

# MASTER POWER PURCHASE AND SALE AGREEMENT

## COVER SHEET

This *Master Power Purchase and Sale Agreement* (Version 2.1; modified 4/25/00) ("*Master Agreement*") is made as of the following date: November 20, 2003 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

**Name:** San Diego County Water Authority ("Party A")

**Name:** San Diego Gas & Electric Company ("Party B")

**All Notices:** \_\_\_\_\_  
\_\_\_\_\_

**All Notices:**

**Street:** 610 West Fifth Avenue

**Street:** 8315 Century Park Court

**City:** Escondido, CA                      **Zip:** 92025

**City:** San Diego, CA    **Zip:** 92123

**Attn:** Director Operations and Maintenance

**Attn:** Contract Administration

**Phone:** (760) 480-1991

**Phone:** (858) 650-6164

**Facsimile:** (760) 233-3237

**Facsimile:** (858) 650-6190

**Duns:** \_\_\_\_\_

**Duns:** 006911457

**Federal Tax ID Number:** \_\_\_\_\_

**Federal Tax ID Number:**

**Invoices:**

San Diego County Water Authority  
4677 Overland Avenue  
San Diego, California 92123  
Attn: Finance Department  
Phone: (858) 522-6670  
Facsimile: (858) 268-7809

**Invoices:**

San Diego Gas & Electric Company  
8315 Century Park Ct.  
San Diego, California 92123-1593  
Attn: Energy Accounting Manager  
Phone: (858) 650-6177  
Facsimile: (858) 650-6190

**Scheduling:**

San Diego County Water Authority  
610 West Fifth Avenue  
Escondido, California 92025  
Attn: Systems Operator Supervisor  
Phone: (760) 480-5534  
Facsimile: (760) 480-9867

**Scheduling:**

San Diego Gas & Electric Company  
8315 Century Park Ct.  
San Diego, California 92123-1593  
Attn: Transaction Scheduling Manager  
Phone: (858) 650-6160  
Facsimile: (858) 650-6191

**Payments:**

San Diego County Water Authority  
4677 Overland Avenue  
San Diego, California 92123  
Attn: Finance Department  
Phone: (858) 522-6670  
Facsimile: (858) 268-7809

**Payments:**

San Diego Gas & Electric Company  
PO Box 25110  
Santa Ana, CA 92799-5110  
Attn: Mail Payments  
Phone: (619) 696-4521  
Facsimile: (619) 696-4899

**Wire Transfer:**

**BNK:** Wells Fargo Bank, N.A.  
for: San Diego County Water Authority  
**ABA:** Routing #  
**ACCT:** #  
**Confirmation:** Financial Services Manager  
(858) 522-6679

**Wire Transfer:**

**BNK:** Union Bank of California  
for: San Diego Gas & Electric Company  
**ABA:** Routing #  
**ACCT:** #  
**Confirmation:** SDG&E, Major Markets  
**FAX:** (213) 244-8316

**Credit and Collections:**

San Diego County Water Authority  
4677 Overland Avenue  
San Diego, California 92123  
Attn: Controller, Finance Department  
Phone: (858) 522-6679  
Facsimile: (858) 268-7809

**Credit and Collections:**

San Diego Gas & Electric Company, Major Markets  
555 W. Fifth Street  
ML 10E3  
Los Angeles, CA 90013-1011  
Attn.: Major Markets, Credit and Collections Manager  
Fax No.: (213) 244-8316  
Phone: 1-866-313-6622 (toll-free)

With additional Notices of an Event of Default or Potential Event of Default to:

San Diego County Water Authority  
4677 Overland Avenue  
San Diego, California 92123  
Attn: Director of Finance  
Facsimile: (858) 268-7809

With additional Notices of an Event of Default or Potential Event of Default to:

Sémpra Energy  
101 Ash Street  
San Diego, CA 92101  
Attn: Assistant General Counsel, Commercial Law  
Facsimile: (619) 696-4377

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff      N/A

Party B Tariff      Tariff FERC

Dated 9/10/99 and accepted 10/25/99

Docket Number 88 FERC P61,212

**Article Two**

Transaction Terms and Conditions

Optional provision in Section 2.4. If not checked, inapplicable.

**Article Four**

Remedies for Failure to Deliver or Receive

Accelerated Payment of Damages. If not checked, inapplicable.

**Article Five**

Events of Default; Remedies

Cross Default for Party A:

Party A: \_\_\_\_\_ Cross Default Amount: \$50,000,000

Other Entity: \_\_\_\_\_ Cross Default Amount: None

Cross Default for Party B:

Party B: San Diego Gas & Electric Company Cross Default Amount: \$50,000,000

Other Entity: N/A Cross Default Amount \$ N/A

**5.6 Closeout Setoff**

Option A (Applicable if no other selection is made.)

Option B – Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: Affiliates shall not include those of Party B.

Option C (No Setoff)

*Article 6*

Party A and Party B agree to Transaction Netting as described in Article 6.8.

**Article 8**

**8.1 Party A Credit Protection:**

Credit and Collateral Requirements

(a) Financial Information:

- Option A
- Option B Specify: \_\_\_\_\_
- Option C Specify: \_\_\_\_\_

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable

If applicable, complete the following: N/A

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party B if Party B's Guarantor's Credit Rating falls below BBB- from S&P or Baa3 from Moody's.
- Other:  
Specify: \_\_\_\_\_

(e) Guarantor for Party B: None

Guarantee Amount: \$0

8.2 Party B Credit Protection:

(a) Financial Information:

- Option A
- Option B Specify:
- Option C Specify:

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable

If applicable, complete the following: N/A

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following: It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below BBB- from S&P or Baa3 from Moody's.

