

EXHIBIT A

to

First Amendment to Development and Coordination Agreement

FORM OF TRANSFER CAPABILITY LEASE

TRANSFER CAPABILITY LEASE

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

CITIZENS SUNRISE TRANSMISSION LLC

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

SUNRISE POWERLINK PROJECT

BORDER-EAST LINE

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EXHIBIT C LOCAL FURNISHING BOND ENCUMBRANCES

TRANSFER CAPABILITY LEASE

This TRANSFER CAPABILITY LEASE (this "Lease") is made and entered into as of [Note to form: insert date of execution] (the "Effective Date"), by and between San Diego Gas & Electric Company, a California corporation ("SDG&E"), and Citizens Sunrise Transmission LLC, a Massachusetts limited liability company ("Citizens Sunrise Transmission") and a wholly owned subsidiary of Citizens Energy Corporation, a Massachusetts non-profit corporation ("Citizens Energy"). Each of SDG&E and Citizens Sunrise Transmission shall be referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

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

NOW THEREFORE, the Parties agree as follows:

ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION

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

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

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

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Border-East Line are assessed against SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sunrise Transmission, the aggregate amount of any Property Taxes in such period multiplied by the Citizens Percentage Interest for such period, and (ii) if the Property Taxes on the Border-East Line are assessed against both SDG&E and Citizens Sunrise Transmission, the aggregate amount of such Property Taxes that are directly attributable to the Citizens Transfer Capability in such period.

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

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

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

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

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

“Border-East Line” means the 500 kV transmission line currently being constructed by SDG&E that extends east of the Border Demarcation up to, but not including, the Imperial Valley Substation, as generally depicted in Schedule 1.1, together with such modifications of the line as may be implemented from time to time. For the avoidance of doubt, the Border-East Line shall include only the 500 kV transmission line and shall not include any transmission facilities that may operate at a lower voltage, or any substation facilities.

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

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

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

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

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

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

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

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

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

“Collateral Assignment Agreement” shall have the meaning set forth in Section 11.3.

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

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

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

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

“CPUC” means the California Public Utilities Commission.

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

“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 6.1 (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.

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

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

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

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

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

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

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

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

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

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

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

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

“Personal Property” means any and all electrical equipment or other facilities and personal property associated with the Border-East Line which does not constitute real property or improvements.

“Personal Property Taxes” means all taxes, assessments, license fees and other charges that are levied and assessed during the Term against Personal Property, fixtures and equipment installed or located in or on the Border-East Line by SDG&E.

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

“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.

“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 levied and assessed against the land and improvements associated with the Border-East Line, including without limitation real property assessments and taxes, water and sewer and other similar governmental charges levied upon or attributable to the Border-East Line, assessments or charges levied upon or assessed against the Border-East Line by any redevelopment agency, and any tax upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Border-East Line or any portion thereof.

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

“Reimbursable Property Taxes” means any Property Tax assessed against the Border-East Line that are directly attributable to the Citizens Transfer Capability and paid by SDG&E.

“Rent” has the meaning set forth in Section 4.1.

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

“SDG&E Indenture” means that certain Mortgage and Deed of Trust, as amended from time to time, dated as of July 1, 1940, from SDG&E as trustor to U.S. Bank (successor to the Bank of California, National Association) as trustee.

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

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

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

“Transfer Capability” means the maximum amount of power (in mega-watts) that can be transferred over part, or all, of the Border-East Line at any time in a reliable manner under a specific set of defined pre-contingency and post-contingency system configurations and conditions in accordance with Western Electricity Coordinating Council standards and Good Utility Practices. The holder of Transfer Capability that is under the Operational Control of the

CAISO (or any successor System Operator including SDG&E, as the case may be), for the benefit of and made available to CAISO Eligible Customers, is entitled to all associated rights and revenues from use of the Transfer Capability as defined (or subsequently defined) by the CAISO Agreements, or, in the absence of any such CAISO Agreements, rights and revenues similar to such associated rights and revenues.

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

ARTICLE II. LEASE; TERM

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

Section 2.2 Term. The term of this Lease shall commence as of the Commercial Operation 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 Commercial Operation Date (the "Term"). At the conclusion the Term, Citizens Sunrise Transmission shall have no further interest in the Project hereunder, the Citizens Transfer Capability shall revert to SDG&E, and Citizens Sunrise Transmission and SDG&E shall have no further rights or obligations vis-à-vis each other except to pay amounts and fulfill other obligations existing as of the time of conclusion of the Lease.

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

Section 3.1 Completion of Construction. SDG&E shall use commercially reasonable efforts to achieve COD and thereafter complete all punch list items and all other final construction activities on the Project as soon as reasonably practicable. For avoidance of doubt, for purposes of this Article III and any other provisions of this Lease relating to work performed

on the Project by SDG&E, SDG&E may undertake work on the Project itself or through third party contractors.

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

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

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

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

Section 3.5 Adjustment of Citizens Percentage Interest. The Citizens Percentage Interest shall be adjusted as follows:

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

Section 3.5.2 Future Upgrades in Transfer Capability. To the extent that the Border-East Line is upgraded pursuant to Section 3.3 resulting in increases or decreases in the Transfer Capability of the Border-East Line, then all such increases or decreases in Transfer Capability resulting from such upgrade shall be allocated to SDG&E and the Citizens Percentage Interest shall be adjusted accordingly. For example, if the Border-East Line were rated at 1000MW, a given upgrade to the Border-East Line would cause the rating to increase by 200MW and at the time of the upgrade Citizens Sunrise Transmission and SDG&E each held a 50% share of the Transfer Capability on the Border-East Line, then Citizens Percentage Interest on the Border-East Line would decrease from 50% to 41.67% ($500\text{MW} / 1200\text{MW}$).

