, and the example PG&E Representative Rate as of the date of execution of the DCOA, is set forth in the file titled “PG&E Representative Rate Model.xlsx”.

Exhibit C

Accrual of Prepaid Rent

(attached)¹⁶

¹⁶ NTD: The final table as of the Effective Date will be populated with the actual Prepaid Rent and AFR which will be known at the time of execution. The model template is set forth in the file titled “Citizens_Section 467 Lease Schedule 02-01-2024 Feb AFR.xlsx”.

Exhibit D

Form of Collateral Assignment

(attached)

Form of Collateral Assignment

CONSENT AND AGREEMENT

This CONSENT AND AGREEMENT ("Consent") is entered into as of [____], 20[____] among Pacific Gas and Electric Company ("PG&E"), Citizens Pacific Transmission LLC, a limited liability company duly organized and validly existing under the laws of the State of Delaware (the "Assignor"), and [____], in its capacity as collateral agent under the [Security Document] referred to below (the "Assignee").

RECITALS

WHEREAS, the Assignor is a party to a [Note Purchase Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the ["Note Purchase Agreement"])] with the Purchasers referred to therein];

WHEREAS, the Assignor, the Purchasers, the Assignee (together with the Purchasers, the "Secured Parties"), and [____], in its capacity as the Depositary Bank, are parties to the [Collateral Agency and Security Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the "Security Document")];

WHEREAS, PG&E and the Assignor entered into that certain [First/Second/Third/Fourth/Fifth] Entitlements Lease dated as of [the date hereof] (as amended, supplemented or modified and in effect from time to time, the "Assigned Agreement") in order for PG&E to lease to the Assignor certain entitlements in certain transmission facilities, upgrades, rebuilds and/or expansions, as further specified therein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized term used but not defined herein shall have the meaning specified for such term in the Assigned Agreement.

2. Consent and Agreement.

2.1 Consent to Assignment.

(a) Under the terms and conditions set forth in this Consent, PG&E hereby consents to (i) the collateral assignment by the Assignor of all its right, title and interest in, to and under the Assigned Agreement to the Assignee, as collateral security for the obligations as and to the extent provided in the Security Document, and (ii) the collateral assignment by the Assignor to any transferee or assignee of, or successor to, the Assignee (provided that any transferee or nominee is a Qualified Transferee). "Qualified Transferee" shall mean any transferee or assignee of, or successor to, the Assignee that (A) has the same financial capability to perform under the

Assigned Agreement as the Assignor has on the date hereof (taking into account the fact that such transferee or nominee may be, like the Assignor, a special purpose vehicle whose sole asset is or will be the Assigned Agreement), in each case as reasonably determined by PG&E, and (B) is not (1) listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the United States Department of the Treasury pursuant to any authorizing statute, Executive Order or regulation or (2) either (x) included within the term ‘designated national’ as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (y) designated under Sections 1(a), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders (clauses (1) and (2) together, a “Sanctioned Person”).

(b) The Assignor agrees that it shall remain liable to PG&E for all obligations of the Assignor under the Assigned Agreement, notwithstanding the collateral assignment contemplated in the Security Document.

(c) If the Assignee elects to exercise its remedies under the Security Document to foreclose on its lien in the Assigned Agreement, the Assignee shall notify PG&E pursuant to Section 5.6 of this Consent. Upon completion of such foreclosure, and provided that (x) any and all regulatory approvals required for such exercise of remedies have been received and (y) the Assignee is not a Sanctioned Person, the Assignee (or its permitted assignee or transferee or successor thereof) (i) shall be entitled to all of the benefits of the Assigned Agreement, (ii) shall assume in writing and be liable for each and every duty, obligation and liability of the Assignor under the Assigned Agreement, including but not limited to the duties and obligations that arose or accrued prior to the date of execution of this Consent, and (iii) shall cure or cause to be cured any and all Events of Default by the Assignor that then exist as of the date of the assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof) except for any such Events of Default that, by their nature, are not capable of being cured by Assignee (or its permitted assignee or transferee or successor thereof); provided, that PG&E’s sole remedies for the Assignee’s failure to cure or cause to be cured such Events of Default shall be PG&E’s remedies under the Assigned Agreement for such Events of Default and the enforcement of its rights under this Consent. Except as otherwise set forth in the immediately preceding sentence, none of the Secured Parties shall be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, and the assignment of the Assigned Agreement by the Assignor to the Assignee for the benefit of the Secured Parties pursuant to the Security Document, shall not give rise to any duties or obligations whatsoever on the part of the Secured Parties owing to PG&E until assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof).

2.2 No Material Amendments. PG&E and the Assignor will not enter into any amendment, supplement or other modification of the Assigned Agreement (an “Amendment”) without the consent of the Assignee, unless such Amendment could not reasonably be expected to result in a Material Adverse Effect (as defined in the Note Purchase Agreement); provided, that any Amendment with respect to Section 2.1, 2.2,

4.1.1, 6.1.4, 6.1.5 or 11.2, or Article IX, of the Assigned Agreement shall require the consent of the Assignee. PG&E and the Assignor shall provide the Assignee with a written proposal (an “Amendment Proposal”) for any Amendment requiring the consent of the Assignee pursuant to the preceding sentence, and the Assignee shall provide its written consent or objection to such Amendment within ten (10) Business Days of its receipt of such Amendment Proposal. If the Assignee fails to object in writing to an Amendment within ten (10) Business Days of its receipt of the applicable Amendment Proposal and provided that the Assignee is not diligently negotiating the terms of such Amendment with PG&E and the Assignor, the Assignee shall be deemed to have consented to such Amendment.

2.3 Notices of Default and Right to Cure.

(a) PG&E shall deliver to the Assignee at the address set forth on the signature pages hereof, or at such other address as the Assignee may designate in writing from time to time to PG&E, concurrently with the delivery thereof to the Assignor, a copy of each notice of default under the Assigned Agreement. Notwithstanding anything to the contrary contained in the Assigned Agreement, such notice shall be coupled with an opportunity to cure any such default within sixty (60) days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to such default (except with respect to payment defaults, which cure must be made within ten (10) Business Days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to payment defaults), such cure period to commence upon receipt of notice by the Assignee. If possession of the Citizens Entitlements is necessary to cure any Event of Default by the Assignor under the Assigned Agreement, and the Assignee commences foreclosure proceedings against the Assignor, the Assignee will be allowed an additional sixty (60) days to complete such proceedings. In order for the Assignee to cure a default under Section 6.1.5 of the Assigned Agreement, the Assignee shall secure, as soon as reasonably practical after such default, an order from the court (the “Bankruptcy Court”) administering the proceeding under which the Assignor is a debtor in a proceeding under Title 11 of the United States Code, as amended (the “Bankruptcy Code”) in a form reasonably acceptable to PG&E which authorizes (i) the Assignor to pledge collateral to secure the Assignor’s obligations under the Assigned Agreement (whether by the maintenance or provision of a letter of credit or otherwise) whether such obligations arose prior to or following the default under Section 6.1.5 of the Assigned Agreement, (ii) PG&E to terminate the Assigned Agreement upon a subsequent default and expiration of cure periods described herein with respect to the Assignor (including, without limitation, the conversion of a case under Chapter 11 of the Bankruptcy Code to a case under Chapter 7 of the Bankruptcy Code), and to exercise rights of netting or setoff of obligations upon such termination, in each case without regard to Section 362 of the Bankruptcy Code and without regard to whether the amounts to be netted or setoff were incurred pre-petition or post-petition, (iii) that the rights of PG&E specified in the foregoing clause (ii) not be subject to being modified, stayed, avoided or otherwise limited by any further order of the Bankruptcy Court or any court proceeding under the Bankruptcy Code, and (iv) the assumption by Assignor of the Assigned Agreement (a “Bankruptcy Order”).

(b) Except to the extent that automatic cancellation, suspension or termination occurs pursuant to the Assigned Agreement, no cancellation, suspension or termination of the Assigned Agreement by PG&E, shall be binding upon the Assignee without such notice and the opportunity to cure during the applicable extended cure periods specified in this Section 2.3. If the Assignee fails to fully cure the effect of a default within the extended cure periods specified in this Section 2.3, PG&E shall have all its rights and remedies with respect to such default set forth in the Assigned Agreement.

2.4 Replacement Agreement. In the event that (a) the Assigned Agreement is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding involving the Assignor or (b) the Assigned Agreement is terminated as a result of any bankruptcy or insolvency proceeding involving the Assignor and, if within 60 days after such rejection or termination, the Assignee or its designated Qualified Transferee shall so request and shall certify in writing to PG&E that (i) it or such Qualified Transferee intends to perform the obligations of the Assignor as and to the extent required under the rejected or terminated Assigned Agreement and (ii) it or such Qualified Transferee is not a Sanctioned Person, PG&E will, subject to receipt of any and all regulatory approvals required for the new Assigned Agreement by the parties hereto, execute and deliver to the Assignee or such Qualified Transferee a new Assigned Agreement which shall be for the balance of the remaining term under the original Assigned Agreement before giving effect to such rejection or termination and shall contain the same conditions, agreements, terms, provisions and limitations as the original Assigned Agreement (except for any requirements which have been fulfilled by the Assignor and PG&E prior to such rejection or termination). References in this Consent to the "Assigned Agreement" shall be deemed also to refer to such new Assigned Agreement.

2.5 Payments to Designated Account. The Assignor and PG&E acknowledge and agree that all payments to be made by PG&E to the Assignor (if any) under the Assigned Agreement shall be made in lawful money of the United States of America in immediately available funds, to the following account:

Bank:	<input type="text"/>
ABA:	<input type="text"/>
A/C Name:	<input type="text"/>
A/C No.:	<input type="text"/>
Ref:	<input type="text"/>
Attn:	<input type="text"/>

or to such other person or entity and/or at such other address as the Assignee may from time to time specify in writing to PG&E. In making such payments, PG&E shall be entitled to rely conclusively on instructions that it may receive from time to time from the Assignee without any duty to make inquiry into the authority of the Assignee to give such instructions or the authenticity of any signatures placed upon such instructions.

3. Representations and Warranties. PG&E hereby represents and warrants to the Assignee that, as of the date of this Consent:

3.1 The execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been duly authorized by all necessary corporate action, and do not and will not violate any provision of any law, regulation, order, judgment, injunction, consent, approval or similar matters or breach any material agreement presently in effect with respect to or binding upon PG&E.

3.2 All government approvals necessary for the execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been obtained and are in full force and effect.

3.3 This Consent and the Assigned Agreement have been duly executed and constitute legal, valid and binding obligations of PG&E, enforceable against it in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights generally or by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, or by principles of public policy.

3.4 To the knowledge of PG&E, the Assignor is not in default under any material covenant or obligation under the Assigned Agreement, and no events have occurred that, with the giving of notice or the passage of time, would constitute a default by the Assignor under the Assigned Agreement, and the Assigned Agreement is in full force and effect and has not been amended.

3.5 Except as may be set forth in the reports of PG&E filed with the U.S. Securities and Exchange Commission, there is not pending or, to the knowledge of PG&E, threatened against PG&E or any of its affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under the Assigned Agreement or this Consent.

4. Damages Limitation. **NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY UNDER THIS CONSENT FOR ANY CONSEQUENTIAL, EXEMPLARY, PUNITIVE, REMOTE, OR SPECULATIVE DAMAGES OR LOST PROFITS.**

5. Miscellaneous.

5.1 This Consent shall be binding upon the successors and permitted assigns of each party and shall inure, together with the rights and remedies of the Assignee hereunder, to the benefit of the successors and permitted assigns of the parties hereto, including the Secured Parties and their respective permitted successors, transferees and assigns.

5.2 No amendment or waiver of any provisions of this Consent or consent to any departure by any party hereto from any provisions of this Consent shall in any event be effective unless the same shall be in writing and signed by the Assignee and PG&E.