A's Credit Rating falls below BBB- from S&P or Baa3 from Moody's.

(e) Guarantor for Party A: None

Guarantee Amount: \$N/A

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**Article 10**

Confidentiality

Confidentiality Applicable      If not checked, inapplicable.

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**Schedule M**

- Party A is a Governmental Entity or Public Power System  
 Party B is a Governmental Entity or Public Power System  
 Add Section 3.6. If not checked, inapplicable  
 Add Section 8.4. If not checked, inapplicable

**Other Changes**

Specify, if any: Yes, the following changes shall be applicable:

**Part 1. GENERAL TERMS AND CONDITIONS.**

(a) **Definitions.** The following definitions are amended as set forth below:

- (1) Section 1.23 "Force Majeure" shall be deleted in its entirety and replaced with the following:

"Force Majeure" means any cause or event beyond the reasonable control of the affected Party which was not anticipated as of the date of the Transaction and not due to the fault or negligence of the Party affected, and which could not have been avoided by due diligence and use of reasonable efforts, including but not limited to (but only to the extent that the following examples satisfy such definition): (a) acts of God such as extreme weather conditions, droughts, floods, earthquakes, (b) fires, explosions, accidents that could not have been prevented by acting in accordance with Good Utility Practice, (c) war (declared or undeclared), riots, insurrection, rebellion, acts of the public enemy, acts of terrorism and sabotage, blockades, embargoes, industry-wide strikes, and (d) changes in governmental approvals or the conditions imposed thereunder or the failure to renew such governmental approvals not due to the failure of the affected Party to timely submit applications. Notwithstanding anything to the contrary in the foregoing, the following shall not constitute Force Majeure: (a) lack of finances, or (b) mechanical breakdown or electrical breakdown or failure of any machinery or equipment of all or part of the Facility due to operation or maintenance of such machinery or equipment in a manner that is inconsistent with Good Utility Practice.

- (2) Section 1.27 shall be modified by adding the words "and substantially in the same form as the Letter of Credit template attached hereto as "Exhibit E" at the end of the first sentence.
- (3) Section 1.45 shall be modified by including the words "acceptable to the requesting party" after the words "Letter(s) of Credit".
- (4) Section 1.51 is amended by replacing the current definition with the following:

"Replacement Price" means the price at which Buyer, acting in a commercially reasonable manner, purchases for delivery at the Delivery Point (or, if replacement power is not available at the Delivery Point, any other delivery point where Buyer is able to purchase replacement product) a replacement for any Product that includes its associated REC's and meets the requirements of Section 10.2(ix) but was not delivered by Seller, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Product and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point, or absent a purchase, the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner. The Replacement Price also shall include all charges and penalties calculated in dollars per megawatt hour with respect to the deviation from the scheduled supply resulting from Seller's failure to deliver; provided, however, in no event shall such price include any ratcheted demand or similar charges, nor shall Buyer be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller's liability. For the purposes of this definition,

Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point. If for any reason a Replacement Price is unavailable at the Delivery Point during a Transaction when Seller fails to deliver Product ("Missing Hours"), then the Replacement Price for Missing Hours shall be the last available Replacement Price prior to the Missing Hours together with any charges and penalties allocated to Buyer for the Missing Hours."

- (5) Section 1.53 is amended by replacing the current definition with the following:

"Sales Price' means the price at which Seller, acting in a commercially reasonable manner, resells any Product not received by Buyer, deducting from such proceeds any (i) costs reasonably incurred by Seller in reselling such Product and (ii) additional transmission charges, if any, reasonably incurred by Seller in delivering such Product to the third party purchasers, or absent a sale, the market price at the Delivery Point for such Product not received as determined by Seller in a commercially reasonable manner. The Sales Price also shall include all charges and penalties calculated in dollars per megawatt hour with respect to the deviation from the scheduled supply resulting from Buyer's failure to take Product; provided, however, in no event shall such price include any ratcheted demand or similar charges, nor shall Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize Buyer's liability. For purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another party at the Delivery Point."

- (6) Section 1.62 is added as follows:

"CAISO" is the California Independent System Operator, or its successor in interest.

- (7) Section 1.63 is added as follows:

"CAISO Schedule Adjustment" means a schedule change implemented by the CAISO that is neither caused by nor within the control of either Party and that results in the CAISO applying Replacement Pricing to all or part of the Contract Quantity.

- (8) Section 1.64 is added as follows:

"ISO Protocol" means the rules protocols, procedures and standards attached to the ISO Tariff as Appendix L, promulgated by the ISO(as amended from time to time).

- (9) Section 1.65 is added as follows:

"ISO Tariff" means the CAISO Operating Agreement and Tariff, as it may be modified from time to time.

- (10) Section 1.66 is added as follows:

"Annual Delivery Period" means all hours within all days for twelve (12) subsequent months following the declared Commercial Operation Date.

(b) **Confirmation.** Section 2.3 shall be deleted in its entirety.

(c) **Recording.** Section 2.5 shall be deleted in its entirety.

