~~FIRST AMENDED AND RESTATED~~2003 SERVICING ORDER~~AGREEMENT~~

~~Between~~CONCERNING

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

And

SAN DIEGO GAS & ELECTRIC COMPANY

THIS ~~AGREEMENT~~ORDER HAS BEEN ~~FILED WITH AND APPROVED~~ISSUED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION ("COMMISSION") FOR USE BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES ("DWR") AND SAN DIEGO GAS & ELECTRIC COMPANY ("UTILITY").

~~Execution Date: _____~~

Date of Commission Approval: _____

Effective Date: _____

2003 SERVICING ~~AGREEMENT~~ORDER

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~~FIRST AMENDED AND RESTATED~~ 2003 SERVICING ~~AGREEMENT~~ORDER

THIS ~~FIRST AMENDED AND RESTATED~~2003 SERVICING ~~AGREEMENT~~ORDER (the "~~Agreement~~Servicing Order") ~~is entered into by and between~~concerns the State of California Department of Water Resources ("DWR"), separate and apart from its powers and responsibilities with respect to the State Water Resources Development System, and San Diego Gas & Electric Company, a California corporation ("Utility"). This Servicing Order amends and restates that First Amended and Restated Servicing Agreement between DWR and Utility, approved by the Commission on April 22, 2002, as amended by the Amendment No. 1 to the First Amended and Restated Servicing Agreement, approved by the Commission on July 17, 2002. DWR and Utility are sometimes collectively referred to as the "Parties" and individually referred to as a "Party."

~~R E C I T A L S~~BACKGROUND

A. Under the Act, DWR is authorized to sell electric power and energy to Customers. Amounts payable by DWR under this ~~Agreement~~Servicing Order are payable solely from the Department of Water Resources Electric Power Fund established pursuant to Section 80200 of the California Water Code or other appropriated amounts legally available therefor.

B. Utility is engaged in, among other things, the transmission and distribution of electrical services to customers in its service territory, the billing and collection for electrical services and other charges, and the ownership, installation and reading of electrical meters for such customers.

C. The Act and Applicable Commission Orders allow DWR and the Utility to enter into contracts under which the Utility provides for the transmission and distribution of all power sold or made available for sale by DWR to Customers, and provides billing, collection and related services, as agent for DWR, on terms and conditions that reasonably compensate Utility for its services.

D. On June 22, 2001, the Parties entered into a Servicing Agreement to set forth the terms under which Utility will provide for the transmission and distribution of DWR Power as well as billing and related services.

E. On September 6, 2001, the Commission approved the Servicing Agreement pursuant to Decision 01-09-013, and ordered certain amendments to the Servicing Agreement as described in Ordering Paragraphs 3, 4 and 5 of such decision.

F. On February 21, 2002, the Commission issued Decision 02-02-051, approving and adopting a Rate Agreement between the Commission and ~~the Department~~DWR.

G. ~~The Parties desire to amend~~On April 22, 2002, the Commission approved the First Amended and Restated Servicing Agreement pursuant to Decision 02-04-048,

which amended the Servicing Agreement to comply with Commission Decision 01-09-013 and to implement certain provisions of the Rate Agreement.

H. On July 17, 2002, the Commission approved Amendment No. 1 to the First Amended and Restated Servicing Agreement ("Amendment No. 1") pursuant to Decision 02-07-038, which amended the First Amended and Restated Servicing Agreement in order to provide for a separate line item on the Consolidated Utility Bills for Bond Charges and to implement the 2002 20/20 Program as ordered by the Commission pursuant to Resolution E-3770.

I. On September 19, 2002, the Commission issued Decision 02-09-053 relating to the allocation of DWR's power contracts, ordering the Parties to modify the Agreement to reflect the new operational arrangements under the contract allocation ordered by the Commission in such decision.

J. This Servicing Order is the result of a desire to comply with Decision 02-09-053 and to incorporate the changes set forth in Amendment No. 1.

NOW, THEREFORE, ~~in consideration of the mutual obligations of the Parties, the Parties agree~~DWR agrees, and SDG&E is ordered to do as follows:

Section 1. Definitions.

The following terms, when used herein (and in the attachments hereto) with initial capitalization, shall have the meaning specified in this Section 1. Certain additional terms are defined in the attachments hereto. The singular shall include the plural and the masculine shall include the feminine and neuter, and *vice versa*. "Includes" or "including" shall mean "including without limitation." References to a section or attachment shall mean a section or attachment of this ~~Agreement~~Servicing Order, as the case may be, unless the context requires otherwise, and reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made (except as otherwise specifically provided herein). Unless the context otherwise requires, references to Applicable Laws or Applicable Tariffs shall be deemed references to such laws or tariffs as they may be amended, replaced or restated from time to time. References to the time of day shall be deemed references to such time as measured by prevailing Pacific time.

1.1. ACH – Automated Clearing House, a nationwide payment and collection system which provides for the electronic distribution and settlement of funds.

1.2. Act– Chapter 4 of Statutes of 2001 (Assembly Bill 1 of the First 2001-02 Extraordinary Session) of the State of California.

1.3. Additional Charges – Additional Charges shall have the meaning set forth in Section 7.2 below.

1.3.5. Aggregate Power –DWR Power, Utility-Provided Electric Power, and, subject to Section 4.3 of the Rate Agreement, ESP Power or other third party provided power for Customers located within the Utility's service territory, to the extent DWR Charges are authorized to be imposed on any such power by Applicable Commission Orders.

1.4. ~~**Agreement** – This Servicing Agreement, including all attachments hereto.~~**Allocated Contracts** – The long-term power purchase agreements, listed on Schedule 1 of the Operating Order, allocated to Utility under the Contract Allocation Order.

1.5. Applicable Commission Orders –Such rules, regulations, decisions, opinions or orders as the Commission may lawfully issue or promulgate from time to time, which further define the rights and obligations of the Parties under this ~~Agreement~~Servicing Order.

1.6. Applicable Law –The Act, Applicable Commission Orders and any other applicable statute, constitutional provision, rule, regulation, ordinance, order, decision or code of a Governmental Authority.

1.7. Applicable Tariffs – Utility's tