

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric
Company (U 902 E) and Citizens Energy
Corporation for Authorization Pursuant to
Public Utilities Code Section 851 to Lease
Transfer Capability Rights to Citizens
Sycamore-Penasquitos Transmission LLC

A.17-11-___

**APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) AND
CITIZENS ENERGY CORPORATION FOR AUTHORIZATION PURSUANT TO
PUBLIC UTILITIES CODE SECTION 851 TO LEASE TRANSFER CAPABILITY
RIGHTS TO CITIZENS SYCAMORE-PENASQUITOS TRANSMISSION LLC**

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I. INTRODUCTION

By this Application, San Diego Gas & Electric Company (“SDG&E”) and Citizens Energy Corporation (“Applicants”) seek Commission authorization under Section 851 of the California Public Utilities Code to convey, by means of a lease, a 12.92 percent share of the transfer capability rights in an underground segment of the Sycamore to Penasquitos 230 kilovolt (“kV”) Transmission Project (“SX-PQ” or “Project”) to Citizens Sycamore-Penasquitos Transmission LLC (“CSPT”), which is a wholly-owned subsidiary of Citizens Energy Corporation (“Citizens”). The testimony submitted with this Application demonstrates that the proposed lease is not adverse to the public interest and offers benefits for ratepayers in general and will bring particular benefits to low income ratepayers and disadvantaged communities in San Diego County.

It should be emphasized that the Commission authorization requested here is similar to the authorization the Commission granted in Decision (“D.”) 11-05-048 (“D.11-05-048” or “Sunrise Section 851 Decision”),¹ which approved a transfer, by means of a lease, of ownership interest from SDG&E to another Citizens subsidiary in connection with the Sunrise Powerlink Transmission Project (“Sunrise Project”). The lease arrangement the Commission approved in the Sunrise Section 851 Decision has yielded benefits to low income ratepayers and disadvantaged communities in Imperial County, through low-income energy assistance investments Citizens has made in accordance with the Commission’s decision. The new proposed lease between SDG&E and Citizens, for which authorization is requested in this Application, will yield similar benefits to low income ratepayers and disadvantaged communities in San Diego County -- in this instance, in the area of transportation electrification.

II. BACKGROUND

A. SX-PQ

SX-PQ is a “reliability driven” project the California Independent System Operator (“CAISO”) determined is necessary to “avoid projected system overloads to ensure the delivery of renewable energy.”² The CAISO additionally determined that the unplanned retirement of the San Onofre Nuclear Generating Station put “increased importance on the placement of the [Project] in service at the earliest opportunity” making the ability to achieve an expedient in service date “critical.”³ SDG&E and Citizens worked jointly to prepare an application to the CAISO for consideration in the CAISO’s competitive solicitation process for SX-PQ. The

¹ *Decision Granting Approval of Lease of Transfer Capability Rights From San Diego Gas & Electric Company to Citizens Energy Corporation*, A.09-10-010 (issued May 31, 2011).

² Sycamore-Penasquitos Project-Project Sponsor Selection Report at 2-3, California Independent System Operator, available at: <https://www.aiso.com/Documents/Sycamore-PenasquitosProjectSponsorSelectionReport.pdf> (March 4, 2014).

³ *Id.* at 3.

CAISO found the joint application by SDG&E and Citizens superior to the other applications submitted, and selected SDG&E in conjunction with Citizens to develop the SX-PQ Project.⁴

In D.16-10-005, the Commission granted an application by SDG&E for a Certificate of Public Convenience and Necessity (“CPCN”) to construct SX-PQ, using the Final Environmentally Superior Alternate 5 – Pomerado Road to Miramar Area North Combination Underground/Overhead Route (“CPCN Decision”). In its CPCN Decision approving the project, the Commission determined that SX-PQ will generate net benefits, primarily reliability, as it is related to congestion and North American Electric Reliability Corporation (“NERC”) reliability criteria violations on the 230kV, 138kV, and 69kV transmission power lines downstream of the Sycamore Canyon Substation.⁵

As approved by the Commission, SX-PQ is comprised of a new 230kV electric transmission line of approximately 14.5 miles between the existing Sycamore Canyon Substation and the Penasquitos Substation and other system modifications designed to reliably operate the new line. The Project is comprised of three separate segments:

- Segment A-an overhead alignment traversing approximately 0.9 miles northwesterly from the Sycamore Canyon Substation to Stonecroft Trail within an existing SDG&E right-of-way (“ROW”);
- Segment B-an underground alignment that transitions from an overhead position into an underground duct bank traversing westerly approximately 11.5 miles within city streets along Pomerado Road, crossing Interstate 15, then continuing along predominantly secondary streets through the commercial area of the community of Mira Mesa, then transitioning back into an overhead position within an existing SDG&E ROW along the east side of Interstate 805 at Carroll Canyon Road; and
- Segment C-an overhead alignment on existing 230kV steel structures within an existing ROW traversing northward approximately 2.2 miles into the Penasquitos Substation.

⁴ *Id.* at 1.

⁵ *See* D.16-10-005 at 6-7.

B. Citizens Energy Corporation

Citizens is a non-profit Massachusetts corporation exempt from federal taxes under Section 501(c)(4) of the Internal Revenue Code, with its principal headquarters located in Boston, Massachusetts. Citizens is a Federal Energy Regulatory Commission (“FERC”) jurisdictional public utility, whose commercial subsidiaries support a wide array of social and charitable programs in the United States and abroad.

Founded in Boston by Joseph P. Kennedy II in 1979, Citizens became a leading innovator in the energy and health care fields and used its entrepreneurial ventures to help people in need in the U.S., Africa, Central and South America, and the Caribbean. In its first decade, Citizens’ commercial activities included crude oil trading, oil exploration and production, electric power and natural gas marketing, mail-order service pharmaceuticals, and environmental business consulting.

Since 2004, Citizens has sought opportunities to alleviate transmission constraints and promote the development of renewable electric resources while continuing to assist the economically vulnerable. Citizens is accomplishing this objective through its involvement in transmission projects, including its partnership with SDG&E in the Sunrise Project, where Citizens financed 50% of the Border-East Line. Similar to its participation in SX-PQ, Citizens contractually committed to spend 50% of its after-tax profits from the Sunrise Project on programs assisting low income families. For the Sunrise Project, that commitment has translated to approximately \$1.5 million of low income assistance each year. As the Commission recognized in the Sunrise Section 851 Decision, “Citizens promotes both renewable energy and

mitigating the cost of this more expensive resource through its public interest entities and donating money to help the most economically vulnerable pay their electric bills.”⁶

Citizens is structured as a non-profit company that owns 100% of a for-profit holding company, which in turn wholly owns several for-profit subsidiaries, including Citizens Business Enterprises. Citizens will utilize Citizens Sycamore-Penasquitos Transmission LLC, a Delaware limited liability company and a subsidiary of Citizens Business Enterprises, to effectuate the ultimate lease transaction with SDG&E. Citizens relies on profits from the businesses it owns and operates to generate revenues for charitable and social programs.

In this instance, Citizens will funnel 50% of the after-tax profits its subsidiary earns from its proposed lease interest in the SX-PQ Project to assist low-income ratepayers in the area of transportation electrification. This is similar in concept to the low-income energy assistance Citizens has provided to residents of Imperial County using 50% of the after-tax profits earned from its partial ownership of the Sunrise Project. In the Sunrise Project, Citizens focused its efforts on rooftop solar installations for low-income families.⁷

C. Summary of Key Features Of The DCOA

SDG&E and Citizens have signed a Development, Coordination, and Option Agreement, dated November 9, 2017 (“DCOA”).⁸ The DCOA provides Citizens, through its wholly owned subsidiary CSPT, with an option to lease an approximate 12.92 percent portion of the transfer

⁶ D.11-05-048 at 15.

⁷ To date, Citizens has installed 421 solar rooftop systems on low-income houses at no cost to the homeowner, resulting in more than \$400,000 in ratepayer savings to-date, and an installed capacity of more than 1.6 megawatts.

⁸ The DCOA is appended as Attachment 1 to this Application.

capability on Segment B (“Underground Segment B”) of the SX-PQ Project in San Diego County.⁹

As noted above, the DCOA is substantively similar to the Development and Coordination Agreement the Commission approved in D.11-05-048 in connection with Citizens’ participation in the Sunrise Project.¹⁰ As described in more detail in the Direct Testimony of SDG&E witness John D. Jenkins the DCOA includes the following key features:

- Development and Construction: SDG&E continues to be responsible for the development, design, permitting, engineering, procurement and construction of SX-PQ, including all costs, and will not convey the transfer capability to Citizens until such time as Citizens has exercised and closed its Option as described below.
- Option Mechanics: The Option is effective until no later than 31 days after the commercial operation date for SX-PQ, but is extended if the CPUC and FERC approvals extend past the commercial operation date. Citizens may exercise its Option by delivering written notice to SDG&E within the period described above. If Citizens fails to exercise its Option within the defined period, such unexercised Option will expire.
- Prepaid Rent: The Lease Payment owed by Citizens to SDG&E for the transfer capability is \$27 million. As in the Sunrise Project, the Lease Payment will be paid in a lump sum at the closing of the transaction after Citizens exercises its Option. The parties will attach a schedule to the Transfer Capability Lease allocating the Lease Payment over the Lease Term and will report this payment as accruing for tax purposes quarterly in arrears according to the schedule. The parties will treat the Lease Payment to the extent it exceeds the rent that has accrued as a loan by Citizens to SDG&E that bears interest at a rate equal to 110 percent of the “applicable federal rate” as required by Section 467 of the U.S. Tax Code. Further details are provided in the Direct Testimony of SDG&E witness Ragan Reeves.
- The capital cost component of Citizens rate is capped: By far the largest cost component in the rate Citizens will ultimately charge ratepayers is the capital cost for SX-PQ. To help protect ratepayers from rates above those which SDG&E would charge if SDG&E were to apply its cost of service principles to the entire SX-PQ line, the capital component of Citizens’ rate is capped by the SDG&E

⁹ The Transfer Capability Lease will be substantially in the form attached as Exhibit A to the DCOA. (See Exhibit A of the DCOA.)

¹⁰ One noteworthy but not substantive difference is that the DCOA for this Project includes the entire form of the Transfer Capability Lease rather than just its key terms because for this SX-PQ Project the parties had the benefit of an already negotiated and executed form of lease from the Sunrise Project.

Representative Rate.¹¹ The SDG&E Representative Rate is designed to cap the capital cost component of Citizens' rates at a rate which approximates the capital cost recovery rate SDG&E would charge for Citizens' interest, plus some of Citizens' incremental development costs. This cap benefits ratepayers in two ways. First, as discussed above, it caps the capital component of Citizens' rates to approximately what ratepayers would pay if SDG&E held Citizens' interest, which ensures that ratepayers are not adversely impacted. Second, it locks in and fixes the capital component of the rate. This is, in essence, a form of insurance for ratepayers against the risk of future higher rates that could occur absent Citizens' involvement and provides rate stability. A further detailed description of this cap is provided in the Direct Testimony of SDG&E witness Amanda White.

- Citizens Operating Costs: Pursuant to the Transfer Capability Lease, SDG&E will charge Citizens the actual costs incurred for the operations and maintenance ("O&M") associated with Citizens' proportionate share of SX-PQ, plus applicable overheads. Citizens will recover these SDG&E O&M, administrative and general ("A&G") charges and any other overheads through Citizens' rate that will be the subject of its rate filings at FERC. Since these costs are a direct pass through from SDG&E, they are costs that would be in customer rates even in the absence of Citizens' involvement. In addition to the SDG&E component of the SDG&E flow through of its A&G costs, Citizens will recover its own A&G costs through FERC-approved rates, such as those required to effect billing and settlements with the CAISO. As described in more detail in the Direct Testimony of SDG&E witness Amanda White, these Citizens-related A&G costs will be incremental to charges that ratepayers would have paid in the absence of Citizens' involvement. However, as described in the Direct Testimony of Citizens witness John Wilson, these incremental costs are mitigated by benefits to ratepayers, which are attributable to Citizens' fixed capital costs and its proposed levelized capital cost recovery. These benefits to all ratepayers, it should be emphasized, are in addition to the charitable investments Citizens will make in transportation electrification efforts directly benefitting low-income and disadvantaged communities.
- O&M, capital improvements, and interconnection: The Transfer Capability Lease provides that SDG&E shall be responsible for O&M services related to SX-PQ, while, as described above, Citizens pays for the cost of such O&M along Citizens' leased portion of SX-PQ. SDG&E and Citizens will share pro rata any increases in the transfer capability on SX-PQ resulting from changes to the configuration of adjoining systems or upgrades to adjoining systems to the extent of their proportionate share of transfer capability. Subject to the CAISO tariff and

¹¹ It should be noted that the final FERC-approved rates for Citizens, including Citizens' incremental development and operational costs, will be determined in a subsequent Section 205 rate proceeding that Citizens will file at the FERC.

rules governing interconnection, as between SDG&E and Citizens, SDG&E will be the interconnection agent for SX-PQ.

- The transaction is structured pursuant to Internal Revenue Code §467 to meet IRS requirements for leases: Internal Revenue Code Section 467 (“IRC §467”) provides an exception to the general income tax rules for lease transactions. Where a lease agreement calls for prepaid rent, the parties must recognize the expenses and revenues from the transaction in a reciprocal manner during the life of the lease agreement. As more fully described in the Direct Testimony of SDG&E witness Ragan Reeves, SDG&E and Citizens agreed to structure the transaction as an IRC §467 lease in order to obtain more certainty regarding the tax treatment that both parties desired.
- Termination and Reinstatement: SDG&E has the right to terminate the DCOA and be under no obligation to pursue additional development activities if:
 - (a) any of the applications for the regulatory approvals are denied, or are approved with conditions that are unacceptable to SDG&E or otherwise materially inconsistent with SX-PQ;
 - (b) the receipt of any regulatory approvals is delayed such that SDG&E will not be able to reasonably complete construction activities until 12 months after the targeted commercial operation date;
 - (c) FERC issues a final and binding order that would preclude SDG&E from recovering, in SDG&E’s reasonable estimation, a return of and on any portion of its investment; or
 - (d) it is no longer reasonably feasible for SDG&E to continue development, design, permitting, engineering, procurement and construction activities for SX-PQ.¹²
- Right of First Refusal: SDG&E has a right of first refusal in any proposed sale of Citizens’ leasehold interest in SX-PQ.