(d) **Seller's and Buyer's Obligations.** Section 3.1 shall be modified by deleting the words "provided, however, with respect to Options, the obligations set forth in the preceding sentence shall only arise if the Option Buyer exercises its Option in accordance with its terms" at the end of the first sentence.

(e) **Transmission and Scheduling.** Section 3.2, "Transmission and Scheduling" shall be amended by renaming it "Transmission, Scheduling and Imbalance Charges", replacing the first sentence with the following, "Seller shall arrange and be responsible for service to the Delivery Point" and inserting the following sentences at the end thereof:

"Buyer shall be the designated Scheduling Coordinator (as defined in the CAISO Tariff) for the Facility and shall be responsible for (a) scheduling Seller's forecast of Output to the Delivery Point during the Delivery Period, (b) submitting schedules and any updates to such schedules to the CAISO based on the most current forecast of Output consistent with all

scheduling protocols of the CAISO, and (c) arranging for all services beyond the Energy Delivery Point including, but not limited to, all transmission services, ancillary services, and any control area services.

In addition to the remedies provided under Article 4, Buyer shall assume all liability and reimburse Seller for any Penalties incurred as a result of Buyer's failure to (i) properly schedule Energy with CAISO or (ii) abide by a transmitting utility's tariff and scheduling policies. Seller shall assume all liability and reimburse Buyer for any Penalties incurred as a result of Seller's failure to (i) comply with a valid schedule or (ii) abide by the ISO Tariff and Protocols. The Parties shall promptly notify each other as soon as possible of any imbalance that is occurring or has occurred and shall cooperate to eliminate imbalances and minimize Penalties to the extent possible. "Penalties" shall be defined as any fees, liabilities, assessments, imbalances or similar charges assessed by the ISO.

(f) **Force Majeure. Add the following at the end of Section 3.3:**

"This Agreement may be terminated by the non-Claiming party with no further obligation to either party if a Force Majeure event prevents the performance of a material portion of the obligations hereunder and such Force Majeure is not resolved within six (6) months after the notice given above."

(g) **Events of Default.**

Section 5.1(c) is amended by deleting the reference to three (3) Business Days and replacing it with thirty (30) Business Days."

(h) **Declaration of an Early Termination Date and Calculation of Settlement Amount.** Section 5.2 is amended to delete the following phrase from the last two lines: "under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable".

(i) **Declaration of an Early Termination Date and Calculation of Settlement Amount.** The following shall be added to the end of Section 5.2: "under applicable law on the Early Termination Date, then each such Transaction (individually, an "Excluded Transaction" and collectively, the "Excluded Transactions") shall be terminated as soon thereafter as reasonably practicable, and upon termination shall be deemed to be a Terminated Transaction and the Termination Payment payable in connection with all such Transactions shall be calculated in accordance with Section 5.3 below. The Gains and Losses for each Terminated Transaction shall be determined by calculating the amount that would be incurred or realized to replace or to provide the economic equivalent of the remaining payments or deliveries in respect of that Terminated Transaction. The Non-Defaulting Party (or its agent) may determine its Gains and Losses by reference to information either available to it internally or supplied by one or more third parties including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets. Third parties supplying such information may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors and other sources of market information. Notwithstanding the other provisions of this Agreement, if the Non-Defaulting Party has the right to liquidate or terminate all obligations arising under the Transactions under the provisions of this Article 5 because the Defaulting Party either (a) is the subject of a bankruptcy, insolvency, or similar proceeding, or (b) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator, or similar official for all or a substantial portion of its assets, then this agreement and all associated transactions shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 5.1."

(j) **Notice of Payment of Termination Payment.** The following shall be added to the end of Section 5.4:

"Notwithstanding any provision to the contrary contained in this Agreement, the Non-Defaulting Party shall not be required to pay to the Defaulting Party any amount under Article 5 until the Non-Defaulting Party receives confirmation satisfactory to it in its reasonable discretion (which may include an opinion of its counsel) that all other obligations of any kind whatsoever of the Defaulting Party to make any payments to the Non-Defaulting Party or any of its Affiliates under this Agreement or otherwise which are due and payable as of the Early Termination Date (including for these purposes amounts payable pursuant to Excluded Transactions) have been fully and finally performed."

(k) **Suspension of Performance.** Section 5.7 is amended by deleting the phrase "ten (10) NERC Business Days" and replacing it with "five (5) NERC Business Days."

(l) **Payment and Netting.**

(1) Section 6.2 shall be replaced by the following:

6.2 Timeliness of Payment. Unless otherwise agreed by the Parties in a Transaction, all invoices under this Master Agreement shall be due and payable in accordance with each Party's invoice instructions thirty (30) days after receipt of the invoice or, if such day is not a Business Day, then on the next Business Day. Each Party will make payments by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the other Party. Any amounts not paid by the due date will be deemed delinquent and will accrue interest at the Interest Rate, such interest to be calculated from and including the due date to but excluding the date the delinquent amount is paid in full. Seller shall submit a monthly invoice via fax and email during the Delivery Period. Buyer has 30 days to pay the invoice. Invoice shall be itemized, identifying all component charges and unit prices. Invoice shall display a running tab of dispatch-down or dispatch-up hours, identify the capacity and energy scheduled and delivered during all hours of the month. The invoice shall describe in reasonable detail the calculations used to arrive at invoiced amounts.

