

MEMORANDUM OF AGREEMENT

1. **Parties**: This Memorandum of Agreement (MOA) for the development of a 500 kV transmission line, from the Imperial Valley Substation to a future substation to be located in San Diego County referred to as the Central Substation between San Diego Gas & Electric Company ("SDG&E"), Citizens Energy Corporation ("Citizens") and the Imperial Irrigation District ("IID"), collectively referred to as the "Parties."
2. **Recitals**: This MOA is made with reference to the following:
 - 2.1 Sunrise Powerlink Project components referenced in this agreement include of:
 - 2.1.1 Central Substation: A new substation located in the east-central portion of SDG&E's electrical system including all down stream improvements to one or more existing SDG&E substations and related transmission facilities.
 - 2.1.2 Central -Narrows 500 kV Line Segment: A new 500kV transmission line and associated facilities between the new Central Substation and the existing point of demarcation between SDG&E's existing electrical system and IID's existing electrical system.
 - 2.2 The Green Path Project - Southwest components referenced in this agreement consist of:
 - 2.2.1 Narrows - San Felipe 500 kV Line Segment: A new 500kV transmission line and associated facilities between the Narrows (the existing point of demarcation between SDG&E's existing electrical system and IID's existing electrical system) and the new San Felipe Substation.
 - 2.2.2 San Felipe Substation: A new substation in Imperial County northwest of the IV Substation in the vicinity of San Felipe to interconnect:
 1. The Narrows - San Felipe 500 kV Line Segment
 2. The San Felipe - IV 500 kV Line Segment
 3. IID's 230 kV transmission system

2.2.3 San Felipe - IV 500 kV Line Segment: - A new 500kV transmission line and associated facilities between the Parties' IV Substation and the new San Felipe Substation.

2.3 Reference to "The Projects" means the above described portions of SDG&E Sunrise Powerlink and IID Green Path Southwest Projects.

2.4 Point of Demarcation: The Parties intend that any reference herein to "the Narrows" means the point of demarcation between that portion of the Green Path Project Southwest to be owned by IID and SDG&E's Sunrise Powerlink that will be located in the vicinity of the existing Narrows substation.

2.5 Stirling Solar Facility: SDG&E has signed a Power Purchase Agreement with a new solar generating facility being built by SES Solar Two LLC. The site of the Stirling Facility has not been determined nor has the point of its interconnection to The Projects.

3. **MOA**: The Parties agree as follows:

3.1 Development Activities: The Parties will cooperate, using commercially reasonable efforts on the following:

3.1.1 Completion of those features of The Projects which will result in a complimentary and non-duplicative enhancement of the transmission system between the IID and SDG&E service areas. The Parties agree to work together to achieve an in-service date of June, 2010;

3.1.2 Cooperative planning of The Projects to ensure that The Projects are compatible with and link with each other at a certain location where the two service areas of SDG&E and IID abut each other (the "Point of Demarcation");

3.1.3 Coordinated engineering, design and construction of The Projects; and

3.1.4 Coordinated operation of The Projects on a basis acceptable to SDG&E, IID and the California Independent System Operator (CAISO).

3.1.5 Development of the IV to Central 500 kV line so as not to have an adverse implications on the jurisdictional status of Citizens as a FERC regulated non-profit utility and IID as a non-jurisdictional California utility.

3.2 Ownership Issues:

3.2.1 The Parties agree that IID shall own the 500 kV Transmission line between IV substation and the Narrows. Subject to the terms and

conditions of future agreements to be negotiated with Citizens and CAISO, IID intends to transfer to Citizens entitlement to use 95% capacity on the 500 kV line from the Imperial Valley to San Felipe and 100% of the transfer capability from San Felipe to Narrows. Citizens intends to request Participating Transmission Owner ("PTO") status before the ISO with respect to Citizens entitlements in these two lines and the Parties agree to support Citizens in obtaining PTO status and recovery of costs of service for their portion of the Projects.

3.2.2 The Parties agree that SDG&E shall own the 500 kV transmission line and all improvements between the Narrows and its system located in San Diego County.

3.3 Project Leads: SDG&E shall be the Project Lead for the Sunrise Powerlink Project components set forth in 2.1 above. IID shall be the Project Lead for the Green Path Southwest Project components set forth in 2.2 above.

3.4 Interconnection Issues: The Parties agree to cooperate, using commercially reasonable efforts, to determine an appropriate mutually agreeable interconnection point for the Stirling Solar facility, such that SDG&E can connect to a substation they have ownership interests in and provided the transfer capability used for the Stirling Solar facility is limited to the use of Citizens' transfer capability and does not generate undue congestion and does not jeopardize Citizens' participation in the Projects.

3.5 Counterparts: This MOA may be executed in counterparts and will be effective upon execution by all Parties.

4. **Conditions Precedent to Agreement**: Board Approval: This MOA is subject to the approval of the Parties' respective Boards. The Parties agree to cooperate and to work collaboratively to seek such approval.
5. **Further Agreements**: Once this MOA is approved by the Parties' respective Boards, the Parties agree to negotiate diligently and in good faith definitive agreements.


Agreed and accepted this 16 day of March, 2006, by



Charles Hosken
General Manager
Imperial Irrigation District



James P. Avery
Senior Vice President - Electric
San Diego Gas & Electric Company



Joseph P. Kennedy II
President
Citizens Energy Corporation