D. Related FERC Filings

The Transfer Capability Lease is contingent on approvals both by this Commission through the instant Application and by the FERC. Contemporaneously with this filing, Citizens has filed at the FERC a Petition for Declaratory Order¹³ seeking approval of two rate treatments.

¹² If within five years of the effective date SDG&E resumes development of SX-PQ, then this termination will no longer be effective and the option will be automatically reinstated.

¹³ Citizens’ Petition for Declaratory Order is appended to the testimony of Citizens’ witness Peter Smith.

Specifically, Citizens is requesting authorization to recover its (1) prudently incurred transmission-related development and construction costs pertaining to its interest in SX-PQ, in the event it is canceled or abandoned as a result of factors beyond Citizens' control; and (2) operating costs and capital requirements, pertaining to its interest in SX-PQ under a formula rate it will file with FERC for acceptance at a later point.

After the FERC acts on its Petition, Citizens proposes to file an application pursuant to Section 205 of the Federal Power Act to obtain FERC acceptance of a transmission formula rate. Citizens' formula rate methodology will recover operating expenses on an actual incurred basis, and capital requirements on a fixed basis levelized for 30 years. SDG&E's actual O&M and A&G costs will be a straight flow through the Citizens formula rate. Citizens' own actual A&G costs will also flow through this formula. Citizens proposes that its capital requirements will be determined using a return on a rate base approach incorporating a hypothetical capital structure and proxy return on equity in determining an appropriate rate of return capped at the SDG&E Representative Rate described above and in the Direct Testimony of SDG&E witnesses John D. Jenkins and Amanda White. No later than sixty days prior to the Effective Date of the Transfer Capability Lease, Citizens will submit to FERC its revenue requirements reflecting the prepaid rent and other costs identified in the Transfer Capability Lease that will flow through Citizens' FERC-approved formula.

Separately, SDG&E will file with FERC no later than sixty days prior to the Effective Date of the Transfer Capability Lease applications pursuant to Sections 203 and 205 of the Federal Power Act in connection with the lease to Citizens. The Section 203 filing will request authorization for SDG&E to lease to Citizens transfer capability in the underground portion of the SX-PQ Project. The Section 205 filing will implement SDG&E's ratemaking with respect to

the Transfer Capability Lease, including reflecting SDG&E's recovery of O&M and A&G costs for transmission services provided to Citizens. Both applications will reflect the accounting treatment required with respect to a similar transfer capability lease arrangement in *San Diego Gas & Electric Company*, 129 FERC ¶ 61,233 (2009). At bottom, the FERC ratemaking approach is intended to ensure CAISO ratepayer indifference to this transaction such that during the 30-year term of the lease with Citizens, SDG&E will not seek to recover in its transmission rates any capital costs that are the subject of the lease. Further, at the conclusion of the lease, SDG&E will not have on its books any capital costs associated with the Citizens transaction because Citizens will have fully depreciated that portion of SX-PQ that was the subject of the lease.

E. Regulatory Precedent Supporting This Request

In all of the foregoing particulars, the transaction for which regulatory approvals are sought in the instant case, both from this Commission and from the FERC, parallel the regulatory approvals that were granted in connection with Citizens' investment in the Sunrise Project. As noted above, those prior regulatory approvals included this Commission's authorization under Public Utilities Code Section 851 for SDG&E to convey a partial ownership in the Sunrise Project to Citizens, in D.11-05-048.

F. Benefits to Disadvantaged Communities, Consistent with SB 350

The Clean Energy and Pollution Reduction Act of 2015 ("SB 350") raises California's clean energy, clean air, and pollution reduction goals, while placing specific emphasis on assisting those in disadvantaged communities. Under SB 350, the CPUC must take into account the use of distributed generation to the extent that it provides economic and environmental

benefits to disadvantaged communities,¹⁴ require the creation of integrated resource planning that will minimize local air pollution and other emissions “with early priority on disadvantaged communities,”¹⁵ and implement programs that “[p]romote greater project penetration in disadvantaged communities.”¹⁶ Additionally, the Legislature has recognized the need for “widespread transportation electrification” in order to meet SB 350’s clean energy and efficiency goals.¹⁷

As discussed in more detail in the Direct Testimony of Peter Smith, 50 percent of Citizens’ after-tax profits from its proposed partial ownership of the SX-PQ Project will be dedicated to supporting transportation electrification for low income ratepayers and disadvantaged communities in San Diego County. Citizens estimates that its participation in SX-PQ will generate approximately \$400,000 per year for the lifetime of its 30-year lease, for a total of approximately \$12 million, to invest in transportation electrification efforts targeted to benefit low income ratepayers and disadvantaged communities in San Diego County.

G. Commission Precedent Supports Section 851 Approval

The Commission reviews proposed transactions under Section 851 to ensure they are “not adverse to the public interest” and has determined that “transactions that are in the public interest are to be encouraged.”¹⁸ As discussed above, the structure of the DCOA between SDG&E and Citizens proposed in this Application is similar to the arrangement approved by the Commission in the Sunrise Section 851 Decision, D.11-05-048. The Commission in D.11-05-048 found the

¹⁴ Cal. Pub. Util. Code § 400, added by Senate Bill 350 (Stats. of 2015) (requiring the CPUC and Energy Commission to “do all of the following in furtherance of meeting the state’s clean energy and pollution reduction objectives”).

¹⁵ Cal. Pub. Util. Code § 454.52(a)(1)(H).

¹⁶ Cal. Pub. Res. Code § 25943(d)(7).

¹⁷ Cal. Pub. Util. Code § 740.12(a)(1)(B).

¹⁸ D.11-05-048 at 9.

“foreseeable public interest benefits of the DCA [between SDG&E and Citizens] offset any potential harm it could cause to ratepayers.”¹⁹ Accordingly, SDG&E was granted authority under Section 851 to effectuate the lease with Citizens for transfer capability rights along the Sunrise Powerlink Transmission Project.²⁰ The DCOA and Transfer Capability Lease before the Commission in this proceeding will bring similar public benefits and ratepayer protections.

III. NOT ADVERSE TO THE PUBLIC INTEREST

In evaluating whether the Transfer Capability Lease that is the subject of this Application is not adverse to the public interest, Applicants request that the Commission consider the following factors, each of which is described in more detail in the supporting Direct Testimony of the witnesses for SDG&E and Citizens. As this Application demonstrates, the proposed transaction is not adverse to the public interest and the combination of SDG&E and Citizens in the SX-PQ Project will create more benefits for ratepayers than either party could achieve on its own.

A. Public Interest Benefits

- **Support For Low Income Energy Programs, Consistent with SB 350:** As noted above, Citizens has agreed to spend 50% of its profits, after taxes, to support transportation electrification efforts targeted to benefit low income ratepayers and disadvantaged communities in San Diego County. Citizens currently estimates that this commitment will translate to approximately \$400,000 in support each year for the full 30-year term of the Lease. Thus, there will be in total approximately \$12 million in investment in transportation electrification efforts in disadvantaged communities in San Diego County that would not happen in the absence of the proposed transaction. The Commission previously has recognized Citizens’ commitment to low income ratepayers as a “significant public benefit.”²¹ The same is true with respect to the commitment Citizens has made in this case to invest 50% of its after-tax profits from its proposed partial ownership in the SX-PQ Project in transportation electrification efforts benefiting low income families and disadvantaged communities in San Diego County. As discussed above, moreover, the recent enactment of SB 350, and in particular its

¹⁹ *Id.* at Conclusion of Law (“COL”) 3.

²⁰ *Id.* at Ordering Paragraph 1.

²¹ D.11-05-048 at 12.

requirement that disadvantaged communities receive a fair share of the benefits of California's clean energy initiatives, lends further support for Commission approval of this Application.

- **Rate Stability:** Citizens' rate will not be subject to change after it finances its \$27 million investment in SX-PQ. As a result, the capital cost component of Citizens' rate will be capped and locked-in for the full 30-year term of the lease, as compared to SDG&E's capital cost recovery rate, which is subject to change. In other words, Citizens would be providing long-term rate stability to the extent that capital market costs increase during the 30 years of Citizens' participation. Citizens will achieve this ratepayer benefit by locking in all 100 percent of its required financing over 30 years. In Decision (D.11-05-048), the Commission found "value in the fact that the cost component is capped and provides certainty to a key component of potential costs to ratepayers. In a sense, this is 'insurance' against future higher costs."²² The rate stability Citizens' participation offers is analogous to a hedge against potential future increases in capital market costs over the 30-year life of the loan. The Commission has recognized hedging as a "form of price insurance" that protects ratepayers against increases in their utility bills.²³ "As is true with all insurance, there is a cost involved in obtaining this protection," and the Commission has recognized the need to balance the cost of this protection against the benefits to ratepayers.²⁴ Details regarding the fixed nature of Citizens' rates and potential benefit to ratepayers over the 30 year term of the lease are discussed in the Direct Testimony of Citizens witness John Wilson.
- **Remaining Useful Life:** While the capital cost component will be capped during the lease term, at the end of the lease, the capital costs for the leased portion of SX-PQ will be fully depreciated and future customers will have the benefit of 28 years remaining useful life for this facility.
- **Encouragement of Diversification in Transmission Development:** The Commission has recognized the value of bringing new entrants into transmission development.²⁵ Citizens is not a public utility with an obligation to serve, and as such, is significantly different from a traditional utility. As discussed in more detail in the Direct Testimony of John Jenkins and Peter Smith, Citizens has proven its dedication to alleviating congestion and increasing access to renewable resources through its participation in the Sunrise Project, the SX-PQ Project, and the Central Valley Power Connect Project.

²² *Id.* at 17.

²³ D.05-10-015 at 2-3.

²⁴ *Id.* at 2-3 (approving gas hedge while acknowledging the hedge would increase the average residential customer's monthly bill by approximately \$2.00).

²⁵ CPUC June 25, 2009 letter in Startrans, IO, LLC FERC Docket No ER08-413-002, *available at*: <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12083655>.

B. Protection Against Adverse Impacts

- **No Double Recovery:** SDG&E’s assurances concerning ratemaking and accounting principles demonstrate that this transaction cannot result in SDG&E recovering rates for SX-PQ both from Citizens and CAISO customers.
- **Citizens Will Transfer Operation Control To CAISO:** The Transfer Capability Lease secures for the benefit of CAISO’s customers perpetual rights to 100 percent of the transfer capability on Citizens’ portion of SX-PQ. This will ensure that SDG&E’s ratepayers will realize the full benefits of SDG&E’s portion of SX-PQ. So long as Citizens remains a Participating Transmission Owner (“PTO”)²⁶ entitled to cost recovery under CAISO’s FERC tariff, SDG&E ratepayers will have access to Citizens’ portion of SX-PQ at reasonable rates. In the event that Citizens is no longer participating in the project or ceases to be a PTO, or upon a breach of Citizens’ obligations, Citizens’ entitlement in SX-PQ will revert to SDG&E and, of course, be placed under the CAISO’s operational control.
- **SDG&E Does Not Guarantee Citizens’ Cost Recovery:** While SDG&E is part of the CAISO, SDG&E shall not be responsible to guarantee or financially support Citizens’ cost recovery.

IV. COMPLIANCE WITH THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE

A. Rule 2.1 (a) and Rule 3.6 (a) - Legal Name and Character of Business

1. SDG&E

SDG&E is a corporation organized and existing under the laws of the State of California. SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. SDG&E’s principal place of business is 8330 Century Park Court, San Diego, California 92123.

2. Citizens

Citizens is a non-profit Massachusetts corporation exempt from federal taxes under Section 501(c)(4) of the Internal Revenue Code, with its principal headquarters located in Boston, Massachusetts. Citizens is a FERC jurisdictional public utility, whose commercial

²⁶ The DCOA requires that Citizens become a PTO under the CAISO tariff.

subsidiaries support a wide array of social and charitable programs in the United States and abroad. Additional details regarding Citizens can be found in Section II., B., above.

B. Rule 2.1 (b) - Correspondence

Correspondence or communications regarding this Application, including, but not limited to, discovery requests, should be addressed to:

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C. Rule 2.1 (c)

1. Proposed Category of Proceeding

In accordance with Rule 7.1(e)(2), Applicants request that this Application be categorized as ratesetting.

2. Need for Hearings

Applicants do not believe that approval of this Application will require hearings. Applicants have provided ample supporting testimony, analysis and documentation that provide the Commission with a sufficient record upon which to grant the relief requested on an ex parte basis.

3. Issues to be Considered

The issues to be considered are described in this Application and the accompanying testimony and attachments. Regarding safety considerations, as noted above, a CPCN for SX-PQ has already been issued by the Commission. Moreover, this Application is essentially seeking approval of a lease that will not add any new or more significant safety impacts beyond what has already been analyzed and approved as part of the SX-PQ proceeding. Indeed, the development, design, permitting, engineering, construction and operation and maintenance of SX-PQ that is undertaken by SDG&E remain the same, regardless of whether or not the lease that is the subject of this Application is approved in this proceeding.

4. Proposed Schedule

Applicants propose the following schedule:

<u>ACTION</u>	<u>DATE</u>
	<u>[REVISE DATES]</u>
Application filed	November 10, 2017
Approx. End of Response/Protest Period (including Applicants' Reply)	December 21, 2017
Proposed Decision	February 2018
Commission Decision Adopted	March 2018

D. Rule 2.2 – Articles of Incorporation

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was filed with the Commission on September 10, 2014 in connection with SDG&E's Application No. 14-09-008, and is incorporated herein by reference.