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

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

Section 3.6 Interconnection Facilities. Subject to the CAISO Agreement and rules governing interconnection, as between SDG&E and Citizens Sunrise Transmission, SDG&E will

be the interconnection agent for the Project. In particular, SDG&E will process all requests for interconnection to the Project, SDG&E will develop, design, engineer, procure, construct, commission, own, operate, maintain, and arrange funding for such interconnection facilities, including all substations and switchyards connected to the Project, and SDG&E will retain all ownership and Transfer Capability interests in such interconnection facilities.

ARTICLE IV. RENT; RATE RECOVERY

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

Section 4.1.1 Prepaid Rent. Pursuant to Section 4.2.3 of the DCA, concurrently with the execution of this Lease, Citizens Sunrise Transmission has made a payment of [Note to form: insert upon execution] to SDG&E as prepaid rent (the "Prepaid Rent").

Section 4.1.2 Additional Rent. Citizens Sunrise Transmission shall pay additional rent monthly in arrears in an amount equal to the sum of (a) the operations and maintenance costs incurred by SDG&E pursuant to Section 3.2 reasonably attributable to the Citizens Transfer Capability, including a reasonable allocation of administrative and general activities, general and common plant, and any sales, use, excise tax (the "Citizens Share of O&M Costs"), plus (b) Reimbursable Property Tax (such sum, the "Additional Rent", and, together with the Prepaid Rent, the "Rent"). SDG&E shall provide to Citizens Sunrise Transmission a calculation of the Additional Rent within 30 days after the conclusion of each month during the Term and Citizens Sunrise Transmission shall be required to pay such amount to SDG&E within 30 days after receipt thereof.

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

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

Section 4.3.1 Operating Costs. Citizens Sunrise Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Sunrise Transmission as provided for in Section 4.1.2 and all other reasonably and prudently incurred costs for operation and maintenance on an annual formulaic basis, including administrative and general activities (and any sales, use, and excise tax) and the Applicable Portion of

Property Taxes, directly attributable to Citizens Transfer Capability on the Project as recorded in FERC accounts, including but not limited to the following accounts: 408.1, 560-573, 908, and 920-935 under the FERC Uniform System of Accounts.

Section 4.3.2 Capital Requirements. Citizens Sunrise Transmission shall seek recovery for all other costs associated with the Citizens Transfer Capability at a fixed rate that is no higher than the rate SDG&E could recover at the time of COD if SDG&E held the Citizens Transfer Capability. This fixed rate is intended to cover all costs associated with the Citizens Transfer Capability (other than the operating costs described in Section 4.3.1 above) including Prepaid Rent (including capitalized property taxes) and other costs of Transfer Capability, debt service, capitalized interest, liquidity reserves, taxes (excluding the Applicable Portion of Property Taxes and the sales, use, or excise taxes which are included in the Citizens Share of O&M Costs and the operating costs addressed by Section 4.3.1 above), charitable contributions, and any and all other costs. For purposes of determining the rate SDG&E could recover at the time of COD if SDG&E held the Citizens Transfer Capability, the Parties agree to use the model attached hereto as Exhibit A. *[Note to form: The final model as of the Effective Date should be populated with the actual Moody's Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which should be known at the time of execution.]*

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

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

(b) The following parameters, among others, are constants in the model and shall not be reset at any time in determining the SDG&E Representative Rate: (1) SDG&E return on equity fixed at 11.35%, (2) SDG&E capital structure fixed at 50% equity and 50% debt, (3) SDG&E property tax rate fixed at 1.246%, and (4) SDG&E composite state and federal income tax rate fixed at 40.75%. For purposes of explanation, the model also calculates the following parameters, among others, in determining the SDG&E Representative Rate: (1) SDG&E estimated debt rate for 30 years which is the five-day average Moody's Aa 30-year Utility Bond Index less 38 basis points, (2) SDG&E weighted average cost of capital which is the weighted average (based on the SDG&E fixed capital structure) of the SDG&E return on equity and the SDG&E estimated debt rate, and (3) SDG&E discount rate which is equal to the SDG&E weighted average cost of capital. The example attached hereto as part of Exhibit A sets forth the SDG&E Representative Rate for a five-day average Moody's Aa 30-year Utility Bond Index equal to [6.00]% and a Cost of Transfer Capability equal to \$[1,000,000]. *[Note to form: The bracketed numbers above and the final example as of the Effective Date should be populated with the actual Moody's Aa 30-year Utility Bond Index, the actual Costs of Transfer Capability, and the portion of the actual Costs of Transfer Capability that is actual SDG&E AFUDC, all of which should be known at the time of execution.]*

(c) At the time Citizens Sunrise Transmission files an application seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 4.3.2, Citizens Sunrise Transmission shall demonstrate that its proposed rate methodology (including any of the adjustments described under Section 8.3) results in an annual fixed rate such that the sum of Citizens Sunrise Transmission's annual fixed rate plus the levelized annual cost over the entire Term of the Applicable Portion of Property Taxes is no greater than the SDG&E Representative Rate (which also shall include any adjustments described under Section 8.3).

