

DEVELOPMENT AND COORDINATION AGREEMENT

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY,

AND

CITIZENS ENERGY CORPORATION

DATED AS OF MAY 11, 2009

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DEVELOPMENT AND COORDINATION AGREEMENT

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

RECITALS

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

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

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

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

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

ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION

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

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

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

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

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

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

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

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

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

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

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

"CEQA" means the California Environmental Quality Act.

"Citizens" has the meaning set forth in the introductory paragraph hereto.

"Coastal Commission" means the California Coastal Commission.

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

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

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

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

"CPUC" means the California Public Utilities Commission.

"DCA" has the meaning set forth in the introductory paragraph hereto.

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

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

"FERC" means the Federal Energy Regulatory Commission.

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

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

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

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

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

"IID" has the meaning set forth in the recitals hereto.

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

"MOA" has the meaning set forth in the recitals hereto.

"NEPA" means the National Environmental Policy Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II. TERM; OTHER AGREEMENTS

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

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

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

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

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

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

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

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

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

ARTICLE IV. OWNERSHIP AND OPTION

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

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

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

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

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

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

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

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

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

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

ARTICLE V. REGULATORY APPROVALS

Section 5.1 Mutual Cooperation.

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

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

ARTICLE VI. MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE

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

Section 6.2 Sharing Information.

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

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

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

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

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

ARTICLE VII. FORCE MAJEURE

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

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

ARTICLE VIII. WITHDRAWAL

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

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

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

ARTICLE IX. EVENTS OF DEFAULT; REMEDIES

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

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

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

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

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

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

ARTICLE X. DISPUTE RESOLUTION

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

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

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

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

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

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

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

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

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

ARTICLE XI. REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

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

ARTICLE XII. MISCELLANEOUS

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

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

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

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

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

Section 12.2 Assignment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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


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

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

[Signature page follows]

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

SAN DIEGO GAS & ELECTRIC COMPANY

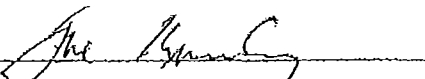
By: 

Name: JAMES P AVERY

Title: SVP

Date: 5/11/09

CITIZENS ENERGY CORPORATION

By: 

Name: Joseph P. Kennedy II

Title: Chief Executive Officer

Date: 5/11/09

FIRST AMENDMENT TO DEVELOPMENT AND COORDINATION AGREEMENT

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

RECITALS

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

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

ARTICLE 1. TRANSFER CAPABILITY LEASE

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

ARTICLE 2. AMENDMENTS

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

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

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

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

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

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

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

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

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

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

2.4 Assignment.

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

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

ARTICLE 3. MISCELLANEOUS

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

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

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


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

[Signature pages follows]

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

SDG&E:

SAN DIEGO GAS & ELECTRIC COMPANY,
a California corporation

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

CITIZENS:

CITIZENS ENERGY CORPORATION,
a Massachusetts non-profit corporation

By: _____
Name:
Title:

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

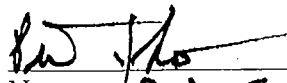
SDG&E:

SAN DIEGO GAS & ELECTRIC COMPANY,
a California corporation

By: _____
Name:
Title:

CITIZENS:

CITIZENS ENERGY CORPORATION,
a Massachusetts non-profit corporation

By:  _____
Name: Peter F. Smith
Title: COO