5.3 This Consent shall be governed by, and construed under, the laws of the State of California applicable to contracts made and to be performed in such State and without reference to conflicts of laws. The parties hereto agree that any legal action or proceeding arising out of this Consent may be brought in the courts of the State of California, in and for the County of Alameda, or of the United States of America for the Northern District of California. By execution and delivery of this Consent, the parties hereto accept, for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. The parties hereto irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, to the Assignee, PG&E and the Assignor, as the case may be, at their respective addresses for notices as specified herein and that such service shall be effective five (5) Business Days after such mailing. Nothing herein shall affect the right to serve process in any other manner permitted by law or the right of the Assignee or PG&E to bring legal action or proceedings in any other competent jurisdiction. The parties hereto hereby waive any right to stay or dismiss any action or proceeding under or in connection with any or all of this Consent or the transactions contemplated hereby brought before the foregoing courts on the basis of *forum non-conveniens*.

5.4 EACH OF PG&E, THE ASSIGNEE AND THE ASSIGNOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS CONSENT AND AGREEMENT.

5.5 This Consent may be executed in one or more counterparts with the same effect as if such signatures were upon the same instrument. This Consent may be delivered by facsimile transmission.

5.6 All notices to be given under this Consent shall be in writing and shall be delivered personally, sent by certified mail return receipt requested or registered first-class mail, postage prepaid, or sent by electronic mail, or courier to the intended recipient at its address as set forth on the signature pages below, and except as otherwise provided in Section 2.5, all payments to be made under this Consent shall be made by wire transfer of immediately available funds or check representing immediately collectible funds to the account or address of the intended recipient as set forth on the signature pages hereto, unless the recipient has given notice of another address or account for receipt of notices or payments.

5.7 This Consent shall terminate in its entirety upon the indefeasible payment in full in cash of all obligations of the Assignor under the [Note Purchase Agreement]. The Assignee agrees to give prompt written notice to the Assignor and PG&E of the occurrence of such event.

5.8 The captions or headings at the beginning of each Section of this Consent are for convenience only and are not a part of this Consent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of PG&E, the Assignee and the Assignor has duly executed this Consent and Agreement as of the date first above written.

PACIFIC GAS AND ELECTRIC
COMPANY

By: _____
Name:
Title:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

with copies to:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

and

Jenner & Block LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Raunaq Kohli, Counsel to Pacific
Gas and Electric Company
Email: rkohli@jenner.com

CITIZENS PACIFIC TRANSMISSION
LLC

By: _____

Name:

Title:

Citizens Pacific Transmission LLC
2 Seaport Lane, Suite 5C
Boston, MA 02210
Attention: Chief Executive Officer
Email: psmith@citizensenergy.com

with copies to:

Duncan & Allen LLP
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C. 20036
Attention: Counsel to Citizens Energy
Corporation
Email: amb@duncanallen.com

and

Hemenway & Barnes
75 State Street
Boston, Massachusetts 02109-1899
Attention: Stephen Kidder
Email: skidder@hembar.com

[]

By: _____

Name:

Title:

[]

[]

[]

Attn: []

Email: []

Exhibit B

OPTION PERIOD 1 INVESTMENT TRANCHE

(attached)

Option Period 1 Investment Tranche¹

	Project Name	Estimated Project Cost	Estimated Citizens Percentage Interest ²	Estimated Project Rent
1	Rio Oso: Install 230kV MPAC (Modular Protection, Automation, and Control building)	\$26,007,302.20	45.309%	\$11,783,660.07
2	Rio Oso: Installed 230kV BAAH/GIS	\$100,002,565.00	45.309%	\$45,310,206.47
3	Gates: 500kV T-Line	\$29,458,986.90	45.309%	\$13,347,585.42
4	Gates: 500kV Dynamic Voltage Support	\$38,281,171.10	45.309%	\$17,344,832.77
5	Monta Vista: Install 230kV MPAC	\$24,742,308.90	45.309%	\$11,210,503.70
6	Table Mountain: Modify 500kV Series Caps 1&2	\$56,930,705.20	45.309%	\$25,794,758.44
7	Arco 230kV Control Building NU	\$14,438,115.20	45.309%	\$6,541,772.01
8	Tesla 500kV: Replace CB 542 and CB 642	\$9,906,525.60	45.309%	\$4,488,552.07
9	Q1277 Tesla Substation RNU (Reliability Network Upgrade)	\$6,198,760.60	45.309%	\$2,808,599.19

Estimated Total Project Rent: \$138,630,470.14

¹ Subject to adjustment by PG&E pursuant to Section 3.4(d).

² Not to be greater than 49.9% for any Project.

APPENDIX II
FIRST ENTITLEMENTS LEASE DATED AS OF [DATE]

FORM OF
[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE
BY AND BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY
AND
CITIZENS PACIFIC TRANSMISSION LLC

DATED AS OF [DATE]

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TABLE OF SCHEDULES AND EXHIBITS

EXHIBIT A PROJECT LIST

EXHIBIT B MODEL FOR PG&E REPRESENTATIVE RATE

EXHIBIT C ACCRUAL OF PREPAID RENT

EXHIBIT D FORM OF COLLATERAL ASSIGNMENT

[FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE

This [FIRST/SECOND/THIRD/FOURTH/FIFTH] ENTITLEMENTS LEASE (this “Lease”) is made and entered into as of [DATE] (the “Effective Date”), by and between Pacific Gas and Electric Company, a California corporation (“PG&E”), and Citizens Pacific Transmission LLC, a Delaware limited liability company (“Citizens Pacific Transmission”). Each of PG&E and Citizens Pacific Transmission shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

- A.** PG&E identifies in the ordinary course of its business electric transmission facilities, upgrades, rebuilds and expansions, to, among other things, improve reliability, integrate new generation (including renewable generation), and reduce congestion in its service area.
- B.** On February 20, 2024, PG&E and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”), entered into a Development, Coordination, and Option Agreement, (as amended, modified, or supplemented from time to time, the “DCOA”).
- C.** Citizens Pacific Transmission is an indirect, wholly owned subsidiary of Citizens Energy.
- D.** Pursuant to the DCOA, PG&E and Citizens Energy established an investment program pursuant to which Citizens Energy may be presented with options (each, an “Option”) to lease certain Entitlements (as defined below) to certain transmission facilities, upgrades, rebuilds and/or expansions that PG&E will, as applicable, develop, design, permit, engineer, procure, construct and, in each case, own, maintain and operate, pursuant to a form of lease substantially similar to this Lease.
- E.** Pursuant to the DCOA, Citizens Pacific Transmission is authorized to exercise any Option and execute this Lease following, among other things, the exercise of such Option.
- F.** Pursuant to the CAISO Agreements (as defined below), CAISO (as defined below) assumed Operational Control (as defined below) of the Projects (as defined below) upon completion.
- G.** In accordance with the requirements of the DCOA (including the satisfaction or waiver of the applicable conditions precedent set forth therein), Citizens Pacific Transmission notified PG&E that Citizens Pacific Transmission had exercised an Option.
- H.** The Parties desire to enter into this Lease to, among other things, set forth the terms pursuant to which Citizens Pacific Transmission will lease from PG&E certain Entitlements to the Projects, all as more particularly set forth herein.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

1.1 Definitions.

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

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

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

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Projects are assessed against PG&E and no Property Taxes are assessed on the Citizens Entitlements against Citizens Pacific Transmission, the aggregate amount of any Property Taxes that are reasonably attributable to the Citizens Entitlements during such period, and (ii) if the Property Taxes on the Projects are assessed against both PG&E and Citizens Pacific Transmission, the aggregate amount of such Property Taxes that are directly attributable to the Citizens Entitlements during such period.

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

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

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

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

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

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

“CAISO Eligible Customer” means an “Eligible Customer” as defined in the CAISO Agreements or any other successor customer who is eligible to obtain transmission service pursuant to the CAISO Agreements or similar term in a System Operator’s tariffs or agreements.

“Citizens Additional Rent Rate” means [Sheet ____ to] Appendix [__] of PG&E’s currently effective FERC Electric Tariff Volume No. 5 (FERC Docket No.ER[____]), which was authorized by FERC on [DATE], as amended, modified, or supplemented from time to time.

“Citizens Energy” has the meaning set forth in the recitals hereto.

“Citizens Entitlements” means the Citizens Percentage Interest in the Entitlements to the Projects identified in Exhibit A, which Citizens Pacific Transmission will turn over to the CAISO’s operational control.

“Citizens Percentage Interest” means, with respect to the Projects and subject to adjustment as otherwise required by this Lease, $[[X]\% \text{ as of the Effective Date}]^1$, which represents the percentage equal to the ratio of (i) the aggregate Prepaid Rent paid pursuant to Section 4.1.1, divided by (ii) the aggregate Project Costs for the Projects; provided, that in no event will the Citizens Percentage Interest be greater than 49.9%.

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

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

“Collateral Assignment” has the meaning set forth in Section 11.3.

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

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

“Comparison Date” shall have the meaning set forth in Section 4.3.2(d).

“Confidential Information” has the meaning set forth in Section 13.2.

¹ NTD: Insert percentage interest on Effective Date if known.

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

“CPUC” means the California Public Utilities Commission or its successors.

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

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

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

“Entitlements” has the meaning ascribed to such term in the CAISO Agreements.

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

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

“FERC” means the Federal Energy Regulatory Commission or its successors.

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

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

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

accepted in the region, including those practices required by Section 215(a)(3) of the Federal Power Act.

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

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

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

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

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

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

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

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

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

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

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

“PG&E Percentage Interest” means a percentage equal to (i) 100% minus (ii) the Citizens Percentage Interest.

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

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

“Project” means each electric transmission facility, upgrade, rebuild and/or expansion that is described on Exhibit A to this Lease.

“Project Costs” means, with respect to a Project, the aggregate of all costs incurred by PG&E to develop, design, permit, engineer, procure and/or construct such Project, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date as described in Section 3.5.1 of this Lease.

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

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

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

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

“Reimbursable Property Taxes” means any Property Tax attributable to the Projects that is paid by PG&E and that Citizens Pacific Transmission is required by Section 8.1 to reimburse.

“Related Parties” means, with respect to any Person, such Person’s affiliates and the partners, directors, officers, employees, agents, advisors and representatives of such Person and of such Person’s affiliates.

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

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

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

“WECC” means the Western Electricity Coordinating Council or its successors.

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

1.2 Rules of Interpretation.

Unless otherwise provided herein or the context otherwise requires: (a) words denoting the singular include the plural and vice versa; (b) words denoting a gender include both genders; (c) references to a particular part, clause, section, paragraph, article, party, exhibit, schedule or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or a party, exhibit, schedule or other attachment to the document in which the reference is contained; (d) a reference to any statute or regulation includes all statutes or regulations varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations issued or otherwise applicable under that statute to the extent consistent with the Parties’ original intent hereunder; (e) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time; (f) a definition of or reference to any document, instrument or

agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement; (g) a reference to any person includes such person's successors and permitted assigns in that designated capacity; (h) any reference to "days" shall mean calendar days unless Business Days are expressly specified; and (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

ARTICLE II

LEASE; TERM

2.1 Lease.

PG&E hereby leases to Citizens Pacific Transmission, and Citizens Pacific Transmission hereby leases from PG&E, the Citizens Entitlements on the terms and conditions set forth in this Lease. Citizens Pacific Transmission, as the holder of the Citizens Entitlements that are under the Operational Control of the CAISO (or any successor System Operator), for the benefit of and made available to CAISO Eligible Customers, is entitled to all associated rights and revenues from use of the Citizens Entitlements, or, in the absence of the CAISO Agreements, rights and revenues similar to such associated rights and revenues as of the Effective Date.

2.2 Term.

The term of this Lease shall commence as of the Effective Date (the "Commencement Date") and shall expire (unless otherwise earlier terminated pursuant to this Lease) at 11:59 p.m. Pacific time on the day before the 30th anniversary of the Commencement Date (the "Term"). At the conclusion the Term, Citizens Pacific Transmission shall have no further interest in the Projects hereunder, the Citizens Entitlements shall revert to PG&E free and clear of any liens or encumbrances, and Citizens Pacific Transmission and PG&E shall have no further rights or obligations vis-à-vis each other except to pay amounts and fulfill other obligations under this Lease existing as of the time of conclusion of the Term; provided, however, that Citizens Pacific Transmission shall promptly execute and deliver to PG&E such further agreements, instruments and documents, and take such further action, as PG&E may reasonably request in order to effectuate and acknowledge the expiration and termination of this Lease, including the filing of any notices or uniform commercial code termination statements with respect to any lien or security interest filings or notices that were made in connection with any Collateral Assignment. For the avoidance of doubt, the Parties acknowledge that the Commercial Operation Date has occurred as of or prior to the Commencement Date.