- (2) Section 6.4 shall be amended as follows: the phrase "or any other agreements (including tariff, retail sales and any other transactions) between the parties" shall be added after the phrase "pursuant to all Transaction". The following new sentence shall be added at the end of Section 6.4: "Nothing in this Section shall limit Buyer's rights under applicable tariff schedules."

- (m) **Term of Master Agreement.** Section 10.1 is amended by adding the following after the last sentence.

"Both Parties can mutually agree in writing to terminate this agreement without further liability."

- (n) **Representations and Warranties.** Section 10.2 shall be modified by deleting the words "(including any Conformation accepted in accordance with Section 3.2)" from each subparagraph of this section;

Section 10.2(vi) is amended to delete the phrase "or any of its Affiliates".

Section 10.2(ix) is deleted in its entirety and replaced with the following: "The Seller represents and warrants that during the Delivery Period (i) the Energy qualifies as an 'Eligible Renewable Energy Resource,' as defined in Section 399.12(a) of the California Public Utilities Code, and (ii) the Energy will qualify under the requirements of the California Renewable Portfolio Standard."

- (o) **Assignment.** Article 10.5 shall be amended by placing a period after the word "arrangements" and deleting the remainder of the paragraph.

- (p) **Governing Law/Venue.** The first sentence of Article 10.6 shall be replaced with the following: "**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAWS OF THE STATE OF CALIFORNIA (NOTWITHSTANDING OTHERWISE APPLICABLE CONFLICTS OF LAW PRINCIPLES). THE PARTIES HEREBY CONSENT TO CONDUCT ALL DISPUTE RESOLUTION, JUDICIAL ACTIONS OR PROCEEDINGS ARISING DIRECTLY, INDIRECTLY OR OTHERWISE IN CONJUNCTION WITH, OUT OF, RELATED TO, OR ARISING FROM THIS AGREEMENT IN THE COUNTY OF SAN DIEGO, CALIFORNIA.**"

- (q) **Forward Contract.** Section 10.10 shall be deleted in its entirety.

- (r) **Confidentiality.** Because Party A is a California public agency, the Parties agree that Section 10.11 shall not be applicable to this Agreement.

- (s) **Dispute Resolution.** Add a new section to Article 10 as follows:

**10.13 Dispute Resolution.**

- (a) If a dispute shall arise between the Parties relating to the interpretation of this Agreement or to performance of any Transaction under it, the Party desiring resolution of the dispute shall notify the other Party in writing. The notice shall set forth the matter in dispute in reasonable detail and a proposed solution.
- (b) The Parties shall attempt to resolve any dispute within 30 calendar days after delivery of the written notice referred to above. Any disputes not so resolved shall be referred by each Party to an officer (or the officer's designee) for resolution. If the Parties fail to reach an agreement within 30 days after such referral, each Party shall have the right to pursue any and all remedies provided in this Agreement and as afforded by law.
- (c) The existence of any dispute or controversy under this Agreement or the pendency of the dispute settlement or resolution procedures set forth herein shall not in and of themselves relieve or excuse either Party from its ongoing duties and obligations under this Agreement.

- (t) **Change in Rates.** Add a new section to Article 10 as follows:  
“10.14 **Changes in Rates.** Each Party expressly retains all of its rights under Section 206 of the Federal Power Act. The standard of review for any Section 206 filing shall be the “just and reasonable” standard of review for any such filing. Each Party expressly retains its rights to protest or otherwise challenge any such filing.”

**Part 2. SCHEDULE M**

Section 3.5 “No Immunity Claim” shall be deleted in its entirety and replaced with the following:

“Section 3.5 No Immunity Claim. The law of the State authorizes suits based on contract against the San Diego County Water Authority, and the San Diego County Water Authority agrees that it will not assert any immunity it may have as a government entity against such lawsuits filed in State court.”

**Part 3. SCHEDULE P**

The following definitions are hereby deleted in their entirety:

“Firm Transmission Contingent – Contract Path”

“Firm Transmission Contingent – Delivery Point”

“Firm (No Force Majeure)”

“Into \_\_\_\_\_ (the “Receiving Transmission Provider”), Seller’s Daily Choice”

“System Firm”

“Transmission Contingent”

The following definitions are hereby added to Schedule P:

“**As Available**” means that the Product subject to this Confirmation is intended to be supplied from a generation asset or assets specified in this Confirmation. Party A’s failure to deliver under an “As Available” Confirmation shall be excused: (i) if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) and such Forced Outage is not the result of Party A’s negligence or willful misconduct; (ii) by an unanticipated event or circumstance that affects the specified generation asset(s) so as to prevent Party A from performing its obligations, and which is not within the reasonable control of, or the result of the negligence of, Party A, (iii) by Party B’s failure to perform, (iv) by the unavailability of water or the unavailability of sufficient differential pressure required for operation of the hydroelectric turbine-generator as reasonably determined by Party A within its operating procedures, neither of which was anticipated as of the date this Confirmation was agreed to, which is not within the reasonable control of, or the result of negligence of, Party A or the party supplying such water to the Project, and which by the exercise of due diligence, such Party A or the party supplying the water is unable to overcome or avoid or causes to be avoided and by deleting Master Purchase and Sale Agreement (“Master Agreement”) Section 1.23 for the purposes of this definition (iii), or (v) by scheduled maintenance outages of the specified units, or (vi) a reduction in Output as ordered under terms of Curtailments. In any of such events, Party A shall not be liable to Party B for any damages, including any amounts determined pursuant to Article Four of the Master Agreement.