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

Transmission consummates the debt financing transaction for this Lease of the Citizens Transfer Capability and at such time as Citizens Sunrise Transmission submits its compliance filing to FERC showing its actual rates based on the FERC-approved annual fixed rate methodology.

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

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

Section 4.3.4 Credits. Citizens Sunrise Transmission shall credit to CAISO Eligible Customers any revenues that are derived from, or associated with, this Lease that are in addition to its cost-of-service recovery described above, including any tax credit payments from SDG&E under Section 8.3.

ARTICLE V. MEETINGS; OTHER AGREEMENTS

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

Section 5.2 SDG&E Covenants.

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

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

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

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

Section 5.3 Citizens Sunrise Transmission Covenants.

Section 5.3.1 Low Income Energy Programs. Citizens Sunrise Transmission agrees that each year it shall expend to programs assisting low income families of Imperial County an amount equal to or greater than Citizens Sunrise Transmission net after-tax profits (after deducting as a business expense such expenditures required under this section). Each year as part of its annual reporting under Section 5.1, Citizens Sunrise Transmission shall provide to SDG&E a certificate from an officer of Citizens Sunrise Transmission confirming that it has complied with this Section 5.3.1.

Section 5.3.2 Information Sharing. Upon reasonable notice, Citizens Sunrise Transmission shall provide information related to the Project as may be reasonably requested by SDG&E including but not limited to information regarding Citizens Sunrise Transmission's programs assisting low income families set forth under Section 5.3.1.

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

Section 5.3.4 Local Furnishing Bonds. Citizens Sunrise Transmission agrees that during the Term of the Lease, it shall, or it shall use commercially reasonable efforts to cause the System Operator to, undertake its Operational Control of the Citizens Transfer Capability consistent with the Local Furnishing Bond Encumbrances, as may be amended, modified, or supplemented from time to time pursuant to applicable law.

ARTICLE VI. EVENTS OF DEFAULT; REMEDIES

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

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

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

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

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

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

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

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

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

Section 6.1.6 Bankruptcy. Such Party becomes bankrupt.

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

Section 6.3 Limitation on Liability. THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY PRODUCT, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES TO BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY (OTHER THAN INJUNCTIVE RELIEF AS PROVIDED IN THIS AGREEMENT) ARE WAIVED. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, 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 AGREEMENT OR OTHERWISE, RESULTING FROM A PARTY'S PERFORMANCE OR NONPERFORMANCE OF ITS OBLIGATIONS UNDER OR TERMINATION OF THIS AGREEMENT. THE PARTIES INTEND THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE

SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. NOTHING IN THIS SECTION PREVENTS OR IS INTENDED TO PREVENT A PARTY FROM SEEKING SPECIFIC PERFORMANCE UNLESS PERFORMANCE IS OTHERWISE EXCUSED HEREIN. THE PROVISIONS OF THIS Section 6.3 SHALL NOT BE CONSTRUED TO RELIEVE ANY INSURER OF ITS OBLIGATION TO PAY ANY INSURANCE PROCEEDS IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF VALID AND ENFORCEABLE INSURANCE POLICIES.

ARTICLE VII. REPRESENTATIONS AND WARRANTIES

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

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

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

Section 7.1.3 No Violation. None of the execution and delivery of this Lease, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the articles of incorporation or bylaws of SDG&E; (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority. [*Confirm that there will not be any outstanding regulatory consents required upon the Effective Date.*]

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

Section 7.2.1 Organization and Existence. Citizens Sunrise Transmission is a duly organized and validly existing 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 7.2.2 Execution, Delivery and Enforceability. Citizens Sunrise Transmission has full corporate power and authority to carry out its obligations under this Lease. The execution, delivery and performance by Citizens Sunrise Transmission of this Lease, and the consummation of the transactions and activities contemplated under this Lease, have been duly authorized by all necessary corporate action required on the part of Citizens Sunrise Transmission. This Lease has been duly and validly executed and delivered by Citizens Sunrise Transmission and constitutes the valid and legally binding obligations of Citizens Sunrise Transmission, enforceable against Citizens Sunrise Transmission in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

Section 7.2.3 No Violation. None of the execution and delivery of this Lease, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the articles of incorporation or bylaws of Citizens Sunrise Transmission; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority. [*Confirm that there will not be any outstanding regulatory consents required upon the Effective Date.*]

Section 7.2.4 No Objection to Current Design. Citizens Sunrise Transmission has no objection to the proposed schedule, plans, specifications, and design of the Project to the extent described in SDG&E's CPCN Application, the Final EIR/EIS, and the CPCN Decision.

ARTICLE VIII. TAXES AND ASSESSMENTS

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

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

Section 8.3 Tax Benefits. As the owner of the residual interest in the Citizens Transfer Capability after the expiration or earlier termination of this Lease, SDG&E may be deemed to be the tax owner of the entire Border-East Line and may be entitled to receive tax credits or benefits, including bonus tax depreciation deductions, in connection with its ownership of the Border-East Line that Citizens Sunrise Transmission may not be entitled to receive in connection with its ownership of a leasehold interest in the Border-East Line. To the same extent that SDG&E seeks such tax credits or benefits related to its interest in the Border-East Line, SDG&E shall also seek such tax credits or benefits related to Citizens Sunrise Transmission's interest in the Border-East Line. To the extent SDG&E realizes such tax credits or benefits related to Citizens Sunrise Transmission's interest in the Border-East Line and only to the extent such tax credits or benefits are not already accounted for in the SDG&E Representative Rate model, SDG&E shall pay or credit to Citizens Sunrise Transmission each year an amount equal to the annual revenue requirement reduction SDG&E could have realized from ratepayers if SDG&E could reduce its rates associated with such tax credits or benefits related to Citizens Sunrise Transmission's interest in the Boarder-East Line, as may be reasonable and appropriate for the particular tax credit or benefit. The Parties acknowledge that neither the tax credits or benefits that SDG&E may be entitled to nor the potential reduction in SDG&E's rates associated with such tax credits or benefits, each as described under this Section 8.3, are fully known to the Parties as of the Effective Date. Accordingly, the Parties shall cooperate to determine a reasonable and equitable payment amount under this Section 8.3 each year of the Term.