ARTICLE III

THIRD PARTY CONTRACTORS; UPGRADES AND REPAIRS; OPERATION AND MAINTENANCE; INTERCONNECTION

3.1 Completion of Construction; Third Party Contractors.

PG&E shall use commercially reasonable efforts to complete all punch list items and all other final construction activities on the Projects in accordance with Good Utility Practice as

soon as reasonably practicable. For avoidance of doubt, for purposes of this Article III and any other provisions of this Lease relating to work performed on the Projects by PG&E, PG&E may undertake work on the Projects itself or through third party contractors.

3.2 Operation and Maintenance.

Except to the extent that PG&E has transferred Operational Control of the Projects to the System Operator, PG&E shall be responsible for overseeing and performing all operations and maintenance services for the Projects (including any aspect thereof related to or necessary for the Citizens Entitlements) in accordance with Good Utility Practice and material regulations, including the CAISO Agreements (or any successor System Operator) and WECC reliability standards.

3.3 Future Upgrades.

Subject to the other terms and conditions of this Lease, PG&E shall be solely entitled to decide upon, develop, design, engineer, procure, construct, commission, own, operate, maintain, and finance any upgrades to all or any portion of the Projects during the Term. PG&E shall be solely responsible for paying the costs of such upgrades. Citizens Pacific Transmission agrees that it will not oppose any upgrades sought by PG&E, including before any Governmental Authority, System Operator, or Balancing Authority.

3.4 Future Replacements and Renewals.

PG&E shall be solely entitled to determine whether any additional capital investment is needed for replacement or renewal of facilities of the Projects, and if so, the timeframe for the same. PG&E shall be solely entitled to itself undertake or undertake by way of contracts with others to develop, design, engineer, procure, construct, commission, own, operate, maintain and finance such replacement or renewals of the facilities of the Projects. PG&E shall be responsible for all costs of such replacement or renewal.

3.5 Adjustment of Citizens Percentage Interest.

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

3.5.1 Construction Cost True-Up.² The Parties acknowledge that the Prepaid Rent may have been determined prior to the date when all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments still due

² NTD: Parties to confirm estimated Project Costs prior to executing the Lease to ensure the Citizens Percentage Interest shall be no greater than 49.9% during the Term.

under pending construction contracts for work to be completed after the Effective Date, are fully known. Accordingly, PG&E shall provide to Citizens Pacific Transmission an accounting of such costs promptly after PG&E has finally determined such costs, and the Citizens Percentage Interest shall be adjusted at such time to equal the ratio of the Prepaid Rent divided by the aggregate of all costs incurred by PG&E to develop, design, permit, engineer and construct the Projects, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date.

3.5.2 Additional Capital Investments. To the extent that PG&E makes any additional capital investments in any Project pursuant to Section 3.3 or Section 3.4, then (1) the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest in the Projects prior to such additional capital investment multiplied by the net book value of the Projects prior to such additional capital investment divided by (b) the new net book value of the Projects (including all new funding of replacements or renewals as part of the new net book value); and (2) the PG&E Percentage Interest shall be adjusted in accordance with its definition. For example, assume that the Projects have a net book value of \$100 million prior to upgrades, replacement or renewals and require additional capital investments of \$30 million for upgrades or replacement costs pursuant to Section 3.3 or Section 3.4 (and thus would have a net book value of \$130 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 49% and PG&E makes such \$30 million capital investment in the Projects, then the Citizens Percentage Interest would be reduced from 49% to 37.69% ($49\% \times \$100 / \$130 = 37.69\%$) and the PG&E Percentage Interest would be increased from 51% to 62.31% ($100\% - 37.69\% = 62.31\%$). For purposes of this section, the “net book value” of the Projects shall be equal to PG&E’s historical cost basis of the Projects less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Pacific Transmission pays to PG&E shall not reduce the cost basis.

3.6 Interconnection Facilities.

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

ARTICLE IV

RENT; RATE RECOVERY

4.1 Rent.

The rent due under this Lease shall be as follows:

4.1.1 Prepaid Rent. Concurrently with the commencement of this Lease on the Commencement Date, Citizens Pacific Transmission shall make a payment of [\$200 million]³ to PG&E as prepaid rent (the “Prepaid Rent”).

4.1.2 Additional Rent. Citizens Pacific Transmission shall pay to PG&E, subject to Section 4.3.4 and Section 8.3, additional rent monthly in arrears in an amount equal to the sum of (i) the operations and maintenance costs incurred by PG&E that are reasonably attributable to the Citizens Entitlements, including a reasonable allocation of administrative and general activities, general, intangible and common plant, the amortized cost of removing the Projects, sales, use, payroll and excise taxes, and other costs described in the Citizens Additional Rent Rate (other than Property Tax) (the “Citizens Share of O&M Costs”), plus (ii) Reimbursable Property Tax (the sum of (i) and (ii) is referred to as the “Additional Rent” and, together with the Prepaid Rent, the “Rent”). PG&E shall provide to Citizens Pacific Transmission an invoice of the Additional Rent for each month during the Term within thirty (30) days after (but no earlier than) the conclusion of such month, and Citizens Pacific Transmission shall be required to pay such amount to PG&E within forty-five (45) days after receipt of such invoice.

4.2 Regulation of Citizens Pacific Transmission’s Rates.

Subject to Section 4.3, Citizens Pacific Transmission shall file or cause to be filed with FERC, a transmission service tariff for recovery of its costs associated with the Citizens Entitlements. The Citizens Entitlements shall be provided for the benefit of and made available to CAISO Eligible Customers at rates, terms and conditions deemed just and reasonable and not unduly discriminatory by FERC pursuant to Section 205 of the Federal Power Act.

4.3 Citizens Pacific Transmission’s Cost Recovery Methodology.

Citizens Pacific Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Pacific Transmission limited to the recovery of the transmission costs described in this Section 4.3. For the avoidance of doubt, Citizens Pacific Transmission shall be entitled to, and PG&E shall not oppose, rate recovery that is not affected by any reduction in the Citizens Percentage Interest associated with PG&E’s funding of renewals, replacements or upgrades to all or any portion of the Projects pursuant to Section 3.3, Section 3.4 or otherwise.

4.3.1 Operating Costs. Citizens Pacific Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Pacific Transmission as provided for in Section 4.1.2 on an annual formulaic basis, including the Applicable Portion of Property Taxes directly attributable to the Citizens Entitlements to the Projects as allocated from PG&E to Citizens Pacific Transmission.

4.3.2 Capital Requirements. Citizens Pacific Transmission shall seek recovery for all costs associated with the Citizens Entitlements other than those described in Section 4.3.1 above at a fixed rate that is no higher than the approximate rate PG&E is projected, as of the

³ NTD: Update based on agreed upon Prepaid Rent for each Entitlements Lease.

Comparison Date, to recover over the lives of the Projects if PG&E held the Citizens Entitlements. This fixed rate is intended to cover all costs associated with the Citizens Entitlements (other than those costs described in Section 4.3.1 above), including Prepaid Rent and other costs of the Entitlements, debt service, capitalized interest, liquidity reserves, taxes (excluding the Applicable Portion of Property Taxes and the sales, use, payroll or excise taxes which are included in the Citizens Share of O&M Costs and the operating costs addressed by Section 4.3.1 above), and any and all other costs; provided, that Citizens Pacific Transmission will not seek from FERC a cost recovery methodology that provides cost recovery of any of its own or its affiliates': (i) project, development, transaction (other than Financing Costs that do not exceed 1% of the Prepaid Rent), regulatory, operating, maintenance, administrative and general costs, charges or expenses, (ii) sales, use, payroll or excise tax costs, (iii) billing and settlements costs, charges or expenses incurred in connection with CAISO, or (iv) financing costs, charges or expenses in excess of 1% of the Prepaid Rent. For purposes of determining the approximate rate PG&E is projected, as of the Comparison Date, to recover if PG&E held the Citizens Entitlements, the Parties agree to use the model attached hereto as Exhibit B.

(a) The model calculates a theoretical annual rate (for a [55]⁴-year depreciable life) that PG&E could recover at or within five (5) Business Days prior to the Commencement Date if PG&E held the Citizens Entitlements and then amortized that rate over a 30-year period on a level basis each year based on fixed and variable parameters set forth in the model to produce a theoretical levelized annual amount (the "PG&E Representative Rate"). The only variable parameters that shall be entered into the model to determine the PG&E Representative Rate are: (1) [the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [] basis points ([]%)],⁵ (2) the actual Costs of Entitlements (defined below), and (3) the portion of the actual Costs of Entitlements that is PG&E's actual AFUDC. The phrase "Costs of Entitlements" shall mean the sum of the Prepaid Rent and Financing Costs (defined below) incurred by Citizens Pacific Transmission allocated to the Citizens Entitlements. The phrase "Financing Costs" shall mean, with respect to the term financing that Citizens Pacific Transmission will consummate for the acquisition of its leasehold interest in the Citizens Entitlements, all reasonable and customary financing costs, including without limitation, lenders' fees, consultants' fees (for Citizens Pacific Transmission and its lenders), lawyers' fees (for Citizens Pacific Transmission and its lenders), and capitalized interest charged prior to commencement of rate recovery, and excluding any amounts set aside for reserve accounts; provided, that the Financing Costs included in the Costs of Entitlements shall not exceed one percent (1%) of the Prepaid Rent.

(b) The following parameters, among others, are constants in the model and shall not be reset at any time in determining the PG&E Representative Rate: (1) PG&E's return on common equity fixed at []%,⁶ (2) PG&E's return on preferred equity

⁴ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized depreciable life in a final and non-appealable FERC order, which is not subject to refund.

⁵ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

⁶ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on common equity in a final and non-appealable FERC order, which is not subject to refund.

fixed at [__%],⁷ and (3) PG&E's capital structure fixed at [__% equity, __% preferred equity, and __% debt]⁸. For purposes of explanation, the model also calculates the following parameters, among others, in determining the PG&E Representative Rate: (w) PG&E's federal income tax rate fixed at [21.00%] and state income tax rate fixed at [8.84%],⁹ [(x) PG&E's estimated debt rate for 30 years which is the five (5) day average Moody's Baa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUBAA, plus [__] basis points ([__]%)],¹⁰ (y) PG&E's weighted average cost of capital which is the weighted average (based on the PG&E fixed capital structure in clause (3) immediately above) of the PG&E return on equity in clauses (1) and (2) immediately above and the PG&E estimated debt rate in clause (x), and (z) the PG&E discount rate which is equal to the PG&E weighted average cost of capital in clause (y). The example attached hereto as part of Exhibit B sets forth the PG&E Representative Rate for a [five (5) day average Moody's Baa 30-year Utility Bond Index] equal to [X%], Costs of Entitlements equal to [\$202,000,000] and an AFUDC amount equal to [\$2,282,487.]¹¹

(c) At the time Citizens Pacific Transmission makes the compliance filing related to its application made on [DATE] in [FERC Docket No. ER__ - ____] seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 4.3.2 and conditionally accepted by FERC pursuant to an order issued on [DATE] in [FERC Dockets Nos. ER__ - ____ -000, ER__ - ____ -001 and EL__ - ____ -000,] Citizens Pacific Transmission shall demonstrate that its proposed rate methodology results in an annual fixed rate for recovery of the costs described in this Section 4.3.2 that is no greater than the PG&E Representative Rate.

(d) For purposes of determining whether Citizens Pacific Transmission has a fixed rate that is no higher than the approximate rate PG&E is projected to recover if PG&E held the Citizens Entitlements in compliance with this Section 4.3.2, as of or within five (5) Business Days prior to the Commencement Date (such date, the "Comparison Date"), the Parties shall compare the PG&E Representative Rate against Citizens Pacific Transmission's FERC-approved annual fixed rate for recovery of the costs described in this Section 4.3.2.

(e) In the event Citizens Pacific Transmission is not able to demonstrate to FERC that its fixed annual rate is no higher than the PG&E Representative Rate, then Citizens Pacific Transmission agrees to limit or cap its fixed annual rate before FERC such that its fixed annual rate shall be equal to the PG&E Representative Rate.