“**Commercial Operation**” means, with respect to the Facility, (a) all portions of the Facility have been substantially completed in accordance with the EPC Contract (except for customary punch list items) and can be used safely for their intended purposes in accordance with all applicable laws and governmental approvals then in effect, (b) the Facility is in compliance with all applicable laws and governmental approvals for the purposes of operation thereof, (c) the Facility shall have successfully passed all Capacity Tests and complete test reports have been submitted to Buyer for its review and



approval, (d) the Facility shall have successfully passed all tests required under applicable laws and governmental approvals, and complete test reports have been submitted to Buyer for its review and approval, (e) Seller shall have delivered to Buyer, a manufacturer's commissioning certificate certifying that such item of major equipment supplied by it has been designed and installed in accordance with the applicable manufacturer's specifications and thus qualifies for all applicable warranties, and (f) Buyer and/or the Buyer's Engineer shall have confirmed that the Facility has satisfied all of the foregoing requirements; provided, however, that such confirmation must be made within twenty-one (21) days after receipt of complete test reports from Seller required pursuant to clauses (c), (d) and (e) above.

**"Commercial Operation Date"** with respect to the Facility means the date on which Commercial Operation is achieved.

**"Good Utility Practice"** means any practices, methods and acts (i) required by the National Electric Safety Code or NERC, whether or not Seller is a member thereof, or (ii) otherwise engaged in or approved by a significant portion of the utility electric generation industry during the relevant time period or any of the practices, methods and acts that in the exercise of commercially 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 intended to be the optimum practice, method or act to the exclusion of all others, but rather is intended to be any of the practices, methods and/or actions generally accepted in the region.

**"Renewable Energy Credit"** - means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable from the facility (the "Environmental Attributes"). Environmental Attributes include but are not limited to: (1) any avoided emissions of pollutants to the air, soil or water (subject to the foregoing) sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights such as Green Tag Reporting Rights to these avoided emissions. Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with Federal or state law, if applicable, and to a Federal or state agency or any other party at the Green Tag Purchaser's discretion, and include without limitation those accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on kWh basis and one Green Tag represents the Environmental Attributes associated with one (1) MWh of Energy. Environmental Attributes do not include any Energy, Capacity, reliability or other power attributes from the project nor production tax credits or certain other financial incentives existing now or in the future associated with the construction or operation of the Facility.

The following definitions shall replace the "Unit Firm" definition within Schedule P.

**"Unit Firm"** means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a generation asset or assets specified in the Transaction. Seller's failure to deliver under a "Unit Firm" Transaction shall be excused:

1. during Force Majeure;
2. if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) and such Forced Outage is not the result of Seller's negligence or willful misconduct;
3. by scheduled maintenance outages of the specified units; or
4. by Buyer's failure to perform.

In any of such events, Party A shall not be liable to Party B for any damages, including any amounts determined pursuant to Article Four of the Master Agreement.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A - SAN DIEGO COUNTY WATER AUTHORITY

By: Paul A. Lanspery

Name: Paul A. Lanspery

Title: Deputy General Manager

Party B - SAN DIEGO GAS & ELECTRIC COMPANY

By: James Avery

Name: James Avery

Title: SVP, Electric Transmission

*Approved as to form*  
*Paul A. Lanspery*

## EXHIBIT A: CONFIRMATION LETTER

This Confirmation is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated November 20, 2003 (the "Master Agreement") between Party A ("Seller") and Party B ("Buyer"), and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Seller: San Diego County Water Authority

Buyer: San Diego Gas & Electric Company

1.0 Effectiveness of Confirmation Letter - The obligation of Buyer to purchase Energy under this Agreement is expressly conditioned upon satisfaction of each of the following:

- a. CPUC Approval. Buyer shall have received a final, non-appealable order from the CPUC (i) approving the terms and conditions of this Agreement without material alteration of the commercial aspects described herein in form and substance acceptable to Buyer in its sole discretion, (ii) allowing Buyer full rate recovery of the costs associated under this Agreement through any existing or future cost recovery mechanism that may be developed or instituted by the CPUC, in form and substance acceptable to Buyer in its sole discretion, (iii) a finding by the CPUC that the payments under this Agreement are just and reasonable, and (iv) a finding by the CPUC that this Agreement complies with California state's RPS requirements and the energy delivered will count toward Buyer's annual procurement target. The Parties agree to cooperate and use all reasonable efforts to obtain the CPUC order as soon as is practicable. Should the CPUC issue a decision approving this Agreement with conditions or modifications that materially alter the commercial aspects of this Agreement, the Parties shall have ten (10) Business Days from the mailing date of such decision to provide the other Party written notice of the issuing Party's acceptance or rejection of the CPUC conditions or modifications; provided however, if a Party fails to provide written notification of its acceptance or rejection to the other Party within such ten (10) day period, that Party's silence shall be deemed to constitute acceptance of the condition or modification and agreement by such Party, upon the CPUC Approval Date. If a notice of rejection is sent, the parties agree to use good faith efforts to renegotiate the agreement. If, within sixty (60) days, no agreement is reached, either party may terminate this Agreement. For purposes of this Agreement, the CPUC Approval Date shall be defined as the first Business Day after the date on which the CPUC issues a final, non-appealable order approving this Agreement.