ARTICLE IX. INSURANCE; INDEMNITY

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

Percentage Interest shall be adjusted pursuant to Section 3.5 in respect of such additional capital costs only (and not in respect of the insurance proceeds).

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

ARTICLE X. CASUALTY; CONDEMNATION; FORCE MAJEURE

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

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

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

ARTICLE XI. ASSIGNMENT AND SUBLETTING

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

Section 11.2 Assignment. Neither Party shall assign this Lease without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, delayed or withheld; provided, that no such consent shall be required for (i) subject to Section 11.3, a collateral assignment of, or creation of a security interest in, this Lease in connection with any financing or refinancing of the Project or the Rent due hereunder, or (ii) in the case of SDG&E, an assignment in connection with the merger of SDG&E with, or the acquisition of substantially

all of the transmission assets of SDG&E by, an entity with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of SDG&E. For the avoidance of doubt, any assignment by Citizens Sunrise Transmission shall also require any third party assignee to continue the low income assistance program set forth in Section 5.3.1 of this Lease. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of any Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of such Party) where the fair market value of such Party's interest in the Border-East Line is greater than thirty percent (30%) of the fair market value of the assets of such Party or such parent entity to a person that is not an Affiliate of such Party shall also constitute an assignment of this Lease requiring the other Party's prior written consent.

Section 11.3 Form of Collateral Assignment. In connection with any financing or refinancing of the Citizens Transfer Capability, Citizens Sunrise Transmission and SDG&E shall, and Citizens Sunrise Transmission shall cause each lender to, enter into a consent to collateral assignment (the "Collateral Assignment Agreement") substantially in the form attached as Exhibit C hereto.

Section 11.4 Right of First Refusal. Except in connection with (i) a collateral assignment under clause (i) of Section 11.2 above or (ii) any foreclosure sale or deed in lieu of foreclosure in connection with the exercise of remedies under such collateral assignment, SDG&E shall have the right of first refusal with respect to any proposed assignment by Citizens Sunrise Transmission of all or any portion of its interest in this Lease. In the event Citizens Sunrise Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Sunrise Transmission in this Lease that Citizens Sunrise Transmission desires to accept, Citizens Sunrise Transmission shall provide SDG&E with a copy of the bona fide third party purchase offer within five Business Days following receipt thereof. For a period of 90 days following SDG&E's receipt of the bona fide third party purchase offer, SDG&E shall have the right to purchase such interest as set forth in the offer on the same terms and conditions set forth in such offer (excluding any required commitment from a third party to continue the low income assistance program set forth in Section 5.3.1 of this Lease) and to conduct due diligence regarding the contemplated purchase. In the event that SDG&E elects to exercise its right, SDG&E and Citizens Sunrise Transmission shall close the purchase and sale of the interest in this Lease upon the terms and conditions contained in the offer. In the event that SDG&E elects not to exercise its right and subject to SDG&E's prior written consent under Section 11.2 above, Citizens Sunrise Transmission shall be free to sell such interest to the third party that made the offer on terms and conditions no more favorable to Citizens Sunrise Transmission than those contained in the offer. In the event that such sale is not consummated within 12 months following SDG&E's failure to exercise this right of first refusal, then SDG&E's right of first refusal shall be revived with respect to such sale. In the event that there is a material revision in any offer in favor of any prospective purchaser, then SDG&E's right of first refusal shall be revived so that SDG&E again has the right of first refusal to purchase the interest in this Lease on the revised terms.

ARTICLE XII. DISPUTE RESOLUTION

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

Section 12.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Lease or any related agreements by prompt negotiations between each Party's authorized representative. If the matter is not resolved thereby, either Party's authorized representative may request in writing that the matter be referred to the designated senior officers of their respective companies that have corporate authority to settle the dispute. Within five Business Days after such referral date (the "Referral Date"), each Party shall provide one another Notice confirming the referral and identifying the name and title of the senior officer who will represent such Party. Within five Business Days after such Referral Date, the senior officers shall establish a mutually acceptable location and date to meet which shall not be greater than 30 days after such Referral Date. After the initial meeting date, the senior officers shall meet, as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties. If the matter is not resolved within 45 days of such Referral Date, or if either Party refuses or does not meet within the 30 day period specified above, either Party may initiate arbitration of the controversy or claim by providing notice of a demand for binding arbitration at any time thereafter.