⁷ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E return on preferred equity in a final and non-appealable FERC order, which is not subject to refund.

⁸ NTD: Update at the time of Lease execution to reflect most recently FERC-authorized PG&E capital structure in a final and non-appealable FERC order, which is not subject to refund.

⁹ NTD: Update at the time of Lease execution to reflect PG&E tax rate in effect at the time.

¹⁰ NTD: Update applicable bond index and basis point spread (spread based on the last-12-months average spread on PG&E's 30-year bond) at the time of Lease execution.

¹¹ NTD: Update based on Representative Rate Model to be attached at Lease execution.

4.3.3 Waiver of Section 205/206 Rights. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, to the fullest extent permitted by applicable law, Citizens Pacific Transmission, for itself and its successors and assigns, shall waive any rights it can or may have, now or in the future, whether under Sections 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and Citizens Pacific Transmission covenants and agrees not at any time to seek to so obtain, an order from FERC changing the FERC-approved fixed rate for recovery of the costs described in Section 4.3.2 above. For the avoidance of doubt, to the extent a change in law, rule, or regulation results in any new taxes, income taxes, Property Taxes, fees or other charges (including through any increase in the rate of such taxes, fees or charges) being levied against Citizens Pacific Transmission, or against any Person that is treated for tax purposes as owning assets of Citizens Pacific Transmission, by a Governmental Authority, Citizens Pacific Transmission may seek approval for inclusion in its rates of an allowance to recover any such new taxes, income taxes, Property Taxes, fees or other charges. PG&E acknowledges that among other things, Citizens Pacific Transmission will seek recovery of and PG&E will support Citizens Pacific Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Citizens Entitlements: (a) all Financing Costs that in the aggregate do not exceed one percent (1%) of Prepaid Rent, (b) all costs of abandoned facilities, provided such abandonment is due to factors beyond Citizens Pacific Transmission's control, and (c) all capital requirements as described in Section 4.3.2 above. PG&E shall fully support, through timely intervention and active participation in any proceeding relating to or affecting Citizens Pacific Transmission's rates, Citizens Pacific Transmission's recovery and implementation of rates conforming to the provisions of this Lease in accordance with Section 205 of the Federal Power Act and orders issued by FERC thereunder, in order that Citizens Pacific Transmission may acquire, finance, operate and maintain its leasehold interest in the Citizens Entitlements. PG&E's support shall include providing FERC with evidence (including affidavits and other customary documentation) that is requested by FERC, or reasonably requested by Citizens Pacific Transmission or other parties in such proceedings before FERC, to demonstrate that costs sought to be recovered by Citizens Pacific Transmission through its rates that were originally incurred by PG&E were prudently incurred.

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

ARTICLE V

MEETINGS; OTHER AGREEMENTS

5.1 Meetings.

Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Projects. Either Party may call a special meeting upon reasonable advance notice and in coordination with the other Party. For avoidance of doubt, PG&E shall be solely responsible for and shall make all final decisions with respect to the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation and maintenance of the Projects; provided, however, that PG&E shall (i) provide Citizens Pacific Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Projects no less than once per year, and (ii) promptly inform Citizens Pacific Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Pacific Transmission or the Citizens Entitlements; provided, however, that all information obtained in connection with such meetings or this Section 5.1 shall be subject to the confidentiality provision in Section 13.2. Citizens Pacific Transmission shall provide PG&E with periodic reports regarding Citizens Pacific Transmission's activities associated with its leasehold interest in the Citizens Entitlements including Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

5.2 PG&E Covenants.

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

5.2.2 Inspections and Information Sharing. Upon reasonable prior notice and during regular business hours, and subject to the availability of PG&E personnel to escort Citizens Pacific Transmission personnel or representatives, PG&E shall allow Citizens Pacific Transmission at their own expense and risk reasonable access to conduct a visual inspection of the Project sites and provide other information related to the Projects as may be reasonably requested by Citizens Pacific Transmission, including:

- (a) Costing information to ensure that costs for the Projects are allocated to appropriate portions of the Projects and that PG&E keeps its accounts and provides sufficient information to Citizens Pacific Transmission to allow Citizens Pacific Transmission to review those allocations and accounts on an on-going basis;
- (b) Permitting information;
- (c) Plans, specifications, design, or maps of the Projects; and

(d) Contracts reasonably deemed material that affect the development, design, permitting, engineering, procurement and construction of the Projects;

provided, however, that so long as there is no Event of Default and PG&E is not a Defaulting Party, only one such inspection will be permitted annually; provided, further, that all information obtained in connection with any such inspection or shared in accordance with this Section 5.2.2 shall be subject to the confidentiality provisions in Section 13.2. No inspection pursuant to this Section 5.2.2 shall interfere with the use, operation or maintenance of the Projects or the normal conduct of PG&E's business, and PG&E shall not be required to undertake or incur any additional liabilities in connection therewith.

5.3 Citizens Pacific Transmission Covenants.

5.3.1 Low Income Energy Programs. Citizens Pacific Transmission and PG&E have agreed that with respect to each calendar year during the Term that Citizens Pacific Transmission shall pay a portion of Citizens Pacific Transmission's net after-tax profits attributable to the Citizens Entitlements (as calculated before such payments are deducted from such profits as a business expense) to energy-related programs or entities assisting low-income persons in the PG&E service area. PG&E and Citizens Pacific Transmission shall coordinate with each other to ensure that Citizens Pacific Transmission's funding under this Section 5.3.1 is complementary and not duplicative of PG&E's activities; provided, that Citizens Pacific Transmission shall have ultimate decision-making authority with respect to the allocation and distribution of such funding. To implement this agreement, with respect to each calendar year during the Term, Citizens Pacific Transmission shall pay, by no later than April 30 of the following calendar year, to energy-related programs or entities assisting low income persons in the PG&E service area an amount (the "Minimum Annual Low-Income Contributions") equal to at least [____ percent (____%)]¹² of Citizens Pacific Transmission's Net After-Tax Cash Flow for such year (exclusive of the proceeds of indebtedness, but without deducting payments required under this Section 5.3.1). If Citizens Pacific Transmission has not finally determined its Net After-Tax Cash Flow for a calendar year during the Term by April 30 of the following calendar year, then Citizens Pacific Transmission shall make a good faith estimate of such Net After-Tax Cash Flow for purposes of making the payment required by the previous sentence and the amount of such payment shall be trued up by Citizens Pacific Transmission based on its final determination of such Net After-Tax Cash Flow for the applicable calendar year by no later than the date that is one hundred eighty (180) days after it has finally determined such Net After-Tax Cash Flow for the applicable calendar year. Each year as part of its annual reporting under Section 5.1, Citizens Pacific Transmission shall provide to PG&E a certificate from an officer of Citizens Pacific Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Pacific Transmission shall be deemed to be treated as a

¹² NTD: This percentage to be calculated (and inserted) pursuant to the rule below based on the cumulative prepaid rent paid by Citizens Energy (or its affiliates) across all of the Leases outstanding as of the Effective Date hereof. Rule: (i) 50% with respect to the first \$200 million tranche of prepaid rent, (ii) 60% with respect to the second \$200 million tranche of prepaid rent, (iii) 70% with respect to the third \$200 million tranche of prepaid rent, (iv) 80% with respect to the fourth \$200 million tranche of prepaid rent, and (v) 90% with respect to the fifth \$200 million tranche of prepaid rent.

corporation for tax purposes. For purposes of this Section 5.3.1, the following terms shall have the following meanings:

(a) “Net After-Tax Cash Flow” means, for any calendar year, the excess, if any, of (i) all Revenues received by Citizens Pacific Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Pacific Transmission with respect to such year, and (B) all interest, principal, fees, premiums and make-whole amounts paid (excluding therefrom any such amounts to the extent paid with funds on deposit in reserve accounts), and amounts used to fund cash reserves (excluding therefrom any amounts used to fund cash reserves for payments required (or expected to be required) under this Section 5.3.1), in each case with respect to such year by Citizens Pacific Transmission with respect to its indebtedness, in all cases, to the extent associated with the Citizens Entitlements.

(b) “Expenses” means the sum, computed without duplication, of all cash operating and maintenance expenses and capital expenditures of Citizens Pacific Transmission, and required reserves in respect of any such expenses, in all cases, associated with the Citizens Entitlements, including (without duplication) (i) all amounts paid by Citizens Pacific Transmission under this Lease (other than the Prepaid Rent) plus (ii) all costs described in Section 4.3.1 plus (iii) all federal, state and local income taxes that would be payable by Citizens Pacific Transmission if Citizens Pacific Transmission were treated as a corporation for tax purposes plus (iv) any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority described in Section 4.3.3 paid by Citizens Pacific Transmission plus (v) all administration, regulatory and operating costs incurred by Citizens Pacific Transmission, plus (vi) the applicable amortized portion of all project, development, regulatory and transactional costs and Financing Costs incurred by Citizens Pacific Transmission prior to the date of this Lease. Notwithstanding the foregoing, Expenses shall not include (A) any of the foregoing expenses to the extent paid with funds on deposit in reserve accounts, (B) distributions of any kind by Citizens Pacific Transmission made with respect to its equity interests held by any of its affiliates, (C) depreciation or obsolescence charges or reserves therefor, amortization of intangibles, or other bookkeeping entries of a similar non-cash nature, (D) expenses covered by the proceeds of insurance that are not included in the definition of Revenues below or (E) payments required by this Section 5.3.1.

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

5.3.2 Information Sharing. Upon reasonable notice, Citizens Pacific Transmission shall provide information related to the Projects as may be reasonably requested by

PG&E including but not limited to information regarding Citizens Pacific Transmission's performance of its obligations under Section 5.3.1 that the CPUC requires PG&E to report to the CPUC. In connection with PG&E's reporting obligations to the CPUC as of the Effective Date, Citizens Pacific Transmission shall annually deliver to PG&E a written description that the Parties acknowledge may be delivered by PG&E to the CPUC that identifies (1) the entities, and (2) the actions or activities that Citizens Pacific Transmission has funded, in each case, in connection with its performance of its obligations under Section 5.3.1.

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

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default.

An "Event of Default" shall mean, with respect to either Party (a "Defaulting Party"), the occurrence of any of the following:

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

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

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

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

6.1.5 Bankruptcy. Such Party (a) commences any case, proceeding, or other action under any bankruptcy or insolvency law, seeking (i) to have an order for relief entered with respect to it, (ii) to adjudicate it as bankrupt or insolvent, (iii) reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (iv) appointment of a receiver, trustee, custodian, conservator, or other similar official for it or for all or any substantial part of its assets, (b) makes a general assignment for the benefit of its creditors, (c) has commenced against it in a court of competent jurisdiction any

case, proceeding, or other action of a nature referred to in clause (a) above which (x) results in the entry of an order for relief or any such adjudication or appointment or (y) remains undismissed, undischarged, unstayed, or unbonded for sixty (60) days, or (d) is generally not, or is unable to, or admits in writing its inability to, pay its debts as they become due.

6.2 Remedies.

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

6.3 Limitation on Liability.

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

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

7.1 PG&E.

As of the Effective Date, PG&E represents and warrants as follows:

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

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

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

7.2 Citizens Pacific Transmission.

As of the Effective Date, Citizens Pacific Transmission represents and warrants as follows:

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

7.2.2 Execution, Delivery and Enforceability. Citizens Pacific Transmission has full company power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Pacific Transmission of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary company action required on the part of Citizens Pacific Transmission. This Lease has been duly and validly executed and delivered by Citizens Pacific Transmission and constitutes the valid and legally binding obligations of Citizens Pacific Transmission, enforceable against

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

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

7.2.4 No Objection to Current Design. Citizens Pacific Transmission has no objection to the proposed schedule, plans, specifications, and design of the Projects as described in Exhibit A.

