

TURN DATA REQUEST-068
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: JUNE 8, 2018
DATE RESPONDED: JULY 3, 2018

1) Please explain the duties and obligations SDG&E would assume under the Ground Sublease and Easement Agreement and related agreements to close the transaction should Calpine exercise its Put Option to sell the Otay Mesa Energy Center to SDG&E. Explain in particular the circumstances SDG&E currently believes are most likely to lead to a change in OMEC purchase price from \$280 million and the circumstances that could lead to the transaction not closing. Include citations to the relevant portions of the Ground Sublease and Easement Agreement and related agreements.

Utility Response 1:

The duties and obligations SDG&E would assume under the May 1, 2007 Ground Sublease and Easement Agreement (Ground Sublease and Easement Agreement) to close the transaction should Calpine exercise its Put Option to sell the Otay Mesa Energy Center (OMEC) are set forth in Section 4.6 (Sublessor's Actions at Option Closing) and Section 4.13(b) of the Ground Sublease and Easement Agreement. The sections of the Ground Sublease and Easement Agreement that address whether there could be potential adjustments to the \$280 million purchase price that the Commission approved in D.06-09-021 are Sections 4.10, 4.11 and 4.12.

TURN DATA REQUEST-068
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: JUNE 8, 2018
DATE RESPONDED: JULY 3, 2018

2) Please provide SDG&E's current understanding of the duties and obligations Calpine would assume under the Ground Sublease and Easement Agreement and related agreements to close the transaction should Calpine exercise its Put Option to sell the Otay Mesa Energy Center to SDG&E. Explain in particular the circumstances SDG&E currently believes are most likely to lead to a change in OMEC purchase price from \$280 million and the circumstances that could lead to the transaction not closing. Include citations to the relevant portions of the Ground Sublease and Easement Agreement and related agreements.

Utility Response 2:

The duties and obligations Calpine would assume under the Ground Sublease and Easement Agreement to close the transaction should Calpine exercise its Put Option to sell OMEC are set forth in Section 4.7 (Sublessee's Actions at Option Closing) and Section 4.13(b) of the Ground Sublease and Easement Agreement. The sections of the Ground Sublease and Easement Agreement that address whether there could be potential adjustments to the \$280 million purchase price that the Commission approved in D.06-09-021 are Sections 4.10, 4.11 and 4.12.

TURN DATA REQUEST-068
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: JUNE 8, 2018
DATE RESPONDED: JULY 3, 2018

3) Please explain the duties and obligations SDG&E would assume under the Ground Sublease and Easement Agreement and related agreements under the following circumstances:

- a) Calpine chooses not to exercise the Put Option, or
- b) Calpine exercises the Put Option, but the transaction is not completed (for whatever reason).

Utility Response 3:

- a) See Section 2.4 of the Ground Sublease and Easement Agreement.
- b) See Section 4.13 (Failure of Closing Conditions) of the Ground Sublease and Easement Agreement.

TURN DATA REQUEST-068
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: JUNE 8, 2018
DATE RESPONDED: JULY 3, 2018

4) Please provide SDG&E's current understanding of the duties and obligations Calpine would assume under the Ground Sublease and Easement Agreement and related agreements under the following circumstances:

- a) Calpine chooses not to exercise the Put Option, or
- b) Calpine exercises the Put Option, but the transaction is not completed (for whatever reason).

Utility Response 4:

- a) See Section 2.4 of the Ground Sublease and Easement Agreement.
- b) See Section 4.13 (Failure of Closing Conditions) of the Ground Sublease and Easement Agreement.

TURN DATA REQUEST-068
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: JUNE 8, 2018
DATE RESPONDED: JULY 3, 2018

5) Please provide the following information regarding the following text from Section 4.5 of the Ground Sublease and Easement Agreement. Note that the terms Sublessee and Sublessor effectively refer to the Calpine Corporation and the San Diego Gas & Electric Company, respectively.

“Once per year during the Delivery Term (as defined in the PPA), Sublessee shall have the right (but not the obligation) to deliver to Sublessor the representations and warranties that would be required by Annex B at Option Closing (and any exceptions thereto). Upon Sublessee’s request, Sublessor shall, for the benefit of Sublessee and its Financing Parties, after consultation with the Technical Arbitrator if necessary, confirm whether or not the representations and warranties (and any exceptions thereto), if so delivered at Option Closing, would result in a reduction of the Option Purchase Price pursuant to Section 4.10(d) (and the approximate amount of such reduction if any).”

- a. Has the Sublessee provided the Sublessor any of the “representations and warranties” anticipated by this language from Section 4.5? If the Sublessee has submitted such “representations and warranties,” provide them.
- b. If the answer to Question 3.a is Yes, did the Sublessee request the Sublessor to “confirm whether or not the representations and warranties (and any exceptions thereto), if so delivered at Option Closing, would result in a reduction of the Option Purchase Price pursuant to Section 4.10(d) (and the approximate amount of such reduction if any)”. If so, provide Sublessor’s responses to such requests.

Utility Response 5:

- a) No.
- b) Not applicable.