- b. System Impact Study. Within 10 days of Buyer notifying Seller results of the System Impact Study, each of Buyer and Seller shall have approved of the respective costs to be allocated to such Party for any required transmission network upgrades and Electrical Interconnection Facilities reasonably necessary to enable the cost-effective and reliable delivery of Energy from the Facility to load; provided that Seller shall be responsible for all costs related to upgrades to transmission/distribution facilities and construction of the Electrical Interconnection Facilities required to interconnect the Facility to the SDG&E Grid, as is consistent with FERC's orders and rulemakings. If the parties are unable to agree on the costs, either Party shall have the right, upon ten (10) Business Days written notice after Buyer notifies Seller of the System Impact Study results, to terminate this Agreement.

2.0 Product: (Check One)

- As-Available  
 Firm  
 Peaking  
 Unit-Firm Energy

3.0 Delivery Period/Contract Quantity/Term. The Term of this Agreement shall be 10 years from the Commercial Operation Date. The expected net output capacity amounts are shown below.

No Later Than COD	End	Product Quantity (Net Output)
12/31/06	ten (10) years after COD	4.5MW

4.0 Peak Hours. For purposes of this Agreement, Peak Hours shall be defined as follows and may be amended by Buyer from time to time:

- a. Summer Months: During the months of May, June, July, August, and September, peak hours are from 10a.m. PPT to 6p.m. PPT.
- b. Winter Months. During the months of January, February, March, April, October, November and December, peak hours are from 1p.m. PPT to 9p.m. PPT.

5.0 Facility. The Product subject to this Agreement will be supplied from the following generation asset:

Facility Name: Rancho Pefiasquitos Pressure Control Hydroelectric Facility  
Technology Type: Small Conduit Hydroelectric  
Specific Unit Description: Single unit horizontal Francis-type turbine

6.0 Interconnection. The point of interconnection is described as follows:

Distribution Area: SDG&E  
Congestion Zone: SP15  
Demand Zone: SDG1  
Load Group: SDSD  
Delivery Point: To be determined upon precise site selection by Seller

7.0 Exclusivity. At no time shall the Seller sell or otherwise dispose of Energy generated from the Facility to any third party. Seller may self-serve Facility parasitic load only (i.e., lighting, HVAC, security, equipment, and instrumental and control).

- a. Option to Purchase. If at any time during the Contract Term additional Energy from the Facility is available due to the installation of additional units or upgrade of existing units, Buyer shall have exclusive right to purchase any such additional Energy at the Delivery Point from the Facility at the Contract Price. Such right shall be exercised within 60 days after Seller sends Buyer notice of the additional Energy from Seller.

8.0 Energy Price. Energy price shall be \$53.70/MWH for all Energy delivered.

8.1 Energy Payment. Energy payment shall be only for actual Energy scheduled by Buyer, delivered by the Seller and received by the Buyer at the Delivery Point. The energy payment shall be calculated as follows:

$$\text{Energy Payment} = \sum_1^H (\text{Metered Output} \times \text{Energy Price})$$

where:

Metered Output = Hourly Average MWH metered in each hour up to scheduled quantity;

Energy Price = \$53.70/MWH;  
 H = Hours in the Month

- a. Imbalances. Reconciliations of CAISO uninstructed Energy and any associated penalties, credits, and debits shall be handled in accordance with the Cover Sheet.

8.2 Energy Production Guarantee.

a. Subject to the excuses enumerated above, commencing from the start of the Delivery Period of this Confirmation and continuing to the end of the Delivery Period of this Confirmation, Seller, estimates an annual net Energy production from the Facility each calendar year of approximately 20,000 megawatt hours ("MWh). Seller guarantees to produce an annual average minimum MWh production of 10,000 MWh ("Guaranteed Energy Production") Further Seller estimates that its annual production shall not exceed 35,000 MWh. Buyer shall have no obligation to purchase Energy in excess of the "shall not exceed" amount.

b. Additional Event of Default. Buyer shall in its sole discretion have the right to declare an Event of Default in the event Seller fails to achieve the Guaranteed Energy Production in any 12 month period and that failure is not excused.

- 9.0 Renewable Energy Credits (REC's). All rights and interests in REC's associated with metered output regardless of scheduled output from the Facility shall be the property of the Buyer. Seller shall transfer all REC's to Buyer at no additional cost and in its entirety without unbundling of any component attributes.

- 10.0 Project Schedule. The Project Milestones are the following:

<u>Milestone</u>	<u>Milestone Date</u>
Completion of Design	12/01/03
Executed Participating Generator Agreement with CAISO.	12/31/05
Executed Meter Service Agreement with CAISO.	12/31/05
Submit Testing Plan	12/31/05
Procurement of Major Equipment	12/31/05
Submit Manufacturer Commissioning Certificate	12/31/05
Submit Test Reports	12/31/05
COD	12/31/06