ARTICLE VIII

TAXES AND ASSESSMENTS

8.1 Property Taxes.

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

8.2 Section 467 Rental Agreement.

It is the intention of the Parties that (i) this Lease constitute a "Section 467 rental agreement" within the meaning of Section 467(d)(1) of the U.S. Internal Revenue Code and (ii) that prepaid rent accrue for U.S. tax purposes in accordance with Section 467(b)(1) of the U.S. Internal Revenue Code, and the provisions of this Lease shall to the fullest extent feasible be construed consistent with such intention. Attached as Exhibit C is a schedule allocating the Prepaid Rent over the Term, and as shown on such schedule, the Parties shall treat items of income and expense in a reciprocal manner. The Parties shall report the Prepaid Rent as accruing for tax purposes semi-annually in arrears. The Parties shall treat the Prepaid Rent to the

extent it exceeds the rent that has accrued as a loan by Citizens Pacific Transmission to PG&E that bears interest at a rate equal to 110% of the “applicable Federal rate” as required by Section 467(e)(4) of the U.S. Internal Revenue Code.

8.3 Additional Rent.

Additional Rent as defined in Section 4.1.2, once paid to PG&E, reimburses costs PG&E incurred on behalf of Citizens Pacific Transmission and is treated by PG&E as reimbursement of costs for tax purposes.

8.4 Tax Benefits. As between PG&E and Citizens Pacific Transmission, PG&E shall be solely entitled to enjoy all and any tax credits or benefits, including bonus tax depreciation deductions, derived from or related to the ownership of the Projects (notwithstanding Citizens Pacific Transmission’s leasehold interest in the Citizens Entitlements hereunder). Notwithstanding anything to the contrary herein, Citizens Pacific Transmission shall have no rights to any tax credits or benefits derived from or related to the ownership of the Projects.

ARTICLE IX

INSURANCE; INDEMNITY

9.1 Insurance.

9.1.1 Insurance; Additional Insureds. PG&E shall insure the Projects in accordance with its standard practices with respect to transmission projects. All insurance that PG&E may obtain for the Projects from time to time (except with regard to professional liability, workers’ compensation and employer’s liability) shall, with respect to third-party liability insurance, include as additional insureds (i) Citizens Pacific Transmission and its subsidiary and affiliated companies with a direct financial interest in the leased Entitlements, except where such subsidiary or affiliated entity is entitled to indemnification from Citizens Pacific Transmission, and (ii) the Citizens Pacific Transmission directors and officers (or their functional equivalent), except where such individual is entitled to indemnification from Citizens Pacific Transmission, as additional insureds (the “Additional Insureds”), in the case of each of clauses (i) and (ii) until the fifth (5th) anniversary of the expiration or earlier termination of this Lease. Each policy for such insurance shall provide that the insurance provided to such Additional Insureds is primary and non-contributory, such that no other insurance or self-insured retention carried or held by Citizens Pacific Transmission shall be called upon to contribute to a loss covered by insurance for the named insured. Upon Citizens Pacific Transmission’s written request, PG&E shall, within ten (10) Business Days, provide certificates of insurance showing the Additional Insureds as additional insureds in accordance with the requirements of this Section 9.1.1 and true and complete copies of the applicable additional insured endorsements.

9.1.2 Waiver of Right to Recovery Including Subrogation. PG&E hereby waives all its rights of recovery, under subrogation or otherwise, against Citizens Pacific Transmission, its officers, agents and employees, and all tiers of contractors, vendors and suppliers engaged directly by Citizens Pacific Transmission with respect to the Projects and the Citizens Entitlements, to the extent covered by insurance provided by PG&E and its contractors

and subcontractors of whatever tier, and further waives all rights of recovery which are not covered by insurance because of deductible or self-insurance obligations relating to such insurance. These waivers do not apply to PG&E's rights of recovery against its own contractors, subcontractors, vendors and suppliers of whatever tier. PG&E will use commercially reasonable efforts to require all tiers of its contractors, subcontractors, vendors and suppliers, by appropriate written agreements, to provide similar waivers each in favor of all parties enumerated in this paragraph. To the fullest extent permitted by law, PG&E will require all of its insurance policies to include clauses stating each insurer will waive all rights of recovery consistent with this paragraph. All waivers provided herein shall be effective as to any individual or entity (a) even if such individual or entity (i) would otherwise have a duty of indemnification, contractual or otherwise, and (ii) did not pay the insurance premium directly or indirectly, and (b) whether or not such individual or entity has an insurable interest in any property damaged.

9.1.3 Survival. This Section 9.1 shall survive the expiration or earlier termination of this Lease until the fifth (5th) anniversary thereof.

9.2 Indemnity. Except as provided in Section 6.3 and Section 9.3, PG&E shall be responsible for, and shall indemnify Citizens Pacific Transmission and its officers, employees, representatives, advisors, contractors and agents ("Indemnitees") from and against, all liability and expense on account of any and all damages, claims or actions (including injury to or death of persons or damage to property arising from any act or failure to act), by PG&E, its officers, employees, representatives, advisors, contractors or agents, whether by negligence or otherwise, arising out of or pertinent to the operation, maintenance, upgrades, replacement, repair, malfunction or defect of or in the Projects (including, without limitation, any fire, blackout or brownout caused by, resulting from, or exacerbated or perpetuated (in whole or in part) by the Projects). The indemnification provisions set forth in this Section 9.2 shall apply to all types of claims or actions including, but not limited to, claims or actions based on contract, tort, patent or trademark. The provisions of this Section 9.2 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of its insurance policies.

9.3 Indemnification Limitations.

9.3.1 Insurance Proceeds. The gross amount that PG&E is liable to, for, or on behalf of an Indemnatee shall be reduced by any insurance proceeds received by or on behalf of the Indemnatee in respect of the damage, claim, or action giving rise to an indemnity obligation hereunder.

9.3.2 Indemnatee Gross Negligence or Willful Misconduct.

PG&E shall not be liable to any Indemnatee for any liability, loss, claim, damage, cost or expense to the extent caused by or arising as a result of the gross negligence or willful misconduct of such Indemnatee, and Citizens Pacific Transmission agrees to indemnify, defend and hold harmless PG&E and its successors, assigns, officers, employees, representatives, advisors, contractors and agents from any liability, loss, claim, damage, cost or expense suffered or incurred by PG&E by reason of the gross negligence or willful misconduct of Citizens Pacific Transmission, its officers, employees, representatives, advisors, contractors or agents.

ARTICLE X

CASUALTY; CONDEMNATION; FORCE MAJEURE

10.1 Condemnation.

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

10.2 Casualty.

In the event of a casualty affecting any of the Projects, PG&E shall seek to restore service on such Project consistent with its general practices applicable to its transmission system.

10.3 Force Majeure.

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

ARTICLE XI

ASSIGNMENT AND SUBLETTING

11.1 No Sublet.

Citizens Pacific Transmission shall not sublet all or any portion of the Citizens Entitlements.

11.2 Assignment.

Neither Party shall assign this Lease without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, delayed or withheld; provided, that no such consent shall be required for (i) subject to Section 11.3, a collateral assignment of, or creation of a security interest in, this Lease in connection with any financing or refinancing of the Projects or the Rent due hereunder, or (ii) in the case of PG&E, an assignment in connection with the merger of PG&E with, or the acquisition of substantially all of the transmission assets of PG&E. Any assignee shall have an equal or greater credit rating as PG&E and the legal

authority and operational ability to satisfy the obligations of PG&E hereunder. For the avoidance of doubt, any assignment by Citizens Pacific Transmission shall also require any third party assignee to continue to make contributions in accordance with Section 5.3.1 of this Lease[; provided, that following any assignment of the Lease (including a deemed assignment pursuant to the immediately following sentence) in foreclosure, or through a sale or other transfer in lieu of foreclosure, the Minimum Annual Low-Income Contributions shall not be required to exceed fifty percent (50%) of the applicable Net After-Tax Cash Flow].¹³ For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of any Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of such Party) where the fair market value of such Party's interest in the Projects is greater than thirty percent (30%) of the fair market value of the assets of such Party or such parent entity to a person that is not an affiliate of such Party shall also constitute an assignment of this Lease requiring the other Party's prior written consent.

11.3 Form of Collateral Assignment.

In connection with any financing or refinancing of the Citizens Entitlements, Citizens Pacific Transmission and PG&E shall, and Citizens Pacific Transmission shall cause each lender to, enter into a consent to collateral assignment (a "Collateral Assignment") in the form of Exhibit D attached hereto. Each Party agrees to reasonably cooperate with each other in connection with any request for a Collateral Assignment and to provide any information reasonably requested by the other Party.

11.4 Right of First Refusal.

Except in connection with (i) a collateral assignment under clause (i) of Section 11.2 above or (ii) any foreclosure sale or deed in lieu of foreclosure in connection with the exercise of remedies under such collateral assignment, PG&E shall have the right of first refusal with respect to any proposed assignment by Citizens Pacific Transmission of all or any portion of its interest in this Lease. In the event Citizens Pacific Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Pacific Transmission in this Lease that Citizens Pacific Transmission is considering to accept, Citizens Pacific Transmission shall provide PG&E with a copy of the bona fide third party purchase offer within five (5) Business Days following receipt thereof. For a period of ninety (90) days following PG&E's receipt of the bona fide third party purchase offer, PG&E shall have the right to purchase such interest as set forth in the offer on the same terms and conditions set forth in such offer (excluding the required commitment to continue making the contributions in accordance with Section 5.3.1 of this Lease) and to conduct due diligence regarding the contemplated purchase. In the event that PG&E elects to exercise its right, PG&E and Citizens Pacific Transmission shall close the purchase and sale of the interest in this Lease upon such terms and conditions. In the event that PG&E elects not to exercise its right and subject to PG&E's prior written consent under Section 11.2 above, Citizens Pacific Transmission shall be free to sell such interest to the third party that made the offer on terms and conditions no less favorable to Citizens Pacific Transmission than those contained in the offer. In the event that

¹³ NTD: Bracketed proviso to be included in Leases that otherwise require Minimum Annual Low-Income Contributions to exceed fifty percent (50%) of applicable Net After-Tax Cash Flow.

such sale is not consummated within 12 months following PG&E's failure to exercise this right of first refusal, then PG&E's right of first refusal shall be revived with respect to such sale. In the event that there is a material revision in any offer in favor of any prospective purchaser, then PG&E's right of first refusal shall be revived so that PG&E again has the right of first refusal to purchase the interest in this Lease on the revised terms.

ARTICLE XII

DISPUTE RESOLUTION

12.1 Intent of the Parties.

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

12.2 Management Negotiations.

The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Lease or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five (5) Business Days after such referral date (the "Referral Date"), each Party shall provide one another Notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five (5) Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than thirty (30) days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within forty-five (45) days of such Referral Date, or if either Party refuses or does not meet within the thirty (30) day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

12.3 Arbitration.

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

(a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within sixty (60) days after Notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within fifteen (15) days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 12.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten years experience in the field of the dispute.

(b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within thirty (30) days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two requests for production of documents prior to the commencement of the hearing. Depositions shall be limited to a maximum of three per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than 25 interrogatories (including subparts), upon good cause shown.

(c) The arbitrator's award shall be made within nine months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to thirty (30) days by agreement of the Parties or by the arbitrator, if necessary.

(d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.

(e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.

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

12.4 Enforcement of Award.

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

12.5 Performance during Arbitration.

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

ARTICLE XIII

MISCELLANEOUS

13.1 Notices.

Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight mail or e-mail (if e-mail addresses are identified below or by subsequent notice) to the applicable addresses below. A notice delivered in accordance herewith shall be deemed received (i) on the date of delivery, if hand delivered, (ii) two (2) Business Days after the date of sending, if sent by a nationally recognized overnight courier, or at such earlier time as is confirmed by the receiving Party, (iii) three (3) Business Days after the date of mailing, if mailed by registered or certified mail, return receipt requested, or at such earlier time as is confirmed by the receiving Party, and (iv) on the Business Day on which such notice was transmitted by e-mail (where permitted); provided, however, that a notice delivered in accordance with this Section but received on any day other than a Business Day or after 5:00 p.m. in the place of receipt will be deemed received on the next Business Day. A Party may change its address for notices by providing notice of the same in accordance with this Section 13.1.