E. Rule 3.6 (b) – Description of Property

See Section II, A, above, and the map that is part Schedule 1.1 of the Transfer Capability Lease, which is attached as Exhibit A to the DCOA (the DCOA is Attachment 1 to this Application).

F. Rule 3.6 (c) – Reasons for Entering Into Transaction

See Sections I and II, above, as well as the testimony of SDG&E witnesses John D. Jenkins, Amanda White and Ragan Reeves and testimony of Citizens witnesses Peter Smith and John Wilson.

G. Rule 3.6 (d) – Price and Terms for Payment

See Section II, D, above, as well as the DCOA (Attachment 1 to this Application) and the Direct Testimony of SDG&E witness John D. Jenkins.

H. Rule 3.6 (e) – Balance Sheet and Income Statement

A copy of SDG&E’s most recent quarterly balance sheet and income statement is appended hereto as Attachment 2.

I. Rule 3.6 (f) – Copy of Agreement

A copy of the DCOA, including the Transfer Capability Lease (attached as Exhibit A to the DCOA) is appended hereto as Attachment 1 to this Application.

J. Rule 2.4 –CEQA Compliance

As noted above, a CPCN for SX-PQ has already been issued by the Commission. As part of the CPCN process, the Commission acted as the state lead agency and conducted a comprehensive environmental review of SX-PQ in accordance with The California Environmental Quality Act (“CEQA”). The Commission certified the Final Environmental Impact Report/Environmental Impact Statement (“FEIR/EIS”) it jointly prepared with the Bureau of Land Management. The Transfer Capability Lease, because it is essentially an agreement on the principal *economic* business terms of a lease of transfer capability rights along a portion of SX-PQ, will not add any new or more severe significant environmental impacts beyond what has already been analyzed and approved as part of the SX-PQ proceeding. That is, the development, design, permitting, engineering, construction and operation and maintenance of SX-PQ that is undertaken by SDG&E remain the same, regardless of whether or not the Transfer Capability Lease is approved in this proceeding. Further, whether Citizens leases a portion of the line has no effect on the CAISO’s duty to provide non-discriminatory access to SX-PQ and,

thus, the operational aspects of SX-PQ governed by the ISO Tariff remain unchanged. There will be no change in the physical environment with the Transfer Capability Lease that would trigger CEQA in the first instance. (CEQA Guidelines, 14 C.C.R. § 15378(b)(5).) Moreover, pursuant to Section 15061(b)(3) of the CEQA Guidelines, this Application is exempt from CEQA requirements. In any event, the Commission can rely on the joint FEIR/EIS it previously certified to satisfy its CEQA obligations herein.

K. Service

This is a new application. No service list has been established. Accordingly, SDG&E is serving this Application and the supporting Direct Testimony to those parties that appear on the official service list for the SX-PQ proceeding (A.14-04-011). Hard copies will also be sent to the Assigned Commissioner and Administrative Law Judge (“ALJ”) in the SX-PQ proceeding (A.14-04-011) and to the Chief Administrative Law Judge.

V. CONCLUSION

Wherefore, the Applicants respectfully requests that the Commission issue an order:

1. authorizing SDG&E, under Section 851, to lease the transfer capability rights described herein, subject to the terms and conditions of the DCOA and Transfer Capability Lease; and
2. granting such other and further relief as the Commission deems proper.

Respectfully submitted this 13th day of November 2017.


By: /s/ JOHN A. PACHECO

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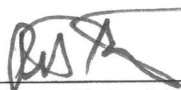
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SAN DIEGO GAS & ELECTRIC COMPANY

By: 

John D. Jenkins
San Diego Gas & Electric Company
Vice President – Electrical Engineering and Construction

CITIZENS ENERGY CORPORATION

By: 

Peter F. Smith
Citizens Energy Corporation
Chief Executive Officer

VERIFICATION

I, the undersigned, declare:

I am an officer of SAN DIEGO GAS & ELECTRIC COMPANY, a corporation, and am authorized to make this verification on its behalf. The statements in the foregoing document pertaining or relating to San Diego Gas & Electric Company are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at San Diego, California, this 13th day of November 2017.



John D. Jenkins
San Diego Gas & Electric Company
Vice President – Electrical Engineering and Construction


VERIFICATION

I, the undersigned, declare:

I am an officer of CITIZENS ENERGY CORPORATION, a corporation, and am authorized to make this verification on its behalf. The statements in the foregoing document pertaining or relating to Citizens Energy Corporation are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at Boston, Massachusetts, this 13th day of November 2017.



Peter F. Smith
Citizens Energy Corporation
Chief Executive Officer

Attachment 1

**DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT BY
AND BETWEEN SAN DIEGO GAS & ELECTRIC COMPANY, AND
CITIZENS ENERGY CORPORATION**

DATED AS OF NOVEMBER 9, 2017

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY,

AND

CITIZENS ENERGY CORPORATION

DATED AS OF NOVEMBER 9, 2017

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EXHIBIT A FORM OF TRANSFER CAPABILITY LEASE

DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT

This DEVELOPMENT, COORDINATION, AND OPTION AGREEMENT (“DCOA”) is made and entered into as of November 9, 2017 (the “Effective Date”), by and between San Diego Gas & Electric Company, a California corporation (“SDG&E”), and Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens”). Each of SDG&E and Citizens shall be referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, SDG&E has been developing a transmission project known as the Sycamore-Penasquitos 230 Kilovolt Transmission Line Project to connect the Sycamore Canyon Substation to the Penasquitos Substation in its service territory (as more fully defined herein, the “Project”);

WHEREAS, SDG&E and Citizens executed a Letter of Intent on May 31, 2013 (as amended, supplemented, or restated from time to time, the “LOI”), to provide nonbinding terms and conditions of an arrangement between SDG&E and Citizens regarding portions of the Project;

WHEREAS, subject to certain conditions specified herein, the Parties desire to enter into this definitive agreement as generally contemplated under the LOI whereby SDG&E will develop, design, permit, engineer, procure, construct and own the Project, and Citizens (or its subsidiary) will have an option to lease certain interests or entitlements in the Project.

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

ARTICLE I. DEFINITIONS; RULES OF INTERPRETATION

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

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

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

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

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

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

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

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

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

“CEQA” means the California Environmental Quality Act.

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

“Citizens Percentage Interest” means the percentage equal to the ratio of the amount of the prepaid rent amount set forth in Section 4.2.4 divided by the aggregate of all costs incurred by SDG&E to develop, design, permit, engineer and construct the Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date of the Transfer Capability Lease, which is subject to adjustment pursuant to Section 3.5 of the Transfer Capability Lease, and which is expected as of the Effective Date hereunder to be approximately 12.92%.

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

“CPCN Application” means the April 7, 2014 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 April 7, 2014.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sycamore-Penasquitos 230 KV Transmission Line Project” and all attachments thereto, issued by the CPUC on October 19, 2016.

“CPUC” means the California Public Utilities Commission.

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

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

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

“FERC” means the Federal Energy Regulatory Commission.

“Final EIR” means the Final Environmental Impact Report, and all addendums, schedules, exhibits, attachments and appendices thereto, prepared by the CPUC, as certified by the CPUC and defined in the CPCN Decision.

“Force Majeure” means an event or circumstance that prevents one Party from performing its obligations hereunder, which event or circumstance was not foreseen as of the date the DCOA 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 affected Party’s failure to timely seek to obtain, modify, amend or extend permits, approvals, or other required action from any Governmental Authority, (iii) any action or inaction by the board of directors of a Party to the extent that such Party is seeking to excuse its failure to perform as an event of Force Majeure; and/or (iv) any failure to make payments.

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

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

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

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

“NEPA” means the National Environmental Policy Act.

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

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

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

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

“Project” means the Sycamore-Penasquitos 230 Kilovolt Transmission Line Project and more specifically “Alternative 5 (Pomerado Road to Miramar Area North Combination Underground/Overhead)” identified in the Final EIR, and reasonable alterations thereto, as generally depicted in Schedule 1.1 of the Transfer Capability Lease. For purposes hereof, the Project is divided into the following components: Segment A consisting of an overhead alignment running between Sycamore Canyon Substation and Stonecroft Trail within an existing SDG&E right-of-way (ROW); Segment B consisting of the transmission line transitioning from an overhead position into an underground duct bank that will travel westerly along Pomerado Road, cross Interstate 15 then continue along various secondary roads through the commercial area of Mira Mesa before transitioning back to an overhead position within an existing SDG&E ROW along the east side of Interstate Highway 805 at Carroll Road/Carroll Canyon Road; and Segment C consisting of an overhead alignment on existing 230-kV steel poles within the existing ROW heading northward into the Peñasquitos Substation, as generally depicted in Schedule 1.1 of the Transfer Capability Lease.

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

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

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

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

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

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

“Target Closing Date” means the date that is 31 days after the Commercial Operation Date, and as of the Effective Date, expected to be July 31, 2018, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCOA; provided, however, if the conditions precedent described in Section 4.3 have not been achieved by the Commercial Operation Date, then the Target Closing Date shall be extended until the date that is 31 days after such conditions precedent have been achieved but in no event beyond the date that is 210 days after the Commercial Operation Date; provided further that the Target Closing Date shall be extended beyond such 210 days if Section 4.3.1(a) has not been satisfied by such date and the Parties in their reasonable discretion agree that such Section 4.3.1(a) is ultimately likely to be satisfied.

“Target COD” means the target Commercial Operation Date, which as of the Effective Date is June 30, 2018, subject to modification by SDG&E as provided in Section 6.3 (Project Schedule Revisions) of this DCOA.

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

“Transfer Capability” means the maximum amount of power (in mega-watts) that can be transferred over part, or all, of the Underground Segment B 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, 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.

“Transfer Capability Lease” means an agreement substantially in the form of Exhibit A attached hereto.

“Underground Segment B” means the underground 230 kV transmission line segment of the Project along Stonebridge Parkway, Pomerado Road, Miramar Road, Black Mountain Road, Activity Road, Camino Ruiz, Miralani Drive, Arjons Drive, Trade Place, Trade Street, Camino Santa Fe, Carroll Road, and Carroll Canyon Road that extends from the east cable riser pole located near Stonebridge Parkway and Stonecroft Terrace to the west cable riser pole located near Carroll Canyon Road and Interstate 805, in each case, up to the termination on the cable riser poles but excluding the cable riser poles on each end, 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 Underground Segment B shall include only the 230 kV transmission line and shall not include any transmission facilities that may operate at a different voltage, or any substation facilities.

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

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

ARTICLE II. TERM; OTHER AGREEMENTS

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

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

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

ARTICLE III. DEVELOPMENT, CONSTRUCTION AND OPERATION OF PROJECT

3.1 General Responsibility for Development and Construction of the Project.

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

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

- (a) to minimize capital costs of the Project;
- (b) to minimize operational expenses of the Project;
- (c) to maximize the Useful Life of the Project;
- (d) to minimize the downtime of the Project;
- (e) to meet the Project Schedule for the Project;
- (f) not to exceed the budgets for the Project;
- (g) to complete construction of the Project on or before the Target
COD;

(h) to incur only those costs which are prudent in accomplishing their respective purposes.

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

ARTICLE IV. OWNERSHIP AND OPTION

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

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

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

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

4.2.3 Closing of Option. The lease of Transfer Capability pursuant to the exercised Option shall occur as soon as reasonably practical after exercise of the Option but no later than 30 days after delivery of the written notice under Section 4.2.2 above. SDG&E and Citizens shall execute, acknowledge and deliver the Transfer Capability Lease and any and all documents reasonably necessary to otherwise carry out the terms and conditions of this DCOA. Upon closing of the lease of the Transfer Capability pursuant to the exercised Option, Citizens shall pay to SDG&E the prepaid rent amount set forth in Section 4.2.4 (Prepaid Rent for Close of Option). Closing of the Option may be accomplished through use of an escrow arrangement as mutually agreed by the Parties.

4.2.4 Prepaid Rent for Close of Option. The prepaid rent to be paid by Citizens for Transfer Capability leased pursuant to exercise of the Option shall be \$27 million. Upon closing of the Option, Citizens shall pay such final prepaid rent. Citizens shall be responsible for obtaining its own financing for the prepaid rent, and SDG&E has no obligation to provide or guarantee financing to Citizens if Citizens is unable to secure any part of its financing.

4.3 Regulatory Approval for Exercise of Option. The Parties acknowledge and agree that the lease of Transfer Capability in the Project and as described in Section 4.2 (Option) is expressly contingent upon and subject to:

4.3.1 SDG&E's receipt of (a) a final, nonappealable order by the CPUC approving this lease under Section 851 of the California Public Utilities Code or otherwise, and (b) a final, nonappealable order by FERC approving this transaction under the Federal Power Act and SDG&E's rate methodologies to account for Citizens' lease of Transfer Capability in the Project, in each case, in form and substance acceptable to the Parties, in each Party's sole discretion. With respect to clause (a) above, SDG&E will seek any necessary approvals from the CPUC no later than 30 days after the Effective Date. In order to augment the information available to the CPUC for the foregoing application, Citizens agrees that no later than 30 days after the Effective Date, Citizens shall file a petition with FERC seeking a declaratory order approving its rate methodologies for the recovery of costs associated with its lease of Transfer Capability in the Project including any incentive rate treatment Citizens may seek. With respect to clause (b) above, SDG&E will seek any necessary approvals from FERC no later than 60 days after the date on which the CAISO conditionally approves Citizens' request to become a Participating Transmission Owner.