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

- (a) The Parties shall cooperate in good faith with one another in selecting the arbitrator within 60 days after Notice of the demand for arbitration. Absent mutual agreement on a different method of selecting an arbitrator within 15 days of a demand for arbitration, the Parties shall request a list of potential arbitrators having the minimum qualifications set forth in this Section 12.3 from the Commercial Roster of the American Arbitration Association. Each Party shall then strike the potential arbitrators unacceptable to it, and the Parties shall exchange lists of strikes until either (i) they have selected a single eligible and available arbitrator by mutual agreement, or (ii) they have selected a list of not more than five

arbitrators acceptable to each Party. In the latter case, the Parties (if unable to agree on a single arbitrator) shall provide the list of five arbitrators to American Arbitration Association and request the American Arbitration Association to select the arbitrator. Any arbitrator shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall have a minimum of ten years experience in the field of the dispute.

- (b) Each Party shall provide the documents in its possession, custody or control which it believes to support its position in arbitration to the other Party within 30 days of the demand, and shall supplement its provision of such documents in a reasonable manner as additional documents come to light. Each Party shall be entitled to make not more than two requests for production of documents prior to the commencement of the hearing. Depositions shall be limited to a maximum of three per Party and shall be held within 30 days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of seven hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary and confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer not more than 25 interrogatories (including subparts), upon good cause shown.
- (c) The arbitrator's award shall be made within nine months of the filing of the notice of intention to arbitrate (demand) and the arbitrator shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended for one period of up to 30 days by agreement of the Parties or by the arbitrator, if necessary.
- (d) The prevailing Party in this dispute resolution process is entitled to recover its costs, including reasonable attorneys' fees, as determined by the arbitrator. Until such award is made, however, the Parties shall share equally in paying the costs of the arbitration.
- (e) The arbitrator shall have the authority to grant dispositive motions prior to the commencement of or following the completion of discovery if the arbitrator concludes that there is no material issue of fact pending before the arbitrator.

- (f) The arbitrator shall not have the power to commit errors of law or legal reasoning, and the award may be vacated or corrected on appeal to a court of competent jurisdiction for any such error.
- (g) The existence, content, and results of any arbitration hereunder shall be confidential information subject to the provisions of Section 13.2.

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

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

ARTICLE XIII. MISCELLANEOUS

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

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

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

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

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

[Notice information to be confirmed.]

Section 13.2 Confidentiality. During the Term and for a period of three years after the expiration the Term, the Parties shall keep confidential any confidential information relating to the Project obtained from the other Party, and shall refrain from using, publishing or revealing such confidential information without the prior written consent of the Party whose confidential information the disclosing Party is seeking to disclose, unless (a) compelled to disclose such document or information to a securities exchange or by judicial, regulatory or administrative process or other provisions of law; (b) such document or information is generally available to the public; (c) such document or information was available to the disclosing Party on a non-confidential basis; (d) such document or information was available to the disclosing Party on a non-confidential basis from a third-party, provided that the disclosing Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (e) such document or information is necessary to support a rate case or other regulatory filing with a Governmental Authority, provided that, the Party disclosing such document or information must make reasonable efforts to maintain confidentiality with respect to any proprietary information.

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

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

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

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

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

Section 13.8 Relationship of the Parties. Except as otherwise set forth herein, this Lease shall not make any of the Parties partners or joint venturers one with the other, nor make any the agent of the others. Except as otherwise explicitly set forth herein, no Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party. Notwithstanding anything to the contrary, no fiduciary duty or fiduciary relationship shall exist between the Parties.

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

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

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

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

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

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

[Signature page follows]

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

SDG&E:

SAN DIEGO GAS & ELECTRIC COMPANY,
a California corporation

By: _____
Name:
Title:

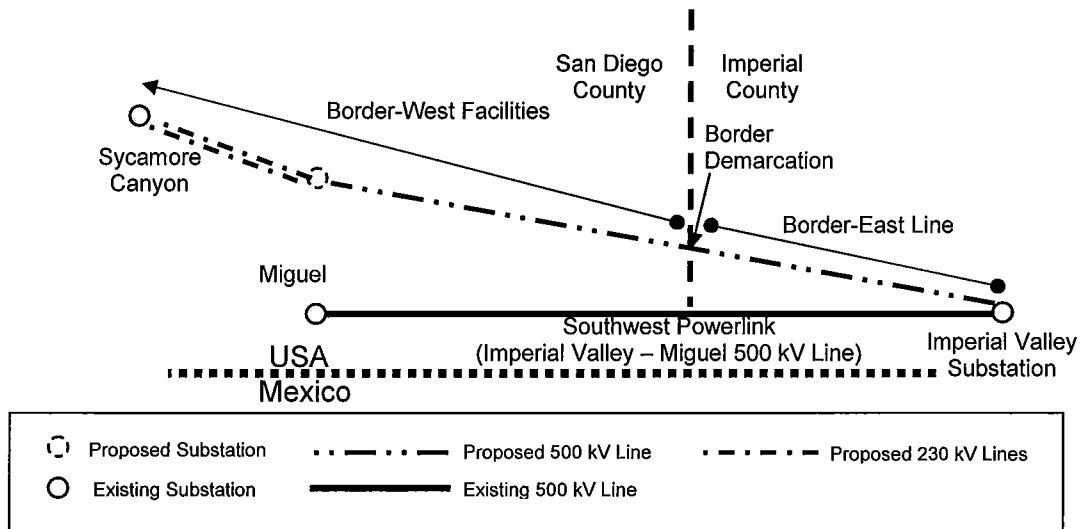
CITIZENS SUNRISE TRANSMISSION:

CITIZENS SUNRISE TRANSMISSION,
a Massachusetts limited liability company

By: _____
Name:
Title:

SCHEDULE 1.1

Project Diagram



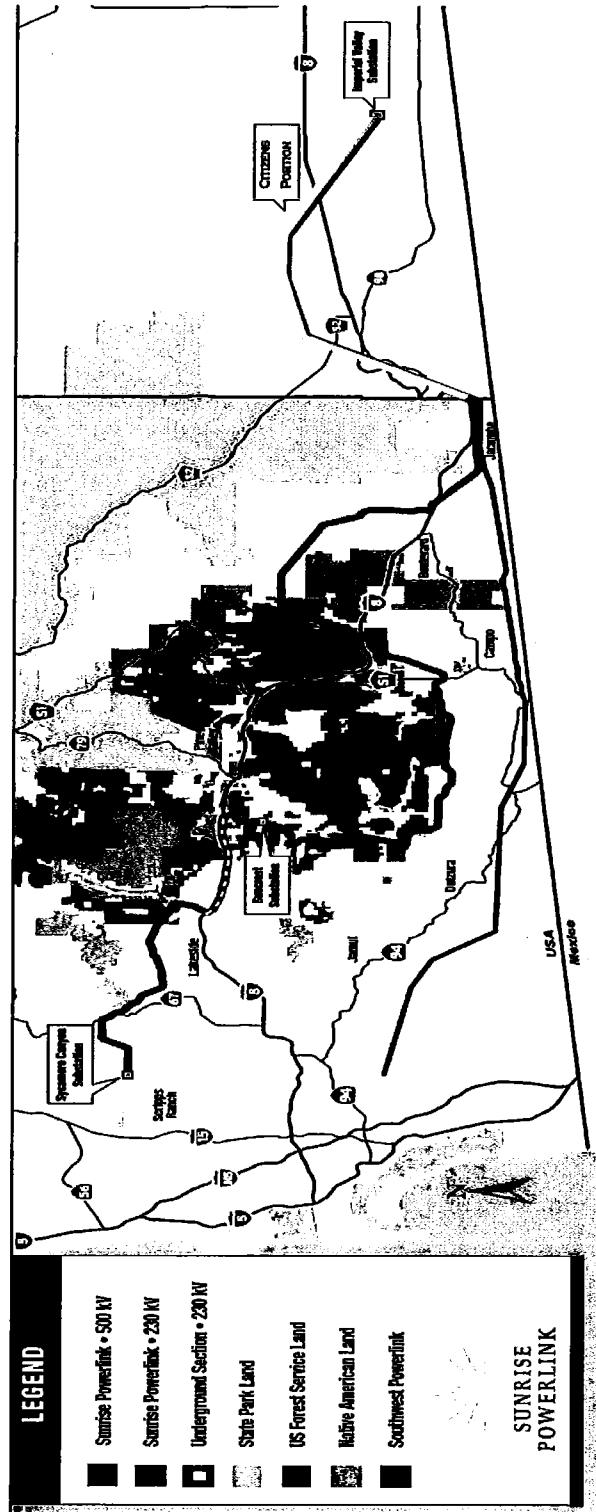


Exhibit A

Model for SDG&E Representative Rate

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

Example of SDG&E Representative Rate

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

Model Inputs

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

Calculation of Debt Cost as Input to Model

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

Calculation of WACC

	Capital Ratio	Cost	WACC
Debt	50.00%	5.62%	2.81%
Preferred Equity	0.00%	0.00%	0.00%
Common Equity	50.00%	11.35%	5.68%
			8.49%

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

SDG&E Representative Rate

\$122,872

Exhibit A - 1

Exhibit B

Accrual of Prepaid Rent

[Note to form: The final table as of the Effective Date should be populated with the actual Prepaid Rent which should be known at the time of execution.]

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

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

Exhibit B - 1

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B/A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
20	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	730,918	(\$1,173,600)	74,909,651	(442,682)
21	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	726,624	(\$1,173,600)	74,462,675	(446,976)
22	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	722,288	(\$1,173,600)	74,011,363	(451,312)
23	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	717,910	(\$1,173,600)	73,555,673	(455,690)
24	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	713,490	(\$1,173,600)	73,095,563	(460,110)
25	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	709,027	(\$1,173,600)	72,630,991	(464,573)
26	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	704,521	(\$1,173,600)	72,161,911	(469,079)
27	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	699,971	(\$1,173,600)	71,688,282	(473,629)
28	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	695,376	(\$1,173,600)	71,210,059	(478,223)
29	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	690,738	(\$1,173,600)	70,727,196	(482,862)
30	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	686,054	(\$1,173,600)	70,239,650	(487,546)
31	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	681,325	(\$1,173,600)	69,747,375	(492,275)
32	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	676,550	(\$1,173,600)	69,250,325	(497,050)
33	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	671,728	(\$1,173,600)	68,748,453	(501,872)
34	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	666,860	(\$1,173,600)	68,241,713	(506,740)
35	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	661,945	(\$1,173,600)	67,730,058	(511,655)
36	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	656,982	(\$1,173,600)	67,213,440	(516,618)
37	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	651,970	(\$1,173,600)	66,691,810	(521,629)
38	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	646,911	(\$1,173,600)	66,165,121	(526,689)
39	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	641,802	(\$1,173,600)	65,633,323	(531,798)
40	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	636,643	(\$1,173,600)	65,096,366	(536,957)
41	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	631,435	(\$1,173,600)	64,554,201	(542,165)
42	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	626,176	(\$1,173,600)	64,006,777	(547,424)
43	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	620,866	(\$1,173,600)	63,454,043	(552,734)
44	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	615,504	(\$1,173,600)	62,895,947	(558,096)
45	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	610,091	(\$1,173,600)	62,332,438	(563,509)
46	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	604,625	(\$1,173,600)	61,763,463	(568,975)
47	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	599,106	(\$1,173,600)	61,188,969	(574,494)
48	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	593,533	(\$1,173,600)	60,608,902	(580,067)
49	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	587,906	(\$1,173,600)	60,023,209	(585,693)
50	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	582,225	(\$1,173,600)	59,431,834	(591,375)
51	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	576,489	(\$1,173,600)	58,834,723	(597,111)
52	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	570,697	(\$1,173,600)	58,231,820	(602,903)
53	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	564,849	(\$1,173,600)	57,623,069	(608,751)
54	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	558,944	(\$1,173,600)	57,008,413	(614,656)
55	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	552,982	(\$1,173,600)	56,387,794	(620,618)
56	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	546,962	(\$1,173,600)	55,761,156	(626,638)