If to PG&E:
Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612
Attention: Michael Medeiros

Email: mjml@pge.com

With a copy to:

Jenner & Block LLP

1155 Avenue of the Americas

New York, NY 10036

Attention: Raunaq Kohli, Counsel to Pacific Gas and Electric Company

Fax: 212-891-1699

Email: rkohli@jenner.com

If to Citizens Pacific Transmission:

Citizens Pacific Transmission LLC

2 Seaport Lane, Suite 5C

Boston, MA 02210

Attention: Chief Executive Officer

Email: psmith@citizensenergy.com

With copies to:

Duncan & Allen LLP

1730 Rhode Island Avenue, N.W., Suite 700

Washington, D.C., 20036

Attention: Counsel to Citizens Energy Corporation

Email: amb@duncanallen.com

and

Hemenway & Barnes

60 State Street

Boston Massachusetts 02109-1899.

Attention: Stephen Kidder

Email: skidder@hembar.com

13.2 Confidentiality.

During the Term and for a period of three (3) years after the expiration or termination of this Lease, the Parties shall keep confidential any information relating to the Projects or obtained in connection with this Lease (such information, “Confidential Information”), and shall refrain from using, publishing or revealing such Confidential Information without the prior written consent of the Party whose Confidential Information the disclosing Party is seeking to disclose, unless (a) such Confidential Information is disclosed to its affiliates, legal advisors, auditors and/or Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) the disclosing Party is compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (c) such Confidential Information is generally available to the public; (d) such Confidential Information was available to the disclosing Party on a non-confidential basis from a third party, provided that the disclosing Party does not know,

and, by reasonable effort, could not know that such third party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such Confidential Information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

13.3 Public Relations.

The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding this Lease or Citizens Pacific Transmission's participation in the Projects.

13.4 Governing Law.

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

13.5 No Amendments or Modifications.

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

13.6 Further Assurances.

Citizens Pacific Transmission agrees, at PG&E's cost and expense, to promptly and duly execute and deliver to PG&E such further documents and agreements and take such further actions as PG&E may from time to time reasonably request in order to more effectively carry out the intent and purposes of this Lease, including the execution and delivery of supplements and/or amendments to any exhibit, appendix or other attachments to the Lease relating to upgrades, replacements, renewals and/or adjustments in Percentage Interests.

13.7 Delay and Waiver.

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

13.8 Entirety; Conflicts.

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

13.9 Relationship of the Parties.

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

13.10 Good Faith.

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

13.11 Successors and Assigns.

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

13.12 Third Parties.

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

13.13 Headings.

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

13.14 Construction of Lease.

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

13.15 Counterparts; Electronic Execution.

This Lease may be executed in one or more counterparts, each of which shall be deemed an original. Receipt by facsimile or electronic transmission (including PDF) of any executed

signature page to this Lease shall constitute effective delivery of such signature page (upon its release from escrow, if applicable).

[Signature page follows]

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

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Name:
Title:

CITIZENS PACIFIC TRANSMISSION:

CITIZENS PACIFIC TRANSMISSION LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Exhibit A
Project List
(attached)¹⁴

¹⁴ NTD: The final project list as of the Effective Date will be attached to this Lease.

Exhibit B

Model for PG&E Representative Rate

(attached)¹⁵

¹⁵ NTD: The final model as of the Effective Date will be populated with inputs determined in accordance with Section 4.3.2. The model template for the PG&E Representative Rate, and the example PG&E Representative Rate as of the date of execution of the DCOA, is set forth in the file titled “PG&E Representative Rate Model.xlsx”.

Exhibit C

Accrual of Prepaid Rent

(attached)¹⁶

¹⁶ NTD: The final table as of the Effective Date will be populated with the actual Prepaid Rent and AFR which will be known at the time of execution. The model template is set forth in the file titled “Citizens_Section 467 Lease Schedule 02-01-2024 Feb AFR.xlsx”.

Exhibit D

Form of Collateral Assignment

(attached)

Form of Collateral Assignment

CONSENT AND AGREEMENT

This CONSENT AND AGREEMENT ("Consent") is entered into as of [____], 20[____] among Pacific Gas and Electric Company ("PG&E"), Citizens Pacific Transmission LLC, a limited liability company duly organized and validly existing under the laws of the State of Delaware (the "Assignor"), and [____], in its capacity as collateral agent under the [Security Document] referred to below (the "Assignee").

RECITALS

WHEREAS, the Assignor is a party to a [Note Purchase Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the ["Note Purchase Agreement"])] with the Purchasers referred to therein];

WHEREAS, the Assignor, the Purchasers, the Assignee (together with the Purchasers, the "Secured Parties"), and [____], in its capacity as the Depositary Bank, are parties to the [Collateral Agency and Security Agreement dated as of [the date hereof] (as amended, modified and supplemented and in effect from time to time, the "Security Document")];

WHEREAS, PG&E and the Assignor entered into that certain [First/Second/Third/Fourth/Fifth] Entitlements Lease dated as of [the date hereof] (as amended, supplemented or modified and in effect from time to time, the "Assigned Agreement") in order for PG&E to lease to the Assignor certain entitlements in certain transmission facilities, upgrades, rebuilds and/or expansions, as further specified therein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized term used but not defined herein shall have the meaning specified for such term in the Assigned Agreement.

2. Consent and Agreement.

2.1 Consent to Assignment.

(a) Under the terms and conditions set forth in this Consent, PG&E hereby consents to (i) the collateral assignment by the Assignor of all its right, title and interest in, to and under the Assigned Agreement to the Assignee, as collateral security for the obligations as and to the extent provided in the Security Document, and (ii) the collateral assignment by the Assignor to any transferee or assignee of, or successor to, the Assignee (provided that any transferee or nominee is a Qualified Transferee). "Qualified Transferee" shall mean any transferee or assignee of, or successor to, the Assignee that (A) has the same financial capability to perform under the

Assigned Agreement as the Assignor has on the date hereof (taking into account the fact that such transferee or nominee may be, like the Assignor, a special purpose vehicle whose sole asset is or will be the Assigned Agreement), in each case as reasonably determined by PG&E, and (B) is not (1) listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the United States Department of the Treasury pursuant to any authorizing statute, Executive Order or regulation or (2) either (x) included within the term 'designated national' as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (y) designated under Sections 1(a), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders (clauses (1) and (2) together, a "Sanctioned Person").

(b) The Assignor agrees that it shall remain liable to PG&E for all obligations of the Assignor under the Assigned Agreement, notwithstanding the collateral assignment contemplated in the Security Document.

(c) If the Assignee elects to exercise its remedies under the Security Document to foreclose on its lien in the Assigned Agreement, the Assignee shall notify PG&E pursuant to Section 5.6 of this Consent. Upon completion of such foreclosure, and provided that (x) any and all regulatory approvals required for such exercise of remedies have been received and (y) the Assignee is not a Sanctioned Person, the Assignee (or its permitted assignee or transferee or successor thereof) (i) shall be entitled to all of the benefits of the Assigned Agreement, (ii) shall assume in writing and be liable for each and every duty, obligation and liability of the Assignor under the Assigned Agreement, including but not limited to the duties and obligations that arose or accrued prior to the date of execution of this Consent, and (iii) shall cure or cause to be cured any and all Events of Default by the Assignor that then exist as of the date of the assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof) except for any such Events of Default that, by their nature, are not capable of being cured by Assignee (or its permitted assignee or transferee or successor thereof); provided, that PG&E's sole remedies for the Assignee's failure to cure or cause to be cured such Events of Default shall be PG&E's remedies under the Assigned Agreement for such Events of Default and the enforcement of its rights under this Consent. Except as otherwise set forth in the immediately preceding sentence, none of the Secured Parties shall be liable for the performance or observance of any of the obligations or duties of the Assignor under the Assigned Agreement, and the assignment of the Assigned Agreement by the Assignor to the Assignee for the benefit of the Secured Parties pursuant to the Security Document, shall not give rise to any duties or obligations whatsoever on the part of the Secured Parties owing to PG&E until assumption of the Assigned Agreement by Assignee (or its permitted assignee or transferee or successor thereof).

2.2 No Material Amendments. PG&E and the Assignor will not enter into any amendment, supplement or other modification of the Assigned Agreement (an "Amendment") without the consent of the Assignee, unless such Amendment could not reasonably be expected to result in a Material Adverse Effect (as defined in the Note Purchase Agreement); provided, that any Amendment with respect to Section 2.1, 2.2,

4.1.1, 6.1.4, 6.1.5 or 11.2, or Article IX, of the Assigned Agreement shall require the consent of the Assignee. PG&E and the Assignor shall provide the Assignee with a written proposal (an “Amendment Proposal”) for any Amendment requiring the consent of the Assignee pursuant to the preceding sentence, and the Assignee shall provide its written consent or objection to such Amendment within ten (10) Business Days of its receipt of such Amendment Proposal. If the Assignee fails to object in writing to an Amendment within ten (10) Business Days of its receipt of the applicable Amendment Proposal and provided that the Assignee is not diligently negotiating the terms of such Amendment with PG&E and the Assignor, the Assignee shall be deemed to have consented to such Amendment.

2.3 Notices of Default and Right to Cure.

(a) PG&E shall deliver to the Assignee at the address set forth on the signature pages hereof, or at such other address as the Assignee may designate in writing from time to time to PG&E, concurrently with the delivery thereof to the Assignor, a copy of each notice of default under the Assigned Agreement. Notwithstanding anything to the contrary contained in the Assigned Agreement, such notice shall be coupled with an opportunity to cure any such default within sixty (60) days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to such default (except with respect to payment defaults, which cure must be made within ten (10) Business Days after the last day of the cure period available to the Assignor in the Assigned Agreement with respect to payment defaults), such cure period to commence upon receipt of notice by the Assignee. If possession of the Citizens Entitlements is necessary to cure any Event of Default by the Assignor under the Assigned Agreement, and the Assignee commences foreclosure proceedings against the Assignor, the Assignee will be allowed an additional sixty (60) days to complete such proceedings. In order for the Assignee to cure a default under Section 6.1.5 of the Assigned Agreement, the Assignee shall secure, as soon as reasonably practical after such default, an order from the court (the “Bankruptcy Court”) administering the proceeding under which the Assignor is a debtor in a proceeding under Title 11 of the United States Code, as amended (the “Bankruptcy Code”) in a form reasonably acceptable to PG&E which authorizes (i) the Assignor to pledge collateral to secure the Assignor’s obligations under the Assigned Agreement (whether by the maintenance or provision of a letter of credit or otherwise) whether such obligations arose prior to or following the default under Section 6.1.5 of the Assigned Agreement, (ii) PG&E to terminate the Assigned Agreement upon a subsequent default and expiration of cure periods described herein with respect to the Assignor (including, without limitation, the conversion of a case under Chapter 11 of the Bankruptcy Code to a case under Chapter 7 of the Bankruptcy Code), and to exercise rights of netting or setoff of obligations upon such termination, in each case without regard to Section 362 of the Bankruptcy Code and without regard to whether the amounts to be netted or setoff were incurred pre-petition or post-petition, (iii) that the rights of PG&E specified in the foregoing clause (ii) not be subject to being modified, stayed, avoided or otherwise limited by any further order of the Bankruptcy Court or any court proceeding under the Bankruptcy Code, and (iv) the assumption by Assignor of the Assigned Agreement (a “Bankruptcy Order”).

(b) Except to the extent that automatic cancellation, suspension or termination occurs pursuant to the Assigned Agreement, no cancellation, suspension or termination of the Assigned Agreement by PG&E, shall be binding upon the Assignee without such notice and the opportunity to cure during the applicable extended cure periods specified in this Section 2.3. If the Assignee fails to fully cure the effect of a default within the extended cure periods specified in this Section 2.3, PG&E shall have all its rights and remedies with respect to such default set forth in the Assigned Agreement.

2.4 Replacement Agreement. In the event that (a) the Assigned Agreement is rejected by a trustee or debtor-in-possession in any bankruptcy or insolvency proceeding involving the Assignor or (b) the Assigned Agreement is terminated as a result of any bankruptcy or insolvency proceeding involving the Assignor and, if within 60 days after such rejection or termination, the Assignee or its designated Qualified Transferee shall so request and shall certify in writing to PG&E that (i) it or such Qualified Transferee intends to perform the obligations of the Assignor as and to the extent required under the rejected or terminated Assigned Agreement and (ii) it or such Qualified Transferee is not a Sanctioned Person, PG&E will, subject to receipt of any and all regulatory approvals required for the new Assigned Agreement by the parties hereto, execute and deliver to the Assignee or such Qualified Transferee a new Assigned Agreement which shall be for the balance of the remaining term under the original Assigned Agreement before giving effect to such rejection or termination and shall contain the same conditions, agreements, terms, provisions and limitations as the original Assigned Agreement (except for any requirements which have been fulfilled by the Assignor and PG&E prior to such rejection or termination). References in this Consent to the "Assigned Agreement" shall be deemed also to refer to such new Assigned Agreement.