4.3.2 Citizens receipt of a final, nonappealable order by FERC approving Citizens' transmission service tariff for recovery of its costs associated with its Transfer Capability in the Project consistent with the rate methodology described in Sections 4.2 and 4.3 of the Transfer Capability Lease, in form and substance acceptable to the Parties, in each Party's sole discretion. Citizens agrees that it will seek such approval from FERC no later than 60 days after the date on which the CAISO conditionally approves Citizens' request to become a Participating Transmission Owner and reasonably concurrently with SDG&E seeking the approval described in Section 4.3.1(b) above.

ARTICLE V. REGULATORY APPROVALS

5.1 Mutual Cooperation.

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

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

ARTICLE VI. MANAGEMENT OVERSIGHT AND COMMITTEE STRUCTURE

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

6.2 Sharing Information.

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

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

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

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

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

ARTICLE VII. FORCE MAJEURE

7.1 Force Majeure. Notwithstanding anything in this DCOA to the contrary, if a Party's performance is impacted by Force Majeure, the affected Party shall be excused from

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

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

ARTICLE VIII. WITHDRAWAL

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

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

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

ARTICLE IX. EVENTS OF DEFAULT; REMEDIES

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

(a) A Party shall fail to make payments for amounts due under this DCOA within thirty days after notice that such payment is past due;

(b) A Party shall fail to comply with any other material provision of this DCOA, and any such failure shall continue uncured for thirty days after

notice thereof, provided that if such failure is not capable of being cured within such period of thirty days with the exercise of reasonable diligence, then such cure period shall be extended for an additional reasonable period of time so long as the defaulting Party is exercising commercially reasonable efforts to cure such failure;

(c) Any representation made by a Party hereunder shall fail to be true in any material respect at the time such representation is given and such failure shall not be cured within thirty days after notice thereof by a non-defaulting Party;

(d) Any of Citizens' Transfer Capability in the Project shall fail to be:

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

(ii) in the Balancing Authority Area and under the Operational Control of the CAISO;

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

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

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

ARTICLE X. DISPUTE RESOLUTION

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

10.2 Management Negotiations. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this DCOA or any related agreements by prompt

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

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

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

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

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

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

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

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

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

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

10.5 Performance during Arbitration. While resolution of any dispute is pending, each Party shall continue to perform its obligations hereunder (unless such Party is otherwise entitled to suspend its performance hereunder or terminate this DCOA in accordance with the terms

hereof), and no Party shall refer or attempt to refer the matter in dispute to a court or other tribunal in any jurisdiction, except as provided in this Article X (Dispute Resolution).

ARTICLE XI. REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

11.2.2 Execution, Delivery and Enforceability. Citizens has full corporate power and authority to carry out its obligations under this DCOA. The execution, delivery and performance by Citizens of this DCOA, and the consummation of the transactions and activities contemplated under this DCOA, have been duly authorized by all necessary corporate action required on the part of Citizens. This DCOA has been duly and validly executed and delivered

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

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

11.2.4 No Objection to Current Design. Citizens has reviewed SDG&E's CPCN Application, the Final EIR, and the CPCN Decision, and after due inquiry, it accepts the proposed schedule, plans, specifications, and design of the Project to the extent described therein.

ARTICLE XII. MISCELLANEOUS

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

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

With a copy to:
San Diego Gas & Electric
8330 Century Park Court
San Diego, CA 92123
Attention: Assistant General Counsel – Commercial
Fax: 619-696-4443

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

With a copy to:
Duncan & Allen
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
Attention: Counsel to Citizens Energy Corporation
Fax: 202-289-8450

12.2 Assignment.

12.2.1 General. Any time prior to COD, Citizens shall not assign this DCOA, or its rights or obligations hereunder, without the prior written consent of SDG&E which may be granted or withheld in its sole discretion. At any time after COD with respect to Citizens and at all times with respect to SDG&E, neither Party shall assign this DCOA, or its rights or obligations hereunder, without the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed; provided that, no such consent shall be required for (i) a collateral assignment of, or creation of a security interest in, this DCOA in connection with any financing or other financial arrangements, or (ii) an assignment in connection with the merger of a Party with, or the acquisition of substantially all of the transmission assets of a Party by, an entity with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party. For purposes hereof, the transfer of more than fifty percent (50%) of the equity ownership or voting interest of a Party (or any parent entity holding directly or indirectly at least fifty percent (50%) of the equity ownership or voting interest of a Party if such interest constitutes more than thirty percent (30%) of the fair market value of the assets of such parent entity) to a person that is not an affiliate of such Party shall also constitute an assignment of this DCOA requiring the non-assigning Party's prior written consent. Any assignment in violation of this Section 12.2 (Assignment) shall be null and void. Notwithstanding anything to the contrary herein, SDG&E consents to the exercise of the Option and execution of the Transfer Capability Lease by Citizens Sycamore-Penasquitos Transmission LLC, a Delaware limited liability company, a wholly owned subsidiary of Citizens, or any other similar, wholly owned subsidiary of Citizens.

12.2.2 Right of First Refusal. Except in connection with (i) a collateral assignment under clause (i) of Section 12.2.1 above or (ii) any foreclosure sale or deed in lieu of

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

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

12.4 Public Relations. The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding Citizens Sycamore-Penasquitos Transmission's participation in the Project.

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

12.6 No Amendments or Modifications. This DCOA shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually

agreed to in writing by all of the Parties. If and to the extent that the CAISO Agreements are amended or modified such that a Party or the Parties can no longer comply with the terms of this DCOA, the Parties shall negotiate in good faith to amend or modify this DCOA to effectuate the same intent and essential purpose of this DCOA as of the Effective Date in light of the CAISO Agreements amendment or modification.

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

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

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

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

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

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

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

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

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

[Signature page follows]

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

SAN DIEGO GAS & ELECTRIC COMPANY

By:  

Name: JOHN D. JENKINS

Title: VP - ELEC. ENG. & CONST.

Date: NOVEMBER 1ST, 2017

CITIZENS ENERGY CORPORATION

By: 

Name: Peter F. Smith

Title: CEO

Date: November 7, 2017

Exhibit A

FORM OF TRANSFER CAPABILITY LEASE

TRANSFER CAPABILITY LEASE

BY AND BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

CITIZENS SYCAMORE-PENASQUITOS TRANSMISSION LLC

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

SYCAMORE-PENASQUITOS 230 KILOVOLT TRANSMISSION LINE PROJECT

UNDERGROUND SEGMENT B

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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 Sycamore-Penasquitos Transmission LLC, a Delaware limited liability company (“Citizens Sycamore-Penasquitos Transmission”) and a wholly owned subsidiary of Citizens Energy Corporation, a Massachusetts non-profit corporation (“Citizens Energy”). Each of SDG&E and Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 230 Kilovolt Transmission Line Project to connect the Sycamore Canyon Substation to the Penasquitos Substation in its service territory (as more fully defined herein, the “Project”).
- B. On November 9, 2017, SDG&E and Citizens Energy entered into a Development, Coordination, and Option Agreement (the “DCOA”) pursuant to which SDG&E would develop, design, permit, engineer, procure, construct and own the Project, and Citizens Energy had an option (the “Option”) to lease certain interests or entitlements in the Project pursuant to a form of lease substantially similar to this Lease, and SDG&E and Citizens Energy agreed, among other things set forth in this Lease, to provide that Citizens Energy or Citizens Sycamore-Penasquitos Transmission could lease certain interests or entitlements in the Project if the Option was exercised and to provide that Citizens Sycamore-Penasquitos Transmission is authorized to exercise the Option and execute this Lease.
- C. Pursuant to the CAISO Agreements (as defined below), CAISO assumed operational control of the Project upon its completion.
- D. On [Note to form: insert date of exercise], Citizens Sycamore-Penasquitos Transmission notified SDG&E that Citizens Sycamore-Penasquitos Transmission had exercised the Option.
- E. The Parties desire to enter into this Lease to, among other things, set forth the terms pursuant to which Citizens Sycamore-Penasquitos Transmission will lease from SDG&E a portion 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

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 4.1.1.

“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.

“Appendix [Z]” means Appendix [Z] of SDG&E’s currently effective Transmission Owner Tariff (FERC Docket No [Note to form: insert applicable number on execution date]), which was accepted for filing by FERC on [Note to form: insert applicable date on execution date], as amended, modified, or supplemented from time to time.

“Applicable Portion of Property Taxes” means, for any period, (i) if the Property Taxes on the Underground Segment B are assessed against SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sycamore-Penasquitos 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 Underground Segment B are assessed against both SDG&E and Citizens Sycamore-Penasquitos Transmission, the aggregate amount of such Property Taxes that are directly attributable to the Citizens Transfer Capability in such period. The Parties agree that, to the best of their knowledge, Appendix [Z] in effect as of the Effective Date defines an allocation of Property Taxes to Citizens Sycamore-Penasquitos Transmission in a manner that as of the date hereof is consistent with this definition of Applicable Portion of Property Taxes.

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

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

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

“Business Day” means any day except Saturday, Sunday or a weekday on which commercial banks in New York City, New York or 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 Percentage Interest” means the percentage equal to the ratio of the amount of the Prepaid Rent divided by the aggregate of all costs incurred by SDG&E to develop, design, permit, engineer and construct the Underground Segment B, including AFUDC and payments made under construction contracts for work to be completed after the Effective Date of the Transfer Capability Lease, 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.

“Citizens Sycamore-Penasquitos 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 Underground Segment B.

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

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

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

“CPCN Application” means the April 7, 2014 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 April 7, 2014.

“CPCN Decision” means the “Decision Granting a Certificate of Public Convenience and Necessity for the Sycamore-Penasquitos 230 KV Transmission Line Project” and all attachments thereto, issued by the CPUC on October 19, 2016.

“CPUC” means the California Public Utilities Commission.

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

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

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

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

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

“FERC” means the Federal Energy Regulatory Commission.

“Final EIR” means the Final Environmental Impact Report, and all addendums, schedules, exhibits, attachments and appendices thereto, prepared by the CPUC, 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 DCOA 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 affected Party’s failure to timely seek to obtain, modify, amend or extend permits, approvals, or other required action from any Governmental Authority, (iii) any action or inaction by the board of directors of a Party to the extent that such Party is seeking to excuse its failure to perform as an event of Force Majeure; and/or (iv) any failure to make payments.

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

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

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

“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 C.

“Memorandum” has the meaning set forth in Section 13.15.

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

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

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

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

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

“Percentage Interest” means the Citizens Percentage Interest or the 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 Taxes” means all taxes, assessments, license fees and other governmental charges that are levied and assessed during the Term against personal property, fixtures and equipment and that are attributable to the Underground Segment B.

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

“Project” means the Sycamore-Penasquitos 230 Kilovolt Transmission Line Project constructed and owned by SDG&E, and reasonable alterations thereto, as generally depicted in Schedule 1.1. For purposes hereof, the Project is divided into the following components: Segment A consisting of an overhead alignment running between Sycamore Canyon Substation and Stonecroft Trail within an existing SDG&E right-of-way (ROW); Segment B consisting of the transmission line transitioning from an overhead position into an underground duct bank that will travel westerly along Pomerado Road, cross Interstate 15 then continue along various secondary roads through the commercial area of Mira Mesa before transitioning back to an overhead position within an existing SDG&E ROW along the east side of Interstate Highway 805 at Carroll Road/Carroll Canyon Road, as more fully described in the definition of “Underground Segment B” below; and Segment C consisting of an overhead alignment on

existing 230-kV steel poles within the existing ROW heading northward into the Peñasquitos 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 that are levied and assessed against land and improvements and that are attributable to the Underground Segment B, including without limitation real property assessments and taxes, water and sewer and other similar governmental charges levied upon or attributable to the Underground Segment B, assessments or charges levied upon or attributable to the Underground Segment B by any redevelopment agency, and any tax attributable to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Underground Segment B or any portion thereof.

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

“Reimbursable Property Taxes” means any Property Tax attributable to the Underground Segment B that is paid by SDG&E and that Citizens Sycamore-Penasquitos Transmission is required by Section 8.1 to reimburse.

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

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

“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, a true and complete copy of which has been delivered to Citizens Sycamore-Penasquitos Transmission.

“SDG&E Percentage Interest” means 100% less Citizens Percentage Interest.

“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 2.2.

“Transfer Capability” means the maximum amount of power (in mega-watts) that can be transferred over part, or all, of the Underground Segment B 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.

“Underground Segment B” means the underground 230 kV transmission line segment of the Project along Stonebridge Parkway, Pomerado Road, Miramar Road, Black Mountain Road, Activity Road, Camino Ruiz, Miralani Drive, Arjons Drive, Trade Place, Trade Street, Camino Santa Fe, Carroll Road, and Carroll Canyon Road that extends from the east cable riser pole located near Stonebridge Parkway and Stonecroft Terrace to the west cable riser pole located near Carroll Canyon Road and Interstate 805, in each case, up to the termination on the cable riser poles but excluding the cable riser poles on each end, 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 Underground Segment B shall include only the 230 kV transmission line and shall not include any transmission facilities that may operate at a different voltage, or any substation facilities.

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

ARTICLE II. LEASE; TERM

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

2.2 Term. The term of this Lease shall commence as of the Effective Date (the “Commencement Date”) and shall expire (unless otherwise earlier terminated pursuant to this

Lease) at 11:59 p.m. Pacific time on the day before the 30th anniversary of the Commencement Date (the “Term”). At the conclusion the Term, Citizens Sycamore-Penasquitos Transmission shall have no further interest in the Project hereunder, the Citizens Transfer Capability shall revert to SDG&E, and Citizens Sycamore-Penasquitos 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 Term. [*Note to form: Include the following if true:* For the avoidance of doubt, the Parties acknowledge that the Commercial Operation Date has occurred.]