- 10.1 Buyer's Right to Monitor. Buyer may exercise its due diligence responsibilities via the following:
- a. Buyer shall have the right to review Facility design drawings and documents.
  - b. Buyer may inspect the Project's construction site or on-site Seller data and information pertaining to the Project during business hours upon reasonable notice.
- 10.2 Milestone Completion Notice. No later than seven (7) days upon completion of each milestone, Seller shall submit written notice to inform Buyer of milestone completion. Seller must provide accompanying documentation (photos, certificates, etc...) sufficient to demonstrate evidence of milestone completion.
- 10.3 Project Delays.
- a. Missed Milestones. If Seller misses two or more consecutive milestones or misses any one by more than 90 days except as a result of Force Majeure, Seller shall submit to Buyer, within ten (10) days of such missed milestone date, a Remedial Action Plan.
  - b. Missed COD. If a COD is not met, Exhibit D: Late COD Pricing Concession shall apply to the Contract Price. Seller shall also submit a Remedial Action Plan within ten (10) days of a missed COD.
  - c. Further Missed COD. If Paragraph 10.3b and Paragraph 10.3d is satisfied but the COD is not achieved within 90 days of scheduled date for reasons not attributable to Force Majeure or if COD is not achieved within 180 days of the scheduled date for any reason, then Buyer shall have the right in its sole discretion to declare an event of default.
  - d. Remedial Action Plan. For purposes of Paragraph 10.3a and Paragraph 10.3b, at a minimum, a Remedial Action Plan shall set forth a detailed description of Seller's course of action and plan to achieve all milestones and COD. Seller shall obtain approval from Buyer with respect to remedial efforts detailed in Seller's Remedial Action Plan; provided however that such approval or withholding of approval shall not relieve Seller of its obligation to meet any subsequent milestones and COD. Buyer at its sole discretion may reject the RAP and declare an Event of Default.

- 11.0 Declaration of Commercial Operation. No less than five (5) Business Days prior to date on which Seller anticipates Commercial Operation, Seller shall provide written notice to Buyer. Upon achieving Commercial Operation, Seller shall certify to Buyer in writing that Commercial Operation is achieved and shall deliver to Buyer a copy of the commissioning certificate for the generating units executed by the manufacturer (a "Commercial Operation Certificate") and Buyer shall either accept such Commercial Operation Certificate (such acceptance not to be unreasonably withheld or delayed) or deliver to Seller written notice stating in detail the reasons for rejecting such Commercial Operation Certificate (a "Rejection Notice") within five (5) days after receipt thereof. In the event that Buyer fails to deliver such notice within five (5) days after receipt of a Commercial Operation Certificate, the Commercial Operation Certificate shall be deemed accepted and approved by Buyer.
- 12.0 Operating Procedures. No later than forty-five (45) days before commercial operation, and from time to time as reasonably determined necessary by the Parties, the Parties shall meet to address how each Party will perform its respective obligations under this Transaction, including, but not limited to: (1) the method of day-to-day communications; (2) key personnel lists for each Party; (3) procedures for Forced Outage and Scheduled Maintenance Outage reporting; (4) procedures for delivery forecasting; (5) procedures for record keeping; (6) scheduling procedures if applicable; and (7) invoicing and payment procedures; provided that the failure to agree on Operating Procedures will not relieve the Parties of their respective obligations under this Transaction.
- 12.1 Maintenance Outages. Seller shall operate, maintain, and arrange Scheduled Maintenance Outages for the Facility in accordance with Good Utility Practices. Seller shall be limited to 240 hours of Scheduled Maintenance hours per year. No later than forty-five (45) days before the start of each calendar year, Seller shall provide the Buyer with a timetable of Scheduled Maintenance for the following twelve (12) months. The Buyer may accept or reject such schedules but shall not unreasonably withhold or delay approval. Parties shall cooperate to comply with any CAISO ordered outage scheduling shifts. Scheduled Maintenance Outages shall not occur during Summer Months. Buyer shall be excused from paying Energy payments during Scheduled Maintenance. For purposes of this Agreement, Scheduled Maintenance shall include scheduled shutdowns on the aqueduct system. Scheduled maintenance outages may be modified with Buyer's approval, and Buyer's approval shall not be unreasonably withheld.
- a. Emergency Periods. At Buyer's request, Seller shall make all reasonable effort to deliver Energy during CAISO declared emergency periods. In the event the Seller has previously scheduled an outage coincident with an emergency, Seller shall make all reasonable efforts to reschedule the outage.

12.2 Maintenance Logs. Seller shall maintain a maintenance log for the Facility. The logs shall include but not be limited to information on power production, fuel consumption and efficiency (if applicable), availability, maintenance (both breakdown and preventative) performed, outages, changes in operating status, inspections, manufacturer recommended services and replacement, electrical characteristics of the generators, control settings or adjustments of equipment and protective devices. Information maintained pursuant to this Paragraph shall be kept for 2 years and provided to Buyer electronically, within 30 days of Buyer's request.

13.0 Forecasts.

13.1 Monthly Delivery Forecast. No later than seven (7) days before the beginning of each Calendar Month, Seller shall provide a non-binding forecast of each day's average-day Deliveries, by hour, for the following Calendar Month.

13.2 Weekly Delivery Forecast. No later than noon each Friday, Seller shall provide a non-binding forecast of each day's average Deliveries, by hour, for the following week.

13.3 Daily Delivery Schedule. By 6:00 AM Pacific Prevailing Time (PPT) on the Business Day immediately preceding the date of delivery, the Seller shall provide the Buyer with an hourly schedule of deliveries for each hour of the immediately succeeding day. A schedule provided on a day prior to any non-Business Day(s) shall include forecasts for the immediate day and each succeeding non-Business Day(s). This schedule is binding. Seller will deliver the amounts specified in the forecast and Buyer shall take and pay for the amounts specified. If Seller delivers amounts in excess of the Daily Delivery Schedule, Seller shall be entitled to the lower of 1) CAISO's SP-15 imbalance energy price or 2) the Energy Price for the excess amounts. If Seller delivers amounts less than the Daily Delivery Schedule, Buyer shall be entitled to recover the difference between CAISO's SP15 imbalance energy price and the Energy Price when the Energy Price is less than the CAISO SP15 imbalance energy price in accordance with Section 3.2 of the Cover Sheet. Buyer shall also be entitled to the cost of replacement RECs.