2.5 Payments to Designated Account. The Assignor and PG&E acknowledge and agree that all payments to be made by PG&E to the Assignor (if any) under the Assigned Agreement shall be made in lawful money of the United States of America in immediately available funds, to the following account:

Bank:	<input type="text"/>
ABA:	<input type="text"/>
A/C Name:	<input type="text"/>
A/C No.:	<input type="text"/>
Ref:	<input type="text"/>
Attn:	<input type="text"/>

or to such other person or entity and/or at such other address as the Assignee may from time to time specify in writing to PG&E. In making such payments, PG&E shall be entitled to rely conclusively on instructions that it may receive from time to time from the Assignee without any duty to make inquiry into the authority of the Assignee to give such instructions or the authenticity of any signatures placed upon such instructions.

3. Representations and Warranties. PG&E hereby represents and warrants to the Assignee that, as of the date of this Consent:

3.1 The execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been duly authorized by all necessary corporate action, and do not and will not violate any provision of any law, regulation, order, judgment, injunction, consent, approval or similar matters or breach any material agreement presently in effect with respect to or binding upon PG&E.

3.2 All government approvals necessary for the execution and delivery by PG&E of the Assigned Agreement and this Consent, and the performance by PG&E of its obligations under the Assigned Agreement and this Consent, have been obtained and are in full force and effect.

3.3 This Consent and the Assigned Agreement have been duly executed and constitute legal, valid and binding obligations of PG&E, enforceable against it in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights generally or by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law, or by principles of public policy.

3.4 To the knowledge of PG&E, the Assignor is not in default under any material covenant or obligation under the Assigned Agreement, and no events have occurred that, with the giving of notice or the passage of time, would constitute a default by the Assignor under the Assigned Agreement, and the Assigned Agreement is in full force and effect and has not been amended.

3.5 Except as may be set forth in the reports of PG&E filed with the U.S. Securities and Exchange Commission, there is not pending or, to the knowledge of PG&E, threatened against PG&E or any of its affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under the Assigned Agreement or this Consent.

4. Damages Limitation. **NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY UNDER THIS CONSENT FOR ANY CONSEQUENTIAL, EXEMPLARY, PUNITIVE, REMOTE, OR SPECULATIVE DAMAGES OR LOST PROFITS.**

5. Miscellaneous.

5.1 This Consent shall be binding upon the successors and permitted assigns of each party and shall inure, together with the rights and remedies of the Assignee hereunder, to the benefit of the successors and permitted assigns of the parties hereto, including the Secured Parties and their respective permitted successors, transferees and assigns.

5.2 No amendment or waiver of any provisions of this Consent or consent to any departure by any party hereto from any provisions of this Consent shall in any event be effective unless the same shall be in writing and signed by the Assignee and PG&E.

5.3 This Consent shall be governed by, and construed under, the laws of the State of California applicable to contracts made and to be performed in such State and without reference to conflicts of laws. The parties hereto agree that any legal action or proceeding arising out of this Consent may be brought in the courts of the State of California, in and for the County of Alameda, or of the United States of America for the Northern District of California. By execution and delivery of this Consent, the parties hereto accept, for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. The parties hereto irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified airmail, postage prepaid, to the Assignee, PG&E and the Assignor, as the case may be, at their respective addresses for notices as specified herein and that such service shall be effective five (5) Business Days after such mailing. Nothing herein shall affect the right to serve process in any other manner permitted by law or the right of the Assignee or PG&E to bring legal action or proceedings in any other competent jurisdiction. The parties hereto hereby waive any right to stay or dismiss any action or proceeding under or in connection with any or all of this Consent or the transactions contemplated hereby brought before the foregoing courts on the basis of *forum non-conveniens*.

5.4 EACH OF PG&E, THE ASSIGNEE AND THE ASSIGNOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS CONSENT AND AGREEMENT.

5.5 This Consent may be executed in one or more counterparts with the same effect as if such signatures were upon the same instrument. This Consent may be delivered by facsimile transmission.

5.6 All notices to be given under this Consent shall be in writing and shall be delivered personally, sent by certified mail return receipt requested or registered first-class mail, postage prepaid, or sent by electronic mail, or courier to the intended recipient at its address as set forth on the signature pages below, and except as otherwise provided in Section 2.5, all payments to be made under this Consent shall be made by wire transfer of immediately available funds or check representing immediately collectible funds to the account or address of the intended recipient as set forth on the signature pages hereto, unless the recipient has given notice of another address or account for receipt of notices or payments.

5.7 This Consent shall terminate in its entirety upon the indefeasible payment in full in cash of all obligations of the Assignor under the [Note Purchase Agreement]. The Assignee agrees to give prompt written notice to the Assignor and PG&E of the occurrence of such event.

5.8 The captions or headings at the beginning of each Section of this Consent are for convenience only and are not a part of this Consent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of PG&E, the Assignee and the Assignor has duly executed this Consent and Agreement as of the date first above written.

PACIFIC GAS AND ELECTRIC
COMPANY

By: _____
Name:
Title:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

with copies to:

Pacific Gas and Electric Company
[_____]
[_____] , CA [_____]
Attention: [_____]
Email: [_____]

and

Jenner & Block LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Raunaq Kohli, Counsel to Pacific
Gas and Electric Company
Email: rkohli@jenner.com

CITIZENS PACIFIC TRANSMISSION
LLC

By: _____

Name:

Title:

Citizens Pacific Transmission LLC
2 Seaport Lane, Suite 5C
Boston, MA 02210
Attention: Chief Executive Officer
Email: psmith@citizensenergy.com

with copies to:

Duncan & Allen LLP
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C. 20036
Attention: Counsel to Citizens Energy
Corporation
Email: amb@duncanallen.com

and

Hemenway & Barnes
75 State Street
Boston, Massachusetts 02109-1899
Attention: Stephen Kidder
Email: skidder@hembar.com

[]

By: _____

Name:

Title:

[]

[]

[]

Attn: []

Email: []

Exhibit B

OPTION PERIOD 1 INVESTMENT TRANCHE

(attached)

Option Period 1 Investment Tranche¹

	Project Name	Estimated Project Cost	Estimated Citizens Percentage Interest ²	Estimated Project Rent
1	Rio Oso: Install 230kV MPAC (Modular Protection, Automation, and Control building)	\$26,007,302.20	45.309%	\$11,783,660.07
2	Rio Oso: Installed 230kV BAAH/GIS	\$100,002,565.00	45.309%	\$45,310,206.47
3	Gates: 500kV T-Line	\$29,458,986.90	45.309%	\$13,347,585.42
4	Gates: 500kV Dynamic Voltage Support	\$38,281,171.10	45.309%	\$17,344,832.77
5	Monta Vista: Install 230kV MPAC	\$24,742,308.90	45.309%	\$11,210,503.70
6	Table Mountain: Modify 500kV Series Caps 1&2	\$56,930,705.20	45.309%	\$25,794,758.44
7	Arco 230kV Control Building NU	\$14,438,115.20	45.309%	\$6,541,772.01
8	Tesla 500kV: Replace CB 542 and CB 642	\$9,906,525.60	45.309%	\$4,488,552.07
9	Q1277 Tesla Substation RNU (Reliability Network Upgrade)	\$6,198,760.60	45.309%	\$2,808,599.19

Estimated Total Project Rent: \$138,630,470.14

¹ Subject to adjustment by PG&E pursuant to Section 3.4(d).

² Not to be greater than 49.9% for any Project.

APPENDIX III

Transmission Revenue Requirement and TRBAA Effective _____, 2025

1. The Transmission Revenue Requirement shall be [\$XXXX] which is composed of a Base Transmission Revenue Requirement of [\$XXXXX] and an initial TRBAA of zero.
2. The Base Transmission Revenue Requirement consists of a Transmission Capital Cost Revenue Requirement associated with Citizens Pacific Transmission's Entitlements to the Projects identified in the First Entitlements Lease of [\$XXXXX], and a Transmission Operating Cost Revenue Requirement associated with Citizens Pacific Transmission's share of the Entitlements to the Projects identified in the First Entitlements Lease of [\$XXXXX].
3. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a governmental authority, the Transmission Capital Cost Revenue Requirement associated with Citizens Pacific Transmission's share of the Entitlements to the Projects identified in each Entitlements Lease will remain fixed for the thirty year term of Citizens Pacific Transmission's lease of Entitlements in the Projects identified in the applicable Entitlements Lease. To the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority, Citizens Pacific Transmission's may seek approval for inclusion in its rates of an allowance to recover any such new taxes, income taxes, property taxes, fees or other charges.
4. The costs included in Citizens Pacific Transmission's Transmission Operating Cost Revenue Requirement are those costs associated with Citizens Pacific Transmission's share of the Entitlements to the Projects identified in the First Entitlements Lease. These costs include only those costs billed to Citizens Pacific Transmission by PG&E, the operator of the Projects. The Transmission Operating Cost Revenue Requirement is established each year as described in paragraphs 5, 6, 7 and 8 below.
5. The costs billed to Citizens Pacific Transmission by PG&E are those billed pursuant to the First Entitlements Lease. The costs included in this Transmission Operating Cost Revenue Requirement are those costs specified under the provisions of [Appendix] to the PG&E Transmission Owner Tariff.

6. Pursuant to [Appendix], PG&E will submit to FERC on or before [December 15] of each year an informational filing showing the Citizens Pacific Rate in effect for the period January 1 through December 31 of the subsequent year. Citizens Pacific Transmission shall include in the Transmission Operating Cost Revenue Requirement effective January 1 each year the Citizens Pacific Transmission Rate amount specified in the PG&E informational filing each year. [Appendix] to the PG&E Transmission Owner Tariff states that in the event of a challenge to any of the costs reflected in rates derived in [Appendix], PG&E shall bear the burden of demonstrating that such costs and expenditures included for recovery were prudently incurred, accurate and consistent with the formula. Therefore, Citizens Pacific Transmission shall not bear the burden of demonstrating that such portion of its costs and expenditures included for recovery that were specified in [Appendix] to the PG&E Transmission Owner Tariff were prudently incurred, accurate and consistent with the formula. However, Citizens Pacific Transmission will adjust its Transmission Operating Cost Revenue Requirement to reflect any required changes to the Citizens Pacific Transmission Rate pursuant to a FERC Order and revised billing by PG&E. The initial Citizens Pacific Transmission Rate for the period through [December 31, 2025] is [\$XXXX] per year as specified in the PG&E filing in FERC Docket ER25-____-000. The amount shall be extrapolated as necessary to be properly reflected in an annual Transmission Revenue Requirement calculation.
7. Citizens Pacific Transmission shall recover its own ongoing operational expenses from profits and not through this Formula Rate. As a result, the only costs reflected in this Formula Rate will be those allocated to Citizens Pacific Transmission by PG&E through [Appendix] to the PG&E Transmission Owner Tariff.
8. Citizens Pacific Transmission shall submit to FERC on or before [December 15] of each year an informational filing showing Citizens Pacific Transmission's Transmission Operating Cost Revenue Requirement to be in effect for the Period January 1 through December 31 of the subsequent year (the "Informational Filing"). The Informational Filing shall not subject the Formula set forth in this Appendix III to modification. The Informational Filing shall only be contestable with respect to the prudence of the Citizens Pacific Transmission costs and expenditures included for recovery, the accuracy of the data and the consistency with the Formula of the changes in data shown in the Informational Filing. Any revisions to the Transmission Revenue Requirement resulting from a FERC Order will be provided to the CAISO for its use in the calculation of the refunds due under the Transmission Access Charge methodology in accordance with the CAISO Tariff.

9. All of Citizens Pacific Transmission's Entitlements placed under the CAISO's Operational Control are related to High Voltage Facilities as defined in the CAISO Tariff.