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

3.1 Completion of Construction. SDG&E shall use commercially reasonable efforts to [*Note to form: Delete the following if COD has already occurred:* achieve COD and thereafter] complete all punch list items and all other final construction activities on the Project in accordance with Good Utility Practice as soon as reasonably practicable. For avoidance of doubt, for purposes of this Article III and any other provisions of this Lease relating to work performed on the Project by SDG&E, SDG&E may undertake work on the Project itself or through third party contractors.

3.2 Operation and Maintenance. Except to the extent that SDG&E has transferred Operational Control of the Underground Segment B to the System Operator, SDG&E shall be responsible for overseeing and performing all operations and maintenance services for the Underground Segment B (including any aspect thereof related to or necessary for the Citizens Transfer Capability) in accordance with all regulations and Good Utility Practice, including standards and agreements of CAISO (or any successor System Operator) and the Western Electricity Coordinating Council.

3.2.1 Benefit and Burden Sharing. Except as provided in Section 9.2, SDG&E and Citizens intend to share the benefits and burdens of the Underground Segment B, 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 Underground Segment B, in accordance with their percentage share of the Transfer Capability in the Underground Segment B. 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 Underground Segment B. 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.

3.2.2 Insurance Proceeds. The gross amount that an Indemnitor is liable to, for, or on behalf of an Indemnitee shall be reduced by any insurance proceeds received by or on behalf of the Indemnitee in respect of the damage, claim, or action giving rise to an indemnity obligation hereunder. Further, each Party hereby waives all rights of recovery against the other Party on account of loss, damage, or injury incurred by such waiving Party to the extent that such loss, damage, or injury is insured against and covered under any insurance policies of such waiving Party provided that such waiver shall not be effective if it voids or otherwise invalidates any coverage or policy. Each Party shall cause its insurance policies to provide that the insurance company waives all right of recovery by way of subrogation against the other Party in connection with any damage covered by such policy.

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 Sycamore-Penasquitos Transmission agrees that it will not oppose any upgrades sought before any Governmental Authority, System Operator, or Balancing Authority by SDG&E.

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 to 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.

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

3.5.1 Construction Cost True-Up. 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 Underground Segment B, 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 Sycamore-Penasquitos Transmission an accounting of such costs promptly after 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 Underground Segment B, including AFUDC

and payments made under construction contracts for work to be completed after the Effective Date.

3.5.2 Future Upgrades in Transfer Capability. To the extent that the Underground Segment B is upgraded pursuant to Section 3.3 resulting in increases or decreases in the Transfer Capability of the Underground Segment B, then all such increases or decreases in Transfer Capability resulting from such upgrade shall be allocated to SDG&E and the Citizens Percentage Interest and the SDG&E Percentage Interest shall be adjusted accordingly. For example, if the Underground Segment B were rated at 1000MW, a given upgrade to the Underground Segment B would cause the rating to increase by 200MW and at the time of the upgrade Citizens Sycamore-Penasquitos Transmission and SDG&E each held a 13% and 87% share of the Transfer Capability on the Underground Segment B, respectively, then the Citizens Percentage Interest on the Underground Segment B would decrease from 13% to 10.83% ($130\text{MW} / 1200\text{MW} = 10.83\%$) and the SDG&E Percentage Interest on the Underground Segment B would increase from 87% to 89.17% ($1070\text{MW} / 1200\text{MW} = 89.17\%$).

3.5.3 Future Replacement and Renewal. To the extent that SDG&E makes any additional capital investments in the Underground Segment B pursuant to Section 3.4 resulting in no increases in the Transfer Capability of the Underground Segment B, then (1) the Citizens Percentage Interest shall be adjusted so that it equals the quotient of (a) Citizens Percentage Interest of the Underground Segment B prior to such additional capital investment multiplied by the former net book value of the Underground Segment B prior to such additional capital investment divided by (b) the new net book value of the Underground Segment B (including all new funding of replacements or renewals as part of the new net book value); and (2) the SDG&E Percentage Interest shall be adjusted in accordance with its definition. For example, assume that the Underground Segment B has a net book value of \$100 million prior to replacement or renewals and requires additional capital investments of \$30 million for replacement costs pursuant to Section 3.4 (and thus would have a net book value of \$130 million subsequent to such replacement or renewal). If the Citizens Percentage Interest is 13% and SDG&E makes such \$30 million capital investment in the Underground Segment B, then the Citizens Percentage Interest would be reduced from 13% to 10% ($13\% \times \$100 / \$130 = 10.00\%$) and the SDG&E Percentage Interest would be increased from 87% to 90.00% ($100\% - 10.00\% = 90.00\%$). For purposes of this section, the “net book value” of the Underground Segment B shall be equal to SDG&E’s historical cost basis of the Underground Segment B less accumulated depreciation as determined by Generally Accepted Accounting Principles. For the avoidance of doubt, the amount of Rent that Citizens Sycamore-Penasquitos Transmission pays to SDG&E shall not reduce the cost basis.

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 Underground Segment B resulting from changes to the configuration of adjoining systems or upgrades to adjoining systems, including the systems of SDG&E beyond the Underground Segment B.

3.6 Interconnection Facilities. Subject to the CAISO Agreement and rules governing interconnection, as between SDG&E and Citizens Sycamore-Penasquitos Transmission, SDG&E will be the interconnection agent for the Project and on behalf of Citizens Sycamore-Penasquitos

Transmission with respect to the Citizens Transfer Capability. 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

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

4.1.1 Prepaid Rent. Pursuant to Section 4.2.3 of the DCOA, concurrently with the commencement of this Lease on the Commencement Date, Citizens Sycamore-Penasquitos Transmission shall make a payment of \$27 million to SDG&E as prepaid rent (the “Prepaid Rent”).

4.1.2 Additional Rent. Citizens Sycamore-Penasquitos Transmission shall pay, subject to Sections 4.3.4 and 8.3, additional rent monthly in arrears in an amount equal to the sum of (i) the operations and maintenance costs incurred by SDG&E that are reasonably attributable to the Citizens Transfer Capability and SDG&E’s performance of Section 3.2, including a reasonable allocation of administrative and general activities, general and common plant, the amortized cost of removing the Underground Segment B, sales, use and excise taxes, and other costs described in Appendix [Z] (other than Property Tax) (the “Citizens Share of O&M Costs”), plus (ii) Reimbursable Property Tax (the sum of (i) and (ii) is referred to as the “Additional Rent,” and, together with the Prepaid Rent, the “Rent”). SDG&E shall provide to Citizens Sycamore-Penasquitos Transmission an invoice of the Additional Rent for each month during the Term within 30 days after (but no earlier than) the conclusion of such month, and Citizens Sycamore-Penasquitos Transmission shall be required to pay such amount to SDG&E within 30 days after receipt of such invoice.

4.2 Regulation of Citizens Sycamore-Penasquitos Transmission’s Rates. Subject to Section 4.3, Citizens Sycamore-Penasquitos 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.

4.3 Citizens Sycamore-Penasquitos Transmission’s Cost Recovery Methodology. Citizens Sycamore-Penasquitos Transmission shall seek from FERC a cost recovery methodology that provides cost recovery to Citizens Sycamore-Penasquitos Transmission limited to the recovery of the following transmission costs. For the avoidance of doubt, Citizens Sycamore-Penasquitos 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.

4.3.1 Operating Costs. Citizens Sycamore-Penasquitos Transmission shall seek recovery of the Citizens Share of O&M Costs incurred by Citizens Sycamore-Penasquitos 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.

4.3.2 Capital Requirements. Citizens Sycamore-Penasquitos 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 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 will 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 Sycamore-Penasquitos Transmission allocated to the Citizens Transfer Capability. The phrase "Financing Costs" shall mean (a) with respect to any bridge financing that Citizens Sycamore-Penasquitos Transmission may consummate prior to the term financing that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission and its lenders), lawyers' fees (for Citizens Sycamore-Penasquitos Transmission and its

lenders), and interest associated with such bridge financing, and (b) with respect to the term financing that Citizens Sycamore-Penasquitos Transmission will consummate for the final acquisition of its Transfer Capability, all reasonable and customary consultants' fees (for Citizens Sycamore-Penasquitos Transmission and its lenders), lawyers' fees (for Citizens Sycamore-Penasquitos 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's return on equity fixed at 10.05%, (2) SDG&E's capital structure fixed at 55.23% equity and 44.77% debt, and (3) SDG&E's federal income tax rate fixed at 35.00% and state income tax rate fixed at 8.84%. For purposes of explanation, the model also calculates the following parameters, among others, in determining the SDG&E Representative Rate: (x) SDG&E estimated debt rate for 30 years which is the five-day average Moody's Aa 30-year Utility Bond Index plus 48 basis points, (y) SDG&E weighted average cost of capital which is the weighted average (based on the SDG&E fixed capital structure in clause (2) immediately above) of the SDG&E return on equity in clause (1) immediately above and the SDG&E estimated debt rate in clause (x), and (z) SDG&E discount rate which is equal to the SDG&E weighted average cost of capital in clause (y). 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 [3.71%], Costs of Transfer Capability equal to [\$29,000,000], and an AFUDC amount equal to [\$1,944,386]. *[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 Sycamore-Penasquitos Transmission makes the compliance filing related to its application made on [*Note to form: insert applicable date on execution date*] in FERC Docket No. [*Note to form: insert applicable docket number on execution date*] seeking FERC approval of its annual fixed rate methodology for recovery of the costs described in this Section 4.3.2 and conditionally accepted by the FERC pursuant to an order issued on [*Note to form: insert applicable date on execution date*] in FERC Dockets Nos. [*Note to form: insert applicable docket numbers on execution date*], Citizens Sycamore-Penasquitos Transmission shall demonstrate that its proposed rate methodology (including any of the adjustments described under Section 8.3) results in an annual fixed rate for recovery of the costs described in this Section 4.3.2 such that such annual fixed rate is no greater than the SDG&E Representative Rate (which also shall include any adjustments described in

Section 8.3). [Note to form: adjust this section to match the applicable FERC filings and orders on execution date]

(d) For purposes of determining whether Citizens Sycamore-Penasquitos 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) against Citizens Sycamore-Penasquitos 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) at such time as Citizens Sycamore-Penasquitos Transmission consummates the debt financing transaction for this Lease of the Citizens Transfer Capability and at such time as Citizens Sycamore-Penasquitos Transmission submits its compliance filing to FERC showing its actual rates based on the FERC-accepted annual fixed rate methodology.

(e) In the event Citizens Sycamore-Penasquitos Transmission is not able to demonstrate to the FERC that its fixed annual rate (excluding any of the adjustments described under Section 8.3) 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 Sycamore-Penasquitos 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 its fixed annual rate (excluding any of the adjustments described under Section 8.3) shall be equal to the SDG&E Representative Rate (which also does not include any of the adjustments described under Section 8.3).

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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission's rates, Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission may acquire, finance, operate and maintain its leasehold

interest in the Underground Segment B. SDG&E acknowledges that among other things, Citizens Sycamore-Penasquitos Transmission will seek recovery of and SDG&E will support Citizens Sycamore-Penasquitos Transmission as a PTO seeking to recover from CAISO Eligible Customers in its transmission revenue requirement for the Underground Segment B (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 Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission through its rates that were originally incurred by SDG&E were prudently incurred.

4.3.4 Credits. Citizens Sycamore-Penasquitos 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. Citizens Sycamore-Penasquitos Transmission's obligations under this Section 4.3.4 shall be satisfied by crediting any such revenues against costs that it seeks to recover in its rates.

ARTICLE V. MEETINGS; OTHER AGREEMENTS

5.1 Meetings. Unless otherwise agreed upon, the Parties shall schedule a meeting at least once each year for the purpose of discussing the Underground Segment B. 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 Sycamore-Penasquitos Transmission with periodic reports regarding the development, design, permitting, engineering, procurement, construction, commissioning, upgrades, capital expenditures, repairs, replacement, renewals, operation, and maintenance of the Underground Segment B no less than once per year, and (ii) promptly inform Citizens Sycamore-Penasquitos Transmission of any material change or development regarding the foregoing that would significantly impact Citizens Sycamore-Penasquitos Transmission or the Citizens Transfer Capability or that would result in a payment obligation by Citizens Sycamore-Penasquitos Transmission pursuant to Section 3.2.1. Citizens Sycamore-Penasquitos Transmission shall provide SDG&E with periodic reports regarding Citizens Sycamore-Penasquitos Transmission's activities associated with its interest in the Underground Segment B including Citizens Sycamore-Penasquitos Transmission's performance of its obligations under Section 5.3.1 no less than once per year.

5.2 SDG&E Covenants.

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 Sycamore-Penasquitos Transmission can recover any and all of the costs specified in Section 4.3.1 and Section 4.3.2 as if Citizens Sycamore-Penasquitos Transmission were still recovering these costs under its FERC-

filed and accepted transmission service tariff. Further, if SDG&E is no longer a member of any regional transmission entity and SDG&E itself has Operational Control over SDG&E's transmission system, then SDG&E shall guarantee or financially support (as applicable under the circumstances) the receipt by Citizens Sycamore-Penasquitos Transmission of, such costs. 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 Sycamore-Penasquitos Transmission's cost recovery.

5.2.2 Information Sharing. Upon reasonable notice and during regular business hours, SDG&E shall allow Citizens Sycamore-Penasquitos Transmission access to the Project site and provide other information related to the Project as may be reasonably requested by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission to allow Citizens Sycamore-Penasquitos 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.