Exhibit B - 2

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B / A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
57	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	540,883	(\$1,173,600)	55,128,440	(632,717)
58	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	534,746	(\$1,173,600)	54,489,586	(638,854)
59	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	528,549	(\$1,173,600)	53,844,535	(645,051)
60	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	522,292	(\$1,173,600)	53,193,227	(651,308)
61	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	515,974	(\$1,173,600)	52,535,601	(657,626)
62	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	509,595	(\$1,173,600)	51,871,597	(664,004)
63	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	503,154	(\$1,173,600)	51,201,152	(670,445)
64	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	496,651	(\$1,173,600)	50,524,203	(676,949)
65	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	490,085	(\$1,173,600)	49,840,688	(683,515)
66	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	483,455	(\$1,173,600)	49,150,543	(690,145)
67	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	476,760	(\$1,173,600)	48,453,703	(696,840)
68	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	470,001	(\$1,173,600)	47,750,104	(703,599)
69	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	463,176	(\$1,173,600)	47,039,680	(710,424)
70	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	456,285	(\$1,173,600)	46,322,366	(717,315)
71	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	449,327	(\$1,173,600)	45,598,093	(724,273)
72	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	442,301	(\$1,173,600)	44,866,794	(731,298)
73	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	435,208	(\$1,173,600)	44,128,402	(738,392)
74	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	428,046	(\$1,173,600)	43,382,848	(745,554)
75	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	420,814	(\$1,173,600)	42,630,062	(752,786)
76	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	413,512	(\$1,173,600)	41,869,974	(760,088)
77	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	406,139	(\$1,173,600)	41,102,513	(767,461)
78	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	398,694	(\$1,173,600)	40,327,607	(774,905)
79	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	391,178	(\$1,173,600)	39,545,185	(782,422)
80	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	383,588	(\$1,173,600)	38,755,174	(790,012)
81	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	375,925	(\$1,173,600)	37,957,499	(797,675)
82	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	368,188	(\$1,173,600)	37,152,087	(805,412)
83	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	360,375	(\$1,173,600)	36,338,862	(813,225)
84	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	352,487	(\$1,173,600)	35,517,749	(821,113)
85	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	344,522	(\$1,173,600)	34,688,672	(829,078)
86	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	336,480	(\$1,173,600)	33,851,552	(837,120)
87	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	328,360	(\$1,173,600)	33,006,312	(845,240)
88	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	320,161	(\$1,173,600)	32,152,874	(853,439)
89	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	311,883	(\$1,173,600)	31,291,157	(861,717)
90	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	303,524	(\$1,173,600)	30,421,081	(870,076)
91	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	295,084	(\$1,173,600)	29,542,566	(878,515)
92	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	286,563	(\$1,173,600)	28,655,529	(887,037)
93	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	277,959	(\$1,173,600)	27,759,888	(895,641)

Exhibit B - 3

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B / A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
94	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	269,271	(\$1,173,600)	26,855,559	(904,329)
95	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	260,499	(\$1,173,600)	25,942,458	(913,101)
96	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	251,642	(\$1,173,600)	25,020,500	(921,958)
97	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	242,699	(\$1,173,600)	24,089,599	(930,901)
98	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	233,669	(\$1,173,600)	23,149,668	(939,931)
99	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	224,552	(\$1,173,600)	22,200,620	(949,048)
100	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	215,346	(\$1,173,600)	21,242,366	(958,254)
101	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	206,051	(\$1,173,600)	20,274,817	(967,549)
102	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	196,666	(\$1,173,600)	19,297,883	(976,934)
103	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	187,189	(\$1,173,600)	18,311,473	(986,410)
104	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	177,621	(\$1,173,600)	17,315,494	(995,979)
105	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	167,960	(\$1,173,600)	16,309,855	(1,005,640)
106	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	158,206	(\$1,173,600)	15,294,461	(1,015,394)
107	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	148,356	(\$1,173,600)	14,269,217	(1,025,244)
108	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	138,411	(\$1,173,600)	13,234,029	(1,035,188)
109	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	128,370	(\$1,173,600)	12,188,799	(1,045,230)
110	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	118,231	(\$1,173,600)	11,133,430	(1,055,368)
111	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	107,994	(\$1,173,600)	10,067,825	(1,065,606)
112	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	97,658	(\$1,173,600)	8,991,883	(1,075,942)
113	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	87,221	(\$1,173,600)	7,905,504	(1,086,379)
114	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	76,683	(\$1,173,600)	6,808,588	(1,096,916)
115	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	66,043	(\$1,173,600)	5,701,032	(1,107,557)
116	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	55,300	(\$1,173,600)	4,582,732	(1,118,300)
117	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	44,452	(\$1,173,600)	3,453,584	(1,129,147)
118	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	33,500	(\$1,173,600)	2,313,484	(1,140,100)
119	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	22,441	(\$1,173,600)	1,162,325	(1,151,159)
120	\$1,173,600	-	\$1,173,600	1.000000	\$1,173,600	11,275	(\$1,173,600)	(0)	(1,162,325)
Totals	\$140,831,979	\$83,000,000	\$140,831,979		\$140,831,979	57,831,979	(\$140,831,979)		(\$83,000,000)

