**SDG&E Distribution Capacity Solicitation Term Sheet - for discussion purposes only**

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| 1. | Project | ***[Seller to insert description of the specific distributed energy resource or combination of integrated distributed energy resources, including all generation intertie facilities.]*** |
| 2. | Transaction | ***[counterparty name]*** (“Seller”) shall sell and deliver, and SDG&E shall purchase and receive, the Product at the Contract Capacity, as listed in Section 4 below, from the Project. Seller may sell other products, including Product in excess of the Contract Capacity, to third parties or into the applicable market. Seller shall receive and retain any revenues from the sale of other products. |
| 3. | Product | The Project’s ability to provide distribution level capacity by decreasing net load through [decreasing electrical consumption] or [increasing generation], to [insert purpose, i.e. reduce thermal load]. |
| 4. | Contract Capacity | Distribution capacity: ***[X]*** MW ***[Seller to designate, at a minimum, an amount equal to the requirements in Appendix B of the RFO]*** |
| 5. | Contract Price | Capacity Rate = ***$[X]/day*** ***[Seller to designate]*** |
| 6. | Operating Restrictions: | The Operating Restrictions are ***[Seller to designate]*** |
| 7. | Scheduling/Dispatch | ***[Seller to insert any limits on scheduling and dispatch (i.e. energy efficiency projects are not dispatched or any limitations on real-time dispatch)]*** |
| 8. | Communications Systems and Equipment | Seller shall install communications systems and equipment for the Project to enable Buyer to remotely monitor the status of the Project at all times during the Delivery Term on an aggregate and individual unit basis, and which permits Buyer to have real time information access to the operations of the Project, including the ability to measure the real-time load decrease and/or increase.  During the Delivery Term, Buyer may implement energy resource management systems, allowing greater access to real-time monitoring of Distributed Energy Resources (DER), consistent with interconnection facilities requirements. If such system is implemented, Seller agrees to implement new or upgraded equipment to the Project to allow for such DER monitoring. |
| 9. | Reliability/Performance Guarantees | Reliability Guarantees: ***[Seller to insert proposal to ensure resource reliability (e.g. immediate load shedding in case generating facility does not generate) so that the Project meets the Minimum Availability in Section 14 of this Term Sheet]***.  Performance Guarantees: ***[Seller to insert performance guarantees, such as liquidated damages for failing to meet a dispatch or minimum monthly capacity.]***  **NOTE: Reliability terms are paramount to any resulting agreements. During the Delivery Term, SDG&E expects performance de-rates of no more than 1 day annually for Deferral Period Windows (hours/months) and no more than one dispatch failure over the life of the contract for the Exceptional Dispatch Windows, as set forth in Section 14 of this Term Sheet (together, identified elsewhere in this Term Sheet as the Minimum Availability of the Project).** |
| 10. | Operational Control | Notwithstanding Seller’s obligations to deliver the Product, Seller will have operational control of the Project and be responsible for operation and maintenance of the Project. Buyer will not bear any costs related to ownership, operation, scheduling, dispatch, or maintenance of the Project. |
| 11. | Project Site and Customers | Seller shall execute all necessary forms, documentation, and agreements in order to secure all Sites and/or Customers (as applicable) necessary to deliver Product to Buyer. The terms and conditions of the agreements Seller has for the Site and/or with Customers are independent of Buyer, and Buyer shall not have any responsibility or incur any liability pursuant to such agreements.  ***[INSERT customer requirements (i.e. updates to customers signed up for EE program each month)]*** |
| 12. | Interconnection | The Project is interconnected to circuits or loads or associated with load facilities that are electrically interconnected to a circuit identified in the RFO Protocol. ***[Seller to insert specific description of proposed interconnection arrangement]***  Seller shall be responsible for all delays, costs and expenses associated with such interconnection. |
| 13. | Initial Delivery Date (IDD) | ***[Seller to designate date defined in the RFO Protocol]***  Failure to meet the Initial Delivery Date will be an Event of Default. |
| 14. | Delivery Term/Available Periods | The Delivery Term will be ***[XX]*** *[****Seller to designate 5 to 10****]* years from the Initial Delivery Date.  Available Periods for dispatch/operation (which shall be the Minimum Availability required of the Project):   * Deferral Period Windows: the project shall be available during June through October, Monday through Sunday and for the hours set forth annually in Appendix B of the RFO Protocol. * Exceptional Dispatch Windows: During all months, the maximum MW amount shown in Appendix B of the RFO Protocol is required to be available once per year for a two-hour dispatch. |