ATTACHMENT 1 TO APPENDIX III

Citizens Pacific Transmission Formula Rate Protocols

These Formula Rate Protocols (“Protocols”) along with Appendix III comprise the filed rate of Citizens Pacific Transmission for transmission revenue requirement determinations under Citizens Pacific Transmission’s California Independent System Operator Corporation (“CAISO”) Transmission Owner Tariff (“TO Tariff”). Citizens Pacific Transmission shall follow the instructions specified in Appendix III and this Attachment 1 to calculate annually its base transmission revenue requirement, as set forth at paragraph 2 of Appendix III (“Base Transmission Revenue Requirement”). The Base Transmission Revenue Requirement shall be determined for January 1 to December 31 of a given calendar year (the “Rate Year”). The Base Transmission Revenue Requirement, as set forth in Appendix III, consists of a Transmission Capital Cost Revenue Requirement and a Transmission Operating Cost Revenue Requirement. The Transmission Capital Cost Revenue Requirement is fixed as set forth in paragraph 3 of Appendix III, does not change annually, and is therefore not subject to these Protocols. The Transmission Revenue Balancing Account Adjustment (“TRBAA”) is calculated annually pursuant to the Transmission Owner Tariff and the CAISO Tariff and is therefore not subject to these protocols. The Transmission Operating Cost Revenue Requirement is adjusted annually in accordance with paragraphs 4, 5, 6, 7, and 8 of Appendix III, and is therefore subject to the following Protocols. In the event of any conflict between the provisions of these Protocols and the provisions of Appendix III, the provisions of Appendix III shall govern.

Section 1. Timeline for Adjustment of Annual Transmission Operating Cost Revenue Requirement

- a. Citizens Pacific Transmission’s initial Annual Transmission Operating Cost Revenue Requirement will be established through a compliance filing. The compliance filing will replace the estimated costs contained in Citizens Pacific Transmission’s proposed Appendix III with actual costs, will be made subject to Section 205 of the Federal Power Act, and will therefore include all procedural safeguards and challenge opportunities afforded by that statute. The rates established through the compliance filing will be in effect for the [2025] partial rate year and the [2026] rate year. For rate year [2027], Citizens Pacific shall follow the protocol timeline established in subsection b. below.

- b. Beginning with the [2027] rate year, Citizens S-Line Transmission shall annually update its Transmission Operating Cost Revenue Requirement according to the timelines described below.

Event	Date ¹
Post of draft Informational Filing	August 1
Informational Request Period	August 1 through December 1
Draft Informational Filing Meeting	On or before September 15
Annual Informational Filing	December 15

Section 2. Procedures for Annual Update of Information Filing

- a. On or before August 1 of each year (Publication Date), Citizens Pacific Transmission shall cause to be posted a draft of the Informational Filing described in Appendix III Par 8 of its Tariff. The draft Informational Filing shall be posted on the Citizens internet website in both a Portable Document Format and fully-functioning Excel format containing the populated spreadsheet for that year's update, and Citizens Pacific Transmission shall electronically serve links to the website upon the Exploder List.² The draft filing must include

¹ Dates would occur in the calendar year prior to the rate year at issue. For example, when establishing the rate to be in effect for the 2027 rate year, the draft Informational Filing would be posted on August 1, 2026, the informational request period would run from August 1, 2026 through December 1, 2026, the draft informational filing meeting would occur on or before September 15, 2026, and the Annual Informational Filing would be made on December 15, 2026.

² As used in these Protocols, the term "Exploder List" shall mean: (i) the email list of CAISO Tariff Participating Transmission Owners maintained by the CAISO; (ii) any state regulatory agency with rate jurisdiction over a public utility located within the CAISO footprint; (iii) any consumer advocate agency authorized by state law to review and contest the rates for any such public utility, provided that such consumer advocate agency requests to be placed on the Exploder List and provides an e-mail address to Citizens Pacific Transmission; and (iv) any other Interested Party that wishes to be

information that is reasonably necessary to determine: (1) that Citizens Pacific Transmission has properly applied the formula and the procedures in the Protocols; (2) the accuracy of data and the consistency with the formula, and (3) the extent of any accounting changes that affect the inputs.

- b. If the date for making the draft Informational Filing posting should fall on a weekend or a holiday recognized by the FERC, then the posting shall be due on the next business day.
- c. Within two days after the Publication Date, Citizens Pacific Transmission will provide notice to Interested Parties³ of conference call meeting to: (i) permit Citizens Pacific Transmission to explain and clarify its Informational Filing; and (ii) provide Interested Parties an opportunity to seek information and clarifications from Citizens Pacific Transmission about the draft Informational Filing (“Draft Informational Filing Meeting”). The Draft Informational Filing Meeting will occur on or before [September 15] of each year. Citizens Pacific Transmission will post the details of the Draft Informational Filing Meeting on the Citizens website and will provide these details to the Exploder List.
- d. The Informational Filing for the Rate Year:
 - (i) Shall provide, via the worksheets, sufficiently detailed supporting documentation for data used in the calculations that are not stated in the FERC Form No. 1.
 - (ii) Shall provide Interested Parties information about Citizens Pacific Transmission’s implementation of the formula in

placed on the Exploder List, provided that such Interested Party requests to be placed on the Exploder List and provides an e-mail address to Citizens Pacific Transmission.

³ For purposes of these Protocols, the term “Interested Party” and “Interested Parties” includes, but is not limited to, Market Participants under the CAISO Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.

sufficient detail and with sufficient explanation to demonstrate that each input into the formula is consistent with the requirements of the Appendix III and this Attachment 1.

- (iii) Shall be subject to review and challenge in accordance with the procedures set forth in these Protocols; provided, however, that with respect to the prudence of any costs and expenditures included for recovery in the Informational Filing, nothing in these Protocols is intended to modify the Commission's applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges; and
- (iv) Shall not seek to modify the formula and shall not be subject to challenge by any Interested Party seeking to modify the formula (*i.e.*, any modifications to the formula will require, as applicable, an FPA Section 205 or Section 206 filing or initiation of a Section 206 investigation).

Section 3. True-up Adjustment

Citizens Pacific Transmission will calculate the amount of under- or over-collection of its actual Annual Transmission Operating Cost Revenue Requirement for that calendar year (or part thereof for the initial period) pursuant to the formula contained in Paragraph 7 of Appendix III.

Section 4. Annual Review Procedures

Each Annual Update of the Informational Filing provided for in Appendix III shall be subject to the following review procedures ("Annual Review Procedures"):

- a. Interested Parties shall have until December 1 to review the calculations and to notify Citizens Pacific Transmission in writing of any specific challenges, including but not limited to challenges related to accounting changes, to the Annual Update ("Preliminary Challenge"). Citizens Pacific Transmission shall promptly cause to be posted all Preliminary Challenges at a publicly accessible location on Citizens internet website, and links to the website will be electronically served upon the Exploder List. Citizens Pacific

Transmission shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which Citizens Pacific Transmission agrees or disagrees with the challenge. If Citizens Pacific Transmission disagrees with the Preliminary Challenge, its response shall include supporting documentation. Citizens Pacific Transmission shall promptly cause to be posted responses to all Preliminary Challenges at a publicly accessible location on Citizens internet website, and links to the website will be electronically served upon the Exploder List.

- b. Interested Parties may submit reasonable information and document requests upon Citizens Pacific Transmission. Information and document requests that are received shall be posted at a publicly accessible location on Citizens' internet website, and links to the website will be electronically served upon the Exploder List. Citizens Pacific Transmission shall use best efforts to respond to information and document requests pertaining to the Annual Update within ten (10) business days of receipt of such requests. To the extent Citizens Pacific Transmission and any Interested Person(s) are unable to resolve disputes related to information and document requests submitted in accordance with these Annual Review Procedures, Citizens Pacific Transmission or any Interested Person may petition the FERC to appoint an Administrative Law Judge as a discovery master to resolve the discovery dispute(s) in accordance with these Protocols and consistent with the FERC's discovery rules.
- c. Information and document requests, Preliminary Challenges, and Formal Challenges, shall be limited to what is necessary to determine: (1) the extent, effect, or impact of an accounting change; (2) whether the Annual Update fails to include data properly recorded in accordance with the Protocols; (3) the proper application of the formula and procedures in the Protocols; (4) the accuracy of data and consistency with the formulas of the changes shown in the Annual Update; (5) the prudence of the actual costs and expenditures; (6) the effect of any change to the underlying USofA or applicable form; and (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to Appendix III and this Attachment 1.

- d. If a change made by Citizens Pacific Transmission to its accounting policies, practices or procedures, or the application of the formula, is found by the FERC to be unjust, unreasonable, and/or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any true-up adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the formula continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

- a. Interested Parties may file a Preliminary Challenge to the Annual Update, or a challenge with the FERC (“Formal Challenge”), which shall be served on Citizens Pacific Transmission by electronic service on the date of such filing. Subject to any applicable confidentiality and Critical Energy Infrastructure

Information restrictions, all information and correspondence produced by Citizens Pacific Transmission pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the formula. Interested Parties may challenge, through a Formal Challenge, the justness and reasonableness of Citizens Pacific Transmission’s implementation of the formula with respect to any issues permitted to be raised in a Preliminary Challenge, as outlined in Section 3, above. Formal challenges must be filed in the same docket as the informational filings made pursuant to these Protocols. Interested Parties shall have until thirty (30) calendar days after Citizens Pacific Transmission submits the informational filing described in these Protocols to file a Formal Challenge with FERC (unless such date is extended with the written consent of both Pacific Transmission and the complaining party to continue efforts to resolve a dispute).

- b. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more other issues. Likewise, failure to make a Preliminary Challenge shall not bar an Interested Person from making a subsequent Preliminary Challenge

related to a subsequent Annual Update to the extent the issue affects the subsequent Annual Update.

- c. Any response by Citizens Pacific Transmission to a Formal Challenge must be submitted to the FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the Exploder List by electronic service on the date of such filing.
- d. In any proceeding concerning a given year's Annual Update (including corrections) or Accounting Change(s), Citizens Pacific Transmission shall bear the burden, consistent with section 205 of the FPA, of proving the justness and reasonableness of the rate resulting from its application of the formula by demonstrating: (i) that it has reasonably and accurately calculated the Annual Update by properly and reasonably applying the formula and the procedures in these Protocols; (ii) that it has reasonably adopted and applied any accounting changes; (iii) the costs to be recovered through Citizens Pacific Transmission's formula have been accurately stated, properly recorded and accounted for pursuant to applicable FERC accounting practices and procedures and the USofA, unless otherwise approved by FERC; (iv) its projections have been reasonably made; and (v) its calculation methodologies are consistent with the Appendix III and this Attachment 1.
- e. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Citizens Pacific Transmission to file unilaterally, pursuant to Section 205 of the FPA and the regulations thereunder, an application seeking changes to the formula or to any of the stated value inputs requiring a Section 205 filing under these Protocols, or the right of any other party or the Commission to seek such changes pursuant to Section 206 of the FPA and the regulations thereunder. All parties reserve the right to contest such filing(s).

Section 6. Changes to Annual Updates

If Citizens Pacific Transmission determines or concedes that corrections to the Annual Update are required including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that

would have affected the Annual Update for that Rate Year, Citizens Pacific Transmission shall promptly notify the Exploder List, file a correction to the Annual Update with the FERC as an amended informational filing, and cause such information to be posted at a publicly accessible location on Citizens internet website. Such corrections shall be subject to review at the time they are made and shall be reflected in the next Annual Update, with interest. A corrected posting shall reset the deadlines under Section 2 and 4 of the Protocols for Interested Party review and the revised dates shall run from the posting date(s) for each of the corrections. The scope of review shall be limited to the aspects of the rate affected by the corrections. Interest on any over- or under-recovery due to corrections shall be calculated in accordance with FERC Regulation 35.19a. There is no time limit with respect to Citizens Pacific Transmission's obligation or right to correct an error in the implementation of the formula. Nothing in this section is intended to limit FERC's discretion to direct a correction to an Annual Update, or the rights of Interested Parties to seek a correction to the formula pursuant to Section 206 of the FPA.

**APPENDIX IV
NOTICES**

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