Present Value

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

*See Fraction Computation Above **

Quarter	Rent Allocation	Pre-Payment	Allocated Rent	Fraction * (B / A)	Proportional Rent	IRC § 467 Interest	IRC § 467 Rent	IRC § 467 Loan Balance	Net IRC § 467 Income (Loss)
<i>Rent Allocation</i>	<u>\$1,173,600</u>								

Exhibit C

Form of Consent to Collateral Assignment

[Note to form: update this exhibit as of the Effective Date with customary and reasonable lender consent]

Exhibit D

Local Furnishing Bond Encumbrances

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

I. Defined Terms.

[CONSIDER ADDING DEFINED TERMS TO THIS APPENDIX; CONFORMING DEFINED TERMS IN THE LEASE AND THIS EXHIBIT]

II. Local Furnishing Bond Encumbrances.

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

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

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

- B. Absent an approving written opinion of nationally recognized bond counsel selected by SDG&E, taking into account the adjustments outlined in paragraph C below, SDG&E will not operate its facilities (or allow its facilities to be operated) so as to cause or permit a cumulative annual net outbound flow of electric energy during any calendar year from the points of interconnection between (i) SDG&E's wholly-owned electric distribution facilities or SDG&E's wholly-owned electric transmission facilities which are directly connected to SDG&E's wholly-owned electric distribution facilities (the "Local T/D System"), and (ii) other electric utility properties. As of July 1, 2011, these interconnection points include:

1. the point at the International Border where SDG&E's ownership interest in the 230 kV Miguel/Tijuana transmission line interconnects with Comision Federal de Electricidad's ownership interest in the Miguel/Tijuana transmission line;
 2. the set of points at the San Onofre Nuclear Generating Station ("SONGS") switchyard bus where SDG&E's wholly-owned transmission facilities interconnect with facilities owned (in whole or in part) by Southern California Edison Company ("SCE");
 3. the point where SDG&E's wholly-owned segment of the 500 kV Miguel/Imperial Valley transmission line interconnects with the Imperial Valley Substation facilities which are owned in part by Imperial Irrigation District ("IID");
 4. the point at the San Diego/Imperial County border where SDG&E's ownership interest in a 2.5 mile-long radial distribution line intersects with IID's ownership interest in that same distribution line;
 5. the points at the Riverside/Orange County border and the Riverside/San Diego County border where SDG&E's ownership interest in several isolated distribution lines interconnect with SCE's ownership interest in those same distribution lines;
 6. the point where SDG&E's wholly-owned Narrows Substation interconnects with transmission facilities which are owned by IID.
- C. For purposes of paragraph B, net flows of electric energy shall be calculated after taking into account the following adjustments:
1. Treating as a deemed outbound flow (or as a reduction in inbound flow) SDG&E's share as owner or lessee of electric energy generated at SONGS and at other facilities which are not connected directly to the Local T/D System ("Owned/Leased Remote SDG&E Generating Units").
 - i. As of [July 1 2011], SDG&E's 20% ownership interests in SONGS Unit 1 and Unit 2 are the only Owned/Leased Remote SDG&E Generating Units.
 - ii. In 2011, Owned/Leased Remote SDG&E Generating Units are expected to include SDG&E's 480 MW interest in the El Dorado Project.
 - iii. In 2012, Owned/Leased Remote SDG&E Generating Units are expected to include SDG&E's 189 MW interest in the Rim Rock Project.

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

necessitated by the failure of facilities either partially or wholly owned by SDG&E.

- E. Upon SDG&E's receipt of a written request from the CAISO to take (or to refrain from taking) any action that SDG&E believes might jeopardize the tax-exempt status of interest on Local Furnishing Bonds issued for its benefit, SDG&E in good faith shall promptly seek to obtain an opinion (of the type generally regarded in the municipal bond market as unqualified) from a nationally recognized bond counsel selected by SDG&E that the requested action (or inaction) will not adversely affect such tax-exempt status. Examples of actions the CAISO might request SDG&E to take (or refrain from taking) might include
1. closing (or refraining from opening) switches to allow electric energy to flow out of the Local T/D System,
 2. closing (or refraining from opening) switches to allow electric energy from local generating units to flow into the Local T/D System,
 3. acquiring or constructing new electric utility facilities or improving existing electric utility facilities,
 4. generating electric energy or refraining from generating electric energy at resources which are directly or indirectly under SDG&E's control, or
 5. bringing transmission or generation facilities or resources into service (or withholding transmission or generation facilities or resources from service).

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

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