5.3 Citizens Sycamore-Penasquitos Transmission Covenants.

5.3.1 Low Income Energy Programs. Citizens Sycamore-Penasquitos Transmission and SDG&E have agreed that with respect to each calendar year during the Term that Citizens Sycamore-Penasquitos Transmission shall pay one-half of Citizens Sycamore-Penasquitos Transmission's net after-tax profits attributable to the Citizens Transfer Capability (as calculated before such payments are deducted from such profits as a business expense) to programs or entities assisting low income persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment, which shall be selected by Citizens Sycamore-Penasquitos Transmission in its reasonable discretion and may include such programs conducted by one of its affiliates. To implement this agreement, with respect to each calendar year during the Term, Citizens Sycamore-Penasquitos Transmission shall pay, by no later than April 30 of the following calendar year, to programs or entities assisting low income persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment an amount equal to or greater than Citizens Sycamore-Penasquitos Transmission's Net After-Tax Cash Flow for such year (exclusive of the proceeds of indebtedness and after deducting payments required under this Section 5.3.1). If Citizens Sycamore-Penasquitos Transmission has not finally determined its Net After-Tax Cash Flow for a calendar year during the Term by April 30 of the following calendar year, then Citizens Sycamore-Penasquitos Transmission shall make a good faith estimate of such Net After-Tax

Cash Flow for purposes of making the payment required by the previous sentence and the amount of such payment shall be trued up by Citizens Sycamore-Penasquitos Transmission based on its final determination of such Net After-Tax Cash Flow for the applicable calendar year by no later than the date that is 180 days after it has finally determined such Net After-Tax Cash Flow for the applicable calendar year. Each year as part of its annual reporting under Section 5.1, Citizens Sycamore-Penasquitos Transmission shall provide to SDG&E a certificate from an officer of Citizens Sycamore-Penasquitos Transmission confirming that it has complied with this Section 5.3.1. Solely for purposes of this Section 5.3.1, Citizens Sycamore-Penasquitos Transmission shall be deemed to be treated as a corporation for tax purposes. For purposes of this Section 5.3.1, the following terms shall have the following meanings:

(a) “Net After-Tax Cash Flow” means, for any calendar year, the excess, if any, of (i) all Revenues received by Citizens Sycamore-Penasquitos Transmission with respect to such year over (ii) the sum, without duplication, of (A) all Expenses paid by Citizens Sycamore-Penasquitos Transmission with respect to such year, and (B) all interest, principal, fees, premiums and make-whole amounts paid and amounts used to fund cash reserves with respect to such year by Citizens Sycamore-Penasquitos Transmission with respect to its indebtedness (excluding therefrom any such amounts to the extent paid with funds on deposit in reserve accounts), in all cases, to the extent associated with the Citizens Transfer Capability.

(b) “Expenses” means the sum, computed without duplication, of all cash operating and maintenance expenses and capital expenditures of Citizens Sycamore-Penasquitos Transmission, and required reserves in respect of any such expenses, in all cases, associated with the Citizens Transfer Capability, including (without duplication) (i) all amounts paid by Citizens Sycamore-Penasquitos Transmission under this Lease (other than the Prepaid Rent) plus (ii) all costs described in Section 4.3.1 plus (iii) all federal, state and local income taxes that would be payable by Citizens Sycamore-Penasquitos Transmission if Citizens Sycamore-Penasquitos Transmission were treated as a corporation for tax purposes plus (iv) any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority described in Section 4.3.3 paid by Citizens Sycamore-Penasquitos Transmission plus (v) payments made by Citizens Sycamore-Penasquitos Transmission to programs or entities assisting low income persons of San Diego County to participate in the electrification of transportation, including the purchase of electric vehicles and related equipment, in all cases, to the extent associated with the Citizens Transfer Capability. Expenses shall not include (A) any of the foregoing expenses to the extent paid with funds on deposit in reserve accounts, (B) distributions of any kind by Citizens Sycamore-Penasquitos Transmission made with respect to its equity interests held by any of its affiliates, (C) depreciation or obsolescence charges or reserves therefor, amortization of intangibles, or other bookkeeping entries of a similar non-cash nature and (D) expenses covered by the proceeds of insurance that are not included in the definition of Revenues below.

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

5.3.2 Information Sharing. Upon reasonable notice, Citizens Sycamore-Penasquitos Transmission shall provide information related to the Project as may be reasonably requested by SDG&E including but not limited to information regarding Citizens Sycamore-Penasquitos Transmission’s performance of its obligations under Section 5.3.1.

5.3.3 Control. At all times during the Term, Citizens Sycamore-Penasquitos 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.

5.3.4 Local Furnishing Bonds. Citizens Sycamore-Penasquitos 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

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

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

6.1.2 Failure to Perform. A Party shall fail to comply with any other material provision of this Lease, and any such failure shall continue uncured for 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.

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.

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 Sycamore-Penasquitos Transmission.

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

6.1.6 Bankruptcy. Such Party becomes bankrupt.

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

6.3 Limitation on Liability. THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY PRODUCT, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. 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 LEASE) ARE WAIVED. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS LEASE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL, PUNITIVE, LOST PROFITS, BUSINESS INTERRUPTION OR CONSEQUENTIAL DAMAGES WHATSOEVER UNDER ANY THEORY, INCLUDING BY STATUTE, CONTRACT, TORT (INCLUDING NEGLIGENCE) OR STRICT LIABILITY, UNDER ANY INDEMNITY PROVISION SET FORTH IN THIS LEASE OR OTHERWISE (EXCEPT TO THE EXTENT SUCH DAMAGES ARE THIRD PARTY CLAIMS FOR WHICH A PARTY IS LIABLE AND FOR WHICH THE OTHER PARTY HAS AN INDEMNITY OBLIGATION HEREUNDER), RESULTING FROM A PARTY'S PERFORMANCE OR NONPERFORMANCE OF ITS OBLIGATIONS UNDER OR TERMINATION OF THIS LEASE. THE PARTIES INTEND THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE

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

ARTICLE VII. REPRESENTATIONS AND WARRANTIES

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

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.

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.

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 or any material agreement to which SDG&E is a party or by which its assets are bound; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority. [*Note to form: confirm that there will not be any outstanding regulatory consents required upon the Effective Date.*]

7.2 Citizens Sycamore-Penasquitos Transmission. As of the Effective Date, Citizens Sycamore-Penasquitos Transmission represents and warrants as follows:

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

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

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

7.2.3 No Violation. None of the execution and delivery of this Lease, the compliance with any provision hereof, nor the consummation of the transactions and activities contemplated hereby will: (1) violate or conflict with, or result in a breach or default under, any provisions of the certificate of formation or operating agreement of Citizens Sycamore-Penasquitos Transmission or any material agreement to which Citizens Sycamore-Penasquitos Transmission is a party or by which its assets are bound; or (2) violate or conflict with, or result in a breach or default under, any applicable law or regulation of any Governmental Authority. *[Note to form: confirm that there will not be any outstanding regulatory consents required upon the Effective Date.]*

7.2.4 No Objection to Current Design. Citizens Sycamore-Penasquitos 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, and the CPCN Decision.

ARTICLE VIII. TAXES AND ASSESSMENTS

8.1 Property Taxes. The Parties contemplate that the Property Taxes on the Underground Segment B will be assessed by the California State Board of Equalization. If the Property Taxes on the Underground Segment B are assessed against and paid by SDG&E and no Property Taxes are assessed on the Citizens Transfer Capability against Citizens Sycamore-Penasquitos 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 Underground Segment B are assessed against and paid by both SDG&E and Citizens Sycamore-Penasquitos Transmission, then the Additional Rent for any period shall be adjusted so that Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission bears the cost of the Applicable Portion of Property Taxes either by reimbursement to SDG&E or payment directly to taxing authorities.

8.2 Section 467 Rental Agreement. It is the intention of the Parties that (i) this Lease constitute a “Section 467 rental agreement” within the meaning of Section 467(d)(1) of the U.S. Internal Revenue Code and (ii) that prepaid rent accrue for U.S. tax purposes in accordance with Section 467(b)(1) of the U.S. Internal Revenue Code, and the provisions of this Lease shall to the fullest extent feasible be construed consistent with such intention. Attached as Exhibit 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 Sycamore-Penasquitos 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: include the final Exhibit B in the final execution version]

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 Underground Segment B and may be entitled to receive tax credits or benefits, including bonus tax depreciation deductions, in connection with its ownership of the Underground Segment B that Citizens Sycamore-Penasquitos Transmission may not be entitled to receive in connection with its ownership of a leasehold interest in the Underground Segment B. To the same extent that SDG&E seeks such tax credits or benefits related to its interest in the Underground Segment B, SDG&E shall also seek such tax credits or benefits related to Citizens Sycamore-Penasquitos Transmission’s interest in the Underground Segment B. To the extent SDG&E realizes such tax credits or benefits related to Citizens Sycamore-Penasquitos Transmission’s interest in the Underground Segment B 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 against Additional Rent otherwise payable hereunder by Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos Transmission’s interest in the Underground Segment B, 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

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 Underground Segment B toward the repair, reconstruction, or replacement of the Underground Segment B, then subject to the SDG&E Indenture, SDG&E shall pay to Citizens Sycamore-Penasquitos Transmission a pro rata share of such insurance proceeds to the extent of its interest remaining in the Underground Segment B. If SDG&E does apply the insurance proceeds it receives directly attributable to the damage or destruction of the Underground Segment B toward the repair, reconstruction, or replacement of the Underground Segment B and SDG&E incurs additional capital costs

(including any deductibles) beyond such insurance proceeds for the repair, reconstruction or replacement of the Underground Segment B, 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).

9.2 Indemnity. A Party shall not be liable to the other Party for any liability, loss, claim, damage, cost or expense to the extent caused by or arising as a result of the gross negligence or willful misconduct of such 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 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.

ARTICLE X. CASUALTY; CONDEMNATION; FORCE MAJEURE

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.

10.2 Casualty. In the event of a casualty affecting the Underground Segment B, SDG&E shall seek to restore service on the Underground Segment B consistent with its general practices applicable to its transmission system.

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

11.1 No Sublet. Citizens Sycamore-Penasquitos Transmission shall not sublet all or any portion of the Citizens Transfer Capability.

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. Any assignee shall have an equal or greater credit rating as SDG&E and the legal authority and operational ability to satisfy the obligations of SDG&E hereunder. For the avoidance of doubt, any assignment by Citizens Sycamore-Penasquitos Transmission shall also require any third party assignee to continue to make contributions in accordance with 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 Underground Segment B is greater than thirty percent (30%) of the fair market value of the assets of such Party or such parent entity to a person that is not an affiliate of such Party shall also constitute an assignment of this Lease requiring the other Party's prior written consent.

11.3 Form of Collateral Assignment. In connection with any financing or refinancing of the Citizens Transfer Capability, Citizens Sycamore-Penasquitos Transmission and SDG&E shall, and Citizens Sycamore-Penasquitos Transmission shall cause each lender to, enter into a consent to collateral assignment in a customary form that is mutually agreeable to the Parties in their reasonable discretion.

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 Sycamore-Penasquitos Transmission of all or any portion of its interest in this Lease. In the event Citizens Sycamore-Penasquitos Transmission receives a bona fide offer from an unaffiliated third party to purchase all or any portion of the interest of Citizens Sycamore-Penasquitos Transmission in this Lease that Citizens Sycamore-Penasquitos Transmission desires to accept, Citizens Sycamore-Penasquitos 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 making the contributions in accordance with Section 5.3.1 of this Lease) and to conduct due diligence regarding the contemplated purchase. In the event that SDG&E elects to exercise its right, SDG&E and Citizens Sycamore-Penasquitos 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 Sycamore-Penasquitos 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 Sycamore-Penasquitos 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

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.

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.

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

12.4 Enforcement of Award. By execution and delivery of this Lease, each Party hereby (a) accepts and consents to the use of binding arbitration pursuant to the American Arbitration Association's Commercial Arbitration Rules and other procedures described in this Article XII, and, solely for purposes of the enforcement of an arbitral award under this Section

12.4, to the jurisdiction of any court of competent jurisdiction, for itself and in respect of its property, and (b) waives, solely for purposes of the enforcement of an arbitral award under this Section 12.4, in respect of both itself and its property, all defenses it may have as to or based on jurisdiction, improper venue or forum non conveniens. Each Party hereby irrevocably consents to the service of process or other papers by the use of any of the methods and to the addresses set out for the giving of notices in Section 13.1 hereof. Nothing herein shall affect the right of each Party to serve such process or papers in any other manner permitted by law.

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

ARTICLE XIII. MISCELLANEOUS

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

If to SDG&E:

San Diego Gas & Electric

8330 Century Park Court

San Diego, CA 92123

Attention: Vice President – [Electric Engineering & Construction]

Fax: [858-650-6106]

With a copy to:

San Diego Gas & Electric

8330 Century Park Court

San Diego, CA 92123

Attention: Assistant General Counsel – Commercial

Fax: [619-696-4443]

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

With copies to:
Duncan & Allen
1730 Rhode Island Avenue, N.W., Suite 700
Washington, D.C., 20036
Attention: Counsel to Citizens Energy Corporation
Fax: 202-289-8450

and

Hemenway & Barnes
60 State Street
Boston Massachusetts 02109-1899.
Attention: Stephen Kidder
Fax: 617-227-0781

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.

13.3 Public Relations. The Parties will cooperate in good faith with each other and, to the extent reasonable, seek mutual approval with respect to any public announcements regarding this Lease or Citizens Sycamore-Penasquitos Transmission's participation in the Project.

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

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

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

13.7 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 DCOA, the terms of this Lease shall govern and prevail.

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.

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

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.

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.

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.

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.

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

13.15 Memorandum. Concurrently with the execution and delivery of this Lease, the Parties will execute a memorandum of this Lease in a customary form that is mutually agreeable to the Parties in their reasonable discretion (the "Memorandum"), which Memorandum shall be recorded in the official real estate records of San Diego County, California. Nothing contained therein shall be deemed or construed to in any way modify or otherwise affect any of the terms and conditions of this Lease or to create any inference about the characterization of the leasehold interest as real property or personalty. Further, nothing in this Lease or therein shall be deemed an assignment, in whole or in part, of any right or interest in SDG&E's franchise agreement with the City of San Diego, SDG&E's franchise agreement with the County of San Diego, SDG&E's crossing/encroachment permit with the State of California Department of Transportation (CalTrans), or SDG&E's other rights-of-way, easements, or other real property entitlements along the alignment of the Underground Segment B. The provisions of this Lease will control with regard to any provisions of this Lease that may be in conflict with the Memorandum.