| 15. | Critical Milestones | Seller shall cause the development and construction of the Project to meet each of the following (“Critical Milestones)” by the date set forth: ***[Seller to designate milestone dates]***   1. Filing application for Required Permits: ***[Insert Date]*** 2. Major equipment ordered: ***[Insert Date]*** 3. ***[DR/EE:*** 50% of Customer acquisitions: ***[Insert Date]]*** 4. ***[DR/EE:*** 75% of Customer acquisitions: ***[Insert Date]]*** 5. ***[DR/EE:*** 100% of Customer acquisitions: ***[Insert Date]]*** 6. Obtain site control: ***[Insert Date]*** 7. Execution of [ interconnection agreement: ***[Insert Date]*** 8. Construction start: ***[Insert Date]*** 9. Completion of Interconnection Facilities: ***[Insert Date]*** 10. Initial Performance Test: ***[Seller to designate date that is [X] months prior to IDD.]*** 11. ***[Other Critical Milestones to be inserted, as necessary, based on the specific distributed energy resource(s)]*** |
| 16. | Compensation/  Payments | Buyer shall pay to Seller a monthly payment for the Product:  ***[Insert payment based on achieving minimum capacity requirement]*** |
| 17. | Measurement and Verification | The amount of Product the Project delivers will be measured based on the Project’s technology, and will include for:   * Energy storage: revenue-quality interval meter * Demand response: Parties’ agreed-upon baseline methodologies that incorporates metering against a baseline ***[Seller to insert measurement and verification proposal]***; * Distributed generation: revenue-quality interval meter for generation, agreed upon forecast methodology for curtailable generation; or * Energy efficiency or permanent load shift: Parties’ agreed upon methodology that incorporates metering against a baseline |
| 18. | Performance Testing | The Parties will develop test procedures, testing dates and parameters for the Critical Milestone schedule (Performance Test).  Prior to the Initial Delivery Date, Seller will perform an Initial Performance Test to demonstrate to Buyer that the Project is capable of delivering Product at the Contract Capacity for the first Contract Year. The Initial Performance Test may need to take into account (1) that such Initial Performance Test is occurring outside a Delivery Month and (2) the Project’s ability to test alignment with the Operating Parameters given the timing and duration of the Initial Performance Test. The Initial Delivery Date will occur if Seller reliablydemonstrates the Project’s delivery of Product at 100% of the Contract Capacity. |
| 19. | Seller Performance Assurance | Seller shall deliver to Buyer and maintain Performance Assurance in a form acceptable to Buyer to secure its obligations under the agreement, as follows:   1. Project Development Security. Seller shall post Project Development Security in the form of cash or letter of credit, equal to ***$[See RFO]***. 2. Construction Period Security. Seller shall post Construction Period Security in the form of cash or letter of credit equal to ***$[See RFO]*** until the Delivery Term Security is due. 3. Prior to IDD, Seller shall post Delivery Term Security in the form of cash or letter of credit, in an amount equal to ***$[See RFO]*** until all amounts are indefeasibly paid in full. Seller may apply the Project Development Security toward the Delivery Term Security.   NOTE: Such Performance Assurance shall not be a limitation of damages. |
| 20. | Events of Default | 1. Failure to meet a Critical Milestone; 2. Failure to meet Initial Delivery Date; 3. Failure to meet the Minimum Availability in Section 14 of this Term Sheet, including failure to meet any Reliability Guarantee defined in Section 9 of this Term Sheet (e.g. customer load dropping immediately if generating resource is unavailable); 4. Results of a Performance Test show that the Project provides Product at less than 100% of the Contract Capacity; 5. Failure to meet reliability guarantee (e.g. customer load dropping immediately if generating resource is unavailable); 6. Failure to timely provide or maintain appropriate Performance Assurance; or 7. ***[Other events of default to be inserted, as necessary, based on the specific distributed energy resource(s)]*** |
| 21. | Force Majeure | ***[Seller to insert aggregate FM delays before termination during construction and delivery term.]*** |
| 22. | Termination Payment | Settlement Amount to Non-Defaulting Party. |
| 23. | Safety | Seller will be required to meet certain safety standards with respect to the Project. Seller’s safety obligations will reflect the agreement and Project structure, technology, and Product along with Seller’s commercial relationship with the Site(s) and Customers. |
| 24. | CPUC Approval | If CPUC Approval has not occurred on or before ***[XXX]*** ***[Seller to insert]*** days from the date on which Buyer files the agreement with the CPUC seeking CPUC Approval, then either Party may terminate the agreement.  “CPUC Approval” means a final and non-appealable order of the CPUC, without conditions or modifications unacceptable to either of the Parties, pursuant to which the CPUC approves of this agreement and any requested relief in its entirety. |
| 25. | Conditions Precedent | ***[Seller to insert, including financing, permits, and network upgrade costs for interconnection exceeding [INSERT CAP]].*** |
| 26. | Confidentiality | Customary provisions |
| 27. | Dispute Resolution | Binding Arbitration in San Diego County, California |
| 28. | Governing Law/Venue | California/Exclusively in the Court located in the County of San Diego, California |
| 29. | Insurance | ***[Seller to insert proposed customary and non-customary insurance solutions Seller deems appropriate based on the Product being bid]*** |