14.0 Scheduling.

14.1 Unplanned Outages. Notwithstanding anything to the contrary herein, in the event Seller makes a change to its Delivery schedule on the actual date of Delivery for any reason including Forced Outages (other than a scheduling



change imposed by Buyer or CAISO) which results in a change to its Deliveries (whether in part or in whole), Seller shall notify Buyer immediately by calling SDG&E's on-duty scheduling coordinator. Within two hours of the scheduling change, Seller shall submit Exhibit E: Outage Notification Form to the Buyer in accordance with the instructions shown on the form. Seller shall keep Buyer informed of any developments that will affect either the duration of the outage or the availability of the Facility during or after the end of the outage.

- 15.0 CAISO Ordered Curtailments and System Emergencies. Seller shall reduce Deliveries for any of the following: (i) if notified by the CAISO to curtail Deliveries due to overgeneration conditions, (ii) for system emergencies, (iii) scheduled maintenance on Buyer's facilities, or (iv) unscheduled outages on Buyer's system that affects Buyer's ability to accept deliveries under this Agreement. Any CAISO directed curtailment is independent of any dispatch-down option that may be applicable to this Confirmation. Buyer shall be excused from paying energy payment during system emergencies.
- 16.0 Delivery and Metering. All Deliveries shall be metered in real-time basis at the Delivery Point. A copy of such meter information shall be included in each monthly invoice. All meters and equipment used for the measurement of output shall be provided, owned, maintained, inspected, tested and read at no cost to the Buyer by the Seller.
- 16.1 CAISO Agreements. Seller shall enter into a Participating Generator Agreement and a Meter Service Agreement with the CAISO and shall comply with all CAISO tariffs and standards applicable to metering. All meters and equipment used for the measurement of Deliveries shall be provided, owned, maintained, inspected and tested at no cost to the Buyer. To facilitate monthly settlement processes, Seller shall authorize Buyer to view the Facility's CAISO on-line meter data by identifying Buyer as an authorized user with "read only" privileges on Schedule 3 of Seller's Meter Service Agreement with the CAISO.
- 16.2 Testing and Calibration. Seller shall perform or cause to be performed, at its expense, annual testing and calibration of the electric meters in accordance with Good Industry Practice and the CAISO Tariff. Seller shall give Buyer reasonable advance notice of any inspection, testing or calibration of the electric meters. Buyer shall have the right to have a representative or Designee present at such inspection, test or calibration of the electric meters. Buyer shall have the right to require, at Buyer's expense, except as required below, a test of any of the electric meters not more often than two (2) times every twelve (12) months.

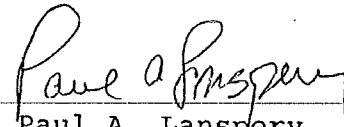
- 16.3 Inaccurate Meters. If any of the electric meters is deemed to be inaccurate under the Meter Service Agreement, Deliveries shall be measured by reference to Seller's check-meters, if installed and registering accurately, or the meter readings for the period of inaccuracy shall be adjusted as far as can be reasonably ascertained by Seller from the best available data, subject to review and approval by Buyer. If the period of the inaccuracy cannot be ascertained reasonably, any such adjustment shall be for a period equal to one-half of the time elapsed since the preceding test. Seller shall promptly cause such electric meters to be corrected and, where such inaccuracy was determined pursuant to a test required by Buyer, Seller shall bear the expense of any such test.
- 16.4 Delivered MWh Adjustments. In the event that, due to correction for inaccurate Electric Meters deemed to be inaccurate under the Meter Service Agreement, the amount of Energy is increased or decreased, the revised quantity of Energy shall be used for purposes of calculating the Energy Payment, and the Availability Adjustment Factor. If any of such amounts for any period have already been calculated using the previous quantity of Energy, they shall be recalculated using the revised quantity of Energy. If the recalculation increases any amount payable by Seller to Buyer or decreases any amount payable by Buyer to Seller, Seller shall pay to Buyer the amount of such increase or decrease. If the recalculation increases any amount payable by Buyer to Seller or decreases any amount payable by Seller to Buyer, Buyer shall pay to Seller the amount of such increase or decrease.

[Party A]

[Party B]

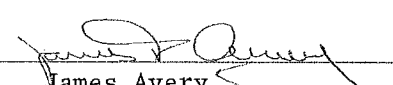
Company Name: San Diego County Water Authority

San Diego Gas & Electric Company

Signature: 

By: Paul A. Lanspery

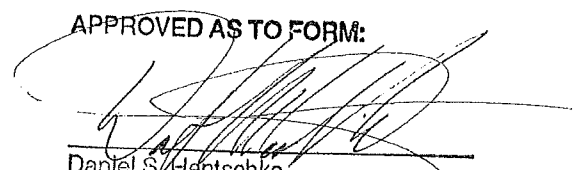
Title: Deputy General Manager

Signature: 

By: James Avery

Title: SVP, Electric Transmission

APPROVED AS TO FORM:

  
Daniel S. Hentschke  
General Counsel  
San Diego County Water Authority

APPROVED as to legal form a.s.