13.16 Subordinate to SDG&E Indenture. Citizens Sycamore-Penasquitos Transmission acknowledges and agrees that at all times this Lease, Citizens Sycamore-Penasquitos Transmission's rights arising under this Lease, and all liens, encumbrances, or recordings securing or evidencing any of the foregoing are and shall be subject to and subordinate to the SDG&E Indenture, any modifications, amendments, renewals or extensions thereof, and all liens, encumbrances, or recordings securing or evidencing the SDG&E Indenture.

[Signature page follows]

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

SDG&E:

SAN DIEGO GAS & ELECTRIC COMPANY,
a California corporation

By: _____
Name:
Title:

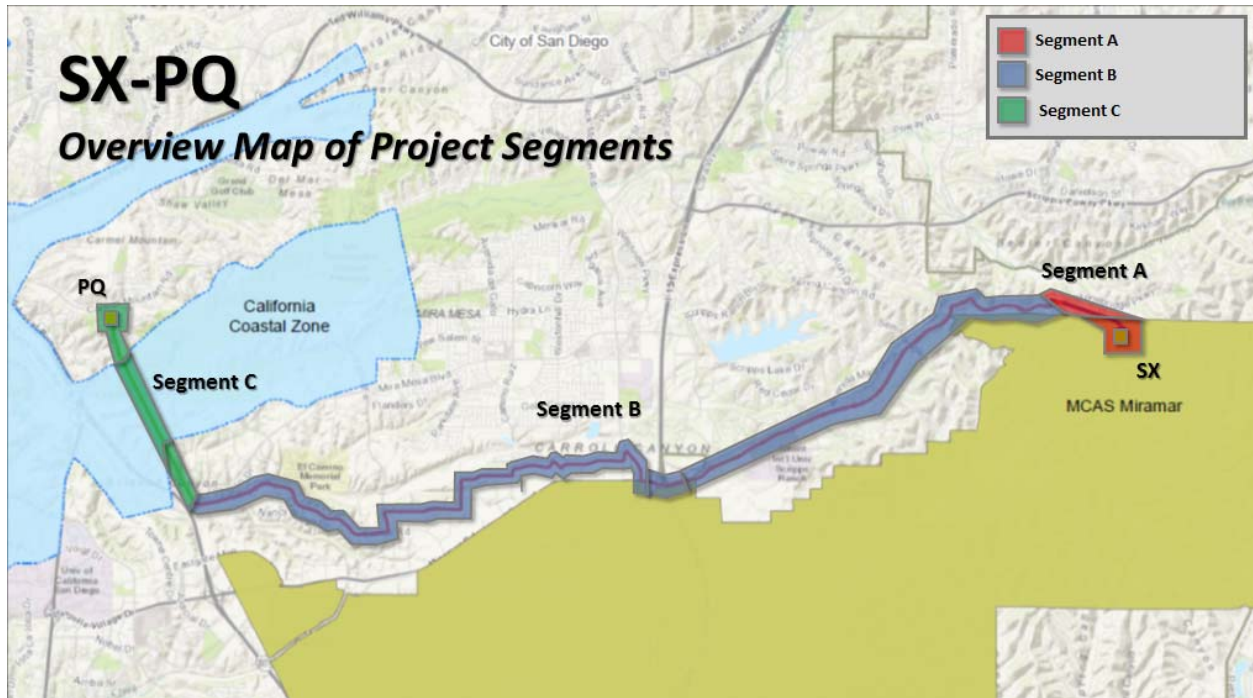
**CITIZENS SYCAMORE-PENASQUITOS
TRANSMISSION:**

CITIZENS SYCAMORE-PENASQUITOS
TRANSMISSION LLC,
a Delaware limited liability company

By: _____
Name:
Title:

SCHEDULE 1.1

Project Diagram



Project Segments:

- **Segment A: Sycamore Canyon Substation – Stonebridge Parkway Segment**
(0.9 miles) New 230 kV steel poles in existing ROW
- **Segment B: Underground Segment**
(11.5 miles) New underground 230 kV line in existing franchise position (City streets)
- **Segment C: Carroll Canyon Road – Penasquitos Substation Segment**
(2.2 miles) New 230 kV conductor on existing steel structures

Exhibit A

Model for SDG&E Representative Rate

(See attached CD entitled “Exhibit A to Transfer Capability Lease, dated [*insert date at time of execution*]” containing the model in a Microsoft Excel worksheet file)

[Note to form: The final model as of the Effective Date will 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 will be known at the time of execution. The Model template for the SDG&E Representative Rate at the time of execution of the DCOA is the file titled “LD2D-#312576-v7-SXPQ_Citizens_Lease_SDGE_Representative_Rate_Model.XLSX.”]

Example of SDG&E Representative Rate

[Note to form: The final model as of the Effective Date and this exhibit will 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 will be known at the time of execution.]

Model Inputs

The Moody's Aa Utility Bond Index	3.71%
Cost of Transfer Capability	29,000,000
AFUDC	\$1,944,386

Calculation of Debt Cost as Input to Model

The Moody's Aa Utility Bond Index	3.71%
Adjustment to Bond Index	<u>0.48%</u> remains fixed "do not change"
Total Debt Cost per Model	<u><u>4.19%</u></u>

Calculation of WACC

	<u>Capital Ratio</u>	<u>Cost</u>	<u>WACC</u>	
Debt	44.77%	4.19%	1.88%	
Preferred Equity	0.00%	0.00%	0.00%	remains fixed "do not change"
Common Equity	<u>55.23%</u>	10.05%	<u>5.55%</u>	remains fixed "do not change"
			7.43%	

<u>Revenue Requirement</u>	<u>Total</u>	1 <u>Year-1</u>	2 <u>Year-2</u>	3 <u>Year-3</u>	4 <u>Year-4</u>	5 <u>Year-5</u>	6 <u>Year-6</u>	7 <u>Year-7</u>	8 <u>Year-8</u>	9 <u>Year-9</u>	10 <u>Year-10</u>	11-30 <u>Year-11-58</u>
Depreciation Expense	29,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	24,000,000
Return on Common Equity	32,626,123	1,585,808	1,523,615	1,449,913	1,381,697	1,318,437	1,259,655	1,204,116	1,149,903	1,096,095	1,042,665	19,614,218
Return on Preferred Equity	-	-	-	-	-	-	-	-	-	-	-	-
Return on Debt	11,026,438	535,945	514,926	490,018	466,963	445,584	425,717	406,947	388,625	370,440	352,383	6,628,889
Federal Income Taxes	19,075,432	1,025,961	832,865	800,998	764,300	730,655	699,360	669,709	640,616	611,672	582,932	11,716,363
State Income Taxes	6,080,091	271,657	246,901	236,664	226,490	217,093	208,358	200,097	192,018	183,994	176,025	3,920,795
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	97,808,083	3,919,370	3,618,307	3,477,592.4	3,339,450.8	3,211,769.0	3,093,090.2	2,980,869.3	2,871,163.5	2,762,200.9	2,654,004.8	65,880,265.5
Net Present Value (58 yrs)	35,425,173	3,781,469	3,249,662	2,907,369	2,598,873	2,326,713	2,085,834	1,871,193	1,677,731	1,502,478	1,343,826	12,080,024.1
Levelized Annual Amount (30 yrs)	\$2,978,059											

SDG&E Representative Rate \$2,978,059

Exhibit B

Accrual of Prepaid Rent

[Note to form: The final table as of the Effective Date will be populated with the actual Prepaid Rent and AFR which will be known at the time of execution. At the time of execution of the DCOA, the model template for determining the values below is the file titled "LD2D-#313963-v2-SXPQ_Citizens_Lease_Amortization_Prepaid_Rent.XLS."]

Project: Sycamore-Penasquitos
 Lessor: SDG&E
 Lessee: Citizens Sycamore-Penasquitos Transmission
 Interest Rate: 0.75% (110% LT SA AFR 05/2017)/4

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)
		\$27,000,000						\$27,000,000	
1	\$341,586	-	\$341,586	1.000000	\$341,586	201,825	(\$341,586)	26,860,239	(\$139,761)
2	341,586	-	341,586	1.000000	341,586	200,780	(341,586)	26,719,433	(140,806)
3	341,586	-	341,586	1.000000	341,586	199,728	(341,586)	26,577,574	(141,859)
4	341,586	-	341,586	1.000000	341,586	198,667	(341,586)	26,434,655	(142,919)
5	341,586	-	341,586	1.000000	341,586	197,599	(341,586)	26,290,668	(143,987)
6	341,586	-	341,586	1.000000	341,586	196,523	(341,586)	26,145,604	(145,064)
7	341,586	-	341,586	1.000000	341,586	195,438	(341,586)	25,999,456	(146,148)
8	341,586	-	341,586	1.000000	341,586	194,346	(341,586)	25,852,216	(147,240)
9	341,586	-	341,586	1.000000	341,586	193,245	(341,586)	25,703,874	(148,341)
10	341,586	-	341,586	1.000000	341,586	192,136	(341,586)	25,554,425	(149,450)
11	341,586	-	341,586	1.000000	341,586	191,019	(341,586)	25,403,857	(150,567)
12	341,586	-	341,586	1.000000	341,586	189,894	(341,586)	25,252,165	(151,693)
13	341,586	-	341,586	1.000000	341,586	188,760	(341,586)	25,099,339	(152,826)
14	341,586	-	341,586	1.000000	341,586	187,618	(341,586)	24,945,370	(153,969)
15	341,586	-	341,586	1.000000	341,586	186,467	(341,586)	24,790,250	(155,120)
16	341,586	-	341,586	1.000000	341,586	185,307	(341,586)	24,633,971	(156,279)
17	341,586	-	341,586	1.000000	341,586	184,139	(341,586)	24,476,523	(157,447)
18	341,586	-	341,586	1.000000	341,586	182,962	(341,586)	24,317,899	(158,624)
19	341,586	-	341,586	1.000000	341,586	181,776	(341,586)	24,158,089	(159,810)
20	341,586	-	341,586	1.000000	341,586	180,582	(341,586)	23,997,084	(161,005)
21	341,586	-	341,586	1.000000	341,586	179,378	(341,586)	23,834,876	(162,208)
22	341,586	-	341,586	1.000000	341,586	178,166	(341,586)	23,671,455	(163,421)
23	341,586	-	341,586	1.000000	341,586	176,944	(341,586)	23,506,813	(164,642)

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)
24	341,586	-	341,586	1.000000	341,586	175,713	(341,586)	23,340,940	(165,873)
25	341,586	-	341,586	1.000000	341,586	174,474	(341,586)	23,173,827	(167,113)
26	341,586	-	341,586	1.000000	341,586	173,224	(341,586)	23,005,465	(168,362)
27	341,586	-	341,586	1.000000	341,586	171,966	(341,586)	22,835,845	(169,621)
28	341,586	-	341,586	1.000000	341,586	170,698	(341,586)	22,664,956	(170,888)
29	341,586	-	341,586	1.000000	341,586	169,421	(341,586)	22,492,790	(172,166)
30	341,586	-	341,586	1.000000	341,586	168,134	(341,586)	22,319,338	(173,453)
31	341,586	-	341,586	1.000000	341,586	166,837	(341,586)	22,144,588	(174,749)
32	341,586	-	341,586	1.000000	341,586	165,531	(341,586)	21,968,533	(176,056)
33	341,586	-	341,586	1.000000	341,586	164,215	(341,586)	21,791,161	(177,372)
34	341,586	-	341,586	1.000000	341,586	162,889	(341,586)	21,612,464	(178,697)
35	341,586	-	341,586	1.000000	341,586	161,553	(341,586)	21,432,431	(180,033)
36	341,586	-	341,586	1.000000	341,586	160,207	(341,586)	21,251,052	(181,379)
37	341,586	-	341,586	1.000000	341,586	158,852	(341,586)	21,068,317	(182,735)
38	341,586	-	341,586	1.000000	341,586	157,486	(341,586)	20,884,216	(184,101)
39	341,586	-	341,586	1.000000	341,586	156,110	(341,586)	20,698,739	(185,477)
40	341,586	-	341,586	1.000000	341,586	154,723	(341,586)	20,511,876	(186,863)
41	341,586	-	341,586	1.000000	341,586	153,326	(341,586)	20,323,616	(188,260)
42	341,586	-	341,586	1.000000	341,586	151,919	(341,586)	20,133,949	(189,667)
43	341,586	-	341,586	1.000000	341,586	150,501	(341,586)	19,942,863	(191,085)
44	341,586	-	341,586	1.000000	341,586	149,073	(341,586)	19,750,350	(192,513)
45	341,586	-	341,586	1.000000	341,586	147,634	(341,586)	19,556,397	(193,953)
46	341,586	-	341,586	1.000000	341,586	146,184	(341,586)	19,360,995	(195,402)
47	341,586	-	341,586	1.000000	341,586	144,723	(341,586)	19,164,132	(196,863)
48	341,586	-	341,586	1.000000	341,586	143,252	(341,586)	18,965,798	(198,334)
49	341,586	-	341,586	1.000000	341,586	141,769	(341,586)	18,765,981	(199,817)
50	341,586	-	341,586	1.000000	341,586	140,276	(341,586)	18,564,670	(201,311)
51	341,586	-	341,586	1.000000	341,586	138,771	(341,586)	18,361,855	(202,815)
52	341,586	-	341,586	1.000000	341,586	137,255	(341,586)	18,157,523	(204,332)
53	341,586	-	341,586	1.000000	341,586	135,727	(341,586)	17,951,664	(205,859)
54	341,586	-	341,586	1.000000	341,586	134,189	(341,586)	17,744,266	(207,398)
55	341,586	-	341,586	1.000000	341,586	132,638	(341,586)	17,535,319	(208,948)
56	341,586	-	341,586	1.000000	341,586	131,077	(341,586)	17,324,809	(210,510)
57	341,586	-	341,586	1.000000	341,586	129,503	(341,586)	17,112,725	(212,083)
58	341,586	-	341,586	1.000000	341,586	127,918	(341,586)	16,899,056	(213,669)
59	341,586	-	341,586	1.000000	341,586	126,320	(341,586)	16,683,791	(215,266)
60	341,586	-	341,586	1.000000	341,586	124,711	(341,586)	16,466,915	(216,875)

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)
61	341,586	-	341,586	1.000000	341,586	123,090	(341,586)	16,248,419	(218,496)
62	341,586	-	341,586	1.000000	341,586	121,457	(341,586)	16,028,290	(220,129)
63	341,586	-	341,586	1.000000	341,586	119,811	(341,586)	15,806,515	(221,775)
64	341,586	-	341,586	1.000000	341,586	118,154	(341,586)	15,583,082	(223,433)
65	341,586	-	341,586	1.000000	341,586	116,484	(341,586)	15,357,979	(225,103)
66	341,586	-	341,586	1.000000	341,586	114,801	(341,586)	15,131,194	(226,785)
67	341,586	-	341,586	1.000000	341,586	113,106	(341,586)	14,902,713	(228,481)
68	341,586	-	341,586	1.000000	341,586	111,398	(341,586)	14,672,525	(230,189)
69	341,586	-	341,586	1.000000	341,586	109,677	(341,586)	14,440,615	(231,909)
70	341,586	-	341,586	1.000000	341,586	107,944	(341,586)	14,206,973	(233,643)
71	341,586	-	341,586	1.000000	341,586	106,197	(341,586)	13,971,583	(235,389)
72	341,586	-	341,586	1.000000	341,586	104,438	(341,586)	13,734,435	(237,149)
73	341,586	-	341,586	1.000000	341,586	102,665	(341,586)	13,495,513	(238,921)
74	341,586	-	341,586	1.000000	341,586	100,879	(341,586)	13,254,806	(240,707)
75	341,586	-	341,586	1.000000	341,586	99,080	(341,586)	13,012,299	(242,507)
76	341,586	-	341,586	1.000000	341,586	97,267	(341,586)	12,767,980	(244,319)
77	341,586	-	341,586	1.000000	341,586	95,441	(341,586)	12,521,834	(246,146)
78	341,586	-	341,586	1.000000	341,586	93,601	(341,586)	12,273,848	(247,986)
79	341,586	-	341,586	1.000000	341,586	91,747	(341,586)	12,024,009	(249,839)
80	341,586	-	341,586	1.000000	341,586	89,879	(341,586)	11,772,302	(251,707)
81	341,586	-	341,586	1.000000	341,586	87,998	(341,586)	11,518,714	(253,588)
82	341,586	-	341,586	1.000000	341,586	86,102	(341,586)	11,263,230	(255,484)
83	341,586	-	341,586	1.000000	341,586	84,193	(341,586)	11,005,836	(257,394)
84	341,586	-	341,586	1.000000	341,586	82,269	(341,586)	10,746,518	(259,318)
85	341,586	-	341,586	1.000000	341,586	80,330	(341,586)	10,485,262	(261,256)
86	341,586	-	341,586	1.000000	341,586	78,377	(341,586)	10,222,053	(263,209)
87	341,586	-	341,586	1.000000	341,586	76,410	(341,586)	9,956,876	(265,177)
88	341,586	-	341,586	1.000000	341,586	74,428	(341,586)	9,689,718	(267,159)
89	341,586	-	341,586	1.000000	341,586	72,431	(341,586)	9,420,562	(269,156)
90	341,586	-	341,586	1.000000	341,586	70,419	(341,586)	9,149,394	(271,168)
91	341,586	-	341,586	1.000000	341,586	68,392	(341,586)	8,876,200	(273,195)
92	341,586	-	341,586	1.000000	341,586	66,350	(341,586)	8,600,963	(275,237)
93	341,586	-	341,586	1.000000	341,586	64,292	(341,586)	8,323,669	(277,294)
94	341,586	-	341,586	1.000000	341,586	62,219	(341,586)	8,044,302	(279,367)
95	341,586	-	341,586	1.000000	341,586	60,131	(341,586)	7,762,846	(281,455)
96	341,586	-	341,586	1.000000	341,586	58,027	(341,586)	7,479,287	(283,559)
97	341,586	-	341,586	1.000000	341,586	55,908	(341,586)	7,193,609	(285,679)

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)
98	341,586	-	341,586	1.000000	341,586	53,772	(341,586)	6,905,794	(287,814)
99	341,586	-	341,586	1.000000	341,586	51,621	(341,586)	6,615,829	(289,966)
100	341,586	-	341,586	1.000000	341,586	49,453	(341,586)	6,323,696	(292,133)
101	341,586	-	341,586	1.000000	341,586	47,270	(341,586)	6,029,379	(294,317)
102	341,586	-	341,586	1.000000	341,586	45,070	(341,586)	5,732,862	(296,517)
103	341,586	-	341,586	1.000000	341,586	42,853	(341,586)	5,434,129	(298,733)
104	341,586	-	341,586	1.000000	341,586	40,620	(341,586)	5,133,163	(300,966)
105	341,586	-	341,586	1.000000	341,586	38,370	(341,586)	4,829,947	(303,216)
106	341,586	-	341,586	1.000000	341,586	36,104	(341,586)	4,524,464	(305,483)
107	341,586	-	341,586	1.000000	341,586	33,820	(341,586)	4,216,698	(307,766)
108	341,586	-	341,586	1.000000	341,586	31,520	(341,586)	3,906,632	(310,067)
109	341,586	-	341,586	1.000000	341,586	29,202	(341,586)	3,594,247	(312,384)
110	341,586	-	341,586	1.000000	341,586	26,867	(341,586)	3,279,528	(314,719)
111	341,586	-	341,586	1.000000	341,586	24,514	(341,586)	2,962,456	(317,072)
112	341,586	-	341,586	1.000000	341,586	22,144	(341,586)	2,643,014	(319,442)
113	341,586	-	341,586	1.000000	341,586	19,757	(341,586)	2,321,184	(321,830)
114	341,586	-	341,586	1.000000	341,586	17,351	(341,586)	1,996,949	(324,236)
115	341,586	-	341,586	1.000000	341,586	14,927	(341,586)	1,670,290	(326,659)
116	341,586	-	341,586	1.000000	341,586	12,485	(341,586)	1,341,189	(329,101)
117	341,586	-	341,586	1.000000	341,586	10,025	(341,586)	1,009,628	(331,561)
118	341,586	-	341,586	1.000000	341,586	7,547	(341,586)	675,588	(334,039)
119	341,586	-	341,586	1.000000	341,586	5,050	(341,586)	339,052	(336,536)
120	341,586	-	341,586	1.000000	341,586	2,534	(341,586)	0	(339,052)
Totals	\$40,990,365	\$27,000,000	\$40,990,365		\$40,990,365	13,990,365	(\$40,990,365)		(\$27,000,000)

	A	B
Present Value	\$27,000,000	\$27,000,000

See Fraction Computation Above *

Rent Allocation **\$341,586**

Exhibit C

Local Furnishing Bond Encumbrances

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

I. Local Furnishing Transmission System 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 December 15, 2016, these interconnection points include:

1. the point at the International Border where SDG&E's wholly-owned interest in 230kV TL 23040 (Otay Mesa – Tijuana I) connects with CFE's ownership interest in TL 23040;
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 500kV TL 50004 (Imperial Valley – East County) interconnects with the Imperial Valley Substation facilities owned in part by Imperial Irrigation District (“IID”);
4. the point where SDG&E’s wholly-owned 500kV TL 50005 (Imperial Valley – Ocotillo) connects to the Imperial Valley Substation facilities owned in part by IID;
5. 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;
6. 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; and,
7. the point where SDG&E’s wholly-owned Narrows Substation interconnects with transmission facilities owned in whole or in part 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 facilities which are not connected directly to the Local T/D System (“Owned/Leased Remote SDG&E Generating Units”).
 - i. As of December 15, 2016, Owned/Leased Remote SDG&E Generating Units consist of only SDG&E’s 480 MW Desert Star Energy Center.
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 Operational 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 Federal Energy Regulatory Commission, and such ruling has become final and non-appealable, SDG&E shall not be required to take (or to refrain from taking) the specified action, and the CAISO shall exercise its Operational Control consistent with such limitation.

Attachment 2

**SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
June 30, 2017**

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
June 30, 2017

	1. UTILITY PLANT	<u>2017</u>
101	UTILITY PLANT IN SERVICE	\$ 16,513,440,119
102	UTILITY PLANT PURCHASED OR SOLD	-
104	UTILITY PLANT LEASED TO OTHERS	85,194,000
105	PLANT HELD FOR FUTURE USE	5,302,629
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	1,209,833,401
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(5,077,315,986)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(706,634,782)
114	ELEC PLANT ACQUISITION ADJ	3,750,722
115	ACCUM PROVISION FOR AMORT OF ELECTRIC PLANT ACQUIS ADJ	(1,375,264)
118	OTHER UTILITY PLANT	1,232,930,800
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(288,724,048)
120	NUCLEAR FUEL - NET	-
	TOTAL NET UTILITY PLANT	<u>\$ 12,976,401,591</u>

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	\$ 5,790,994
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION	(364,300)
158	NON-CURRENT PORTION OF ALLOWANCES	189,839,827
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	1,028,081,830
175	LONG-TERM PORTION OF DERIVATIVE ASSETS	74,288,025
	TOTAL OTHER PROPERTY AND INVESTMENTS	<u>\$ 1,297,636,376</u>

Data from SPL as of August 18, 2017

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
June 30, 2017

3. CURRENT AND ACCRUED ASSETS		2017
131	CASH	\$ 2,274,181
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	500
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	310,617,726
143	OTHER ACCOUNTS RECEIVABLE	19,948,089
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(3,501,255)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	8,573
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	1,586,259
151	FUEL STOCK	525,924
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	123,461,757
156	OTHER MATERIALS AND SUPPLIES	-
158	ALLOWANCES	206,101,784
158	LESS: NON-CURRENT PORTION OF ALLOWANCES	(189,839,827)
163	STORES EXPENSE UNDISTRIBUTED	306,762
164	GAS STORED	306,473
165	PREPAYMENTS	128,057,507
171	INTEREST AND DIVIDENDS RECEIVABLE	716,315
173	ACCRUED UTILITY REVENUES	60,828,000
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	2,294,000
175	DERIVATIVE INSTRUMENT ASSETS	102,790,995
175	LESS: LONG -TERM PORTION OF DERIVATIVE INSTRUMENT ASSETS	(74,288,025)
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 692,195,738
4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	\$ 34,594,708
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	2,925,428,704
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	338,964
184	CLEARING ACCOUNTS	(294,187)
185	TEMPORARY FACILITIES	20
186	MISCELLANEOUS DEFERRED DEBITS	23,171,630
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	10,395,430
190	ACCUMULATED DEFERRED INCOME TAXES	318,703,002
	TOTAL DEFERRED DEBITS	\$ 3,312,338,271
	TOTAL ASSETS AND OTHER DEBITS	\$ 18,278,571,976

Data from SPL as of August 18, 2017

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
June 30, 2017

5. PROPRIETARY CAPITAL

		2017
201	COMMON STOCK ISSUED	\$ 291,458,395
204	PREFERRED STOCK ISSUED	-
207	PREMIUM ON CAPITAL STOCK	591,282,978
210	GAIN ON RETIRED CAPITAL STOCK	-
211	MISCELLANEOUS PAID-IN CAPITAL	479,665,368
214	CAPITAL STOCK EXPENSE	(24,605,640)
216	UNAPPROPRIATED RETAINED EARNINGS	4,439,320,726
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	(7,260,582)
	TOTAL PROPRIETARY CAPITAL	\$ 5,769,861,245

6. LONG-TERM DEBT

221	BONDS	\$ 4,591,077,000
223	ADVANCES FROM ASSOCIATED COMPANIES	-
224	OTHER LONG-TERM DEBT	-
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	(12,072,563)
	TOTAL LONG-TERM DEBT	\$ 4,579,004,437

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	\$ 1,059,813,950
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	23,454,995
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	247,807,441
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
244	LONG TERM PORTION OF DERIVATIVE LIABILITIES	174,994,502
230	ASSET RETIREMENT OBLIGATIONS	839,206,532
	TOTAL OTHER NONCURRENT LIABILITIES	\$ 2,345,277,420

Data from SPL as of August 18, 2017

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
June 30, 2017

8. CURRENT AND ACCRUED LIABILITES

		2017
231	NOTES PAYABLE	\$ 4,599,706
232	ACCOUNTS PAYABLE	473,954,108
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	26,226,170
235	CUSTOMER DEPOSITS	77,486,341
236	TAXES ACCRUED	1,536,337
237	INTEREST ACCRUED	45,728,091
238	DIVIDENDS DECLARED	-
241	TAX COLLECTIONS PAYABLE	2,776,345
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	111,890,445
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	50,892,477
244	DERIVATIVE INSTRUMENT LIABILITIES	223,733,662
244	LESS: LONG-TERM PORTION OF DERIVATIVE LIABILITIES	(174,994,502)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	\$ 843,829,180

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	\$ 58,925,476
253	OTHER DEFERRED CREDITS	381,335,924
254	OTHER REGULATORY LIABILITIES	1,018,973,062
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	16,797,674
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	2,366,486,504
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	898,081,054
	TOTAL DEFERRED CREDITS	\$ 4,740,599,694

TOTAL LIABILITIES AND OTHER CREDITS \$ 18,278,571,976

\$4,740,599,694

Data from SPL as of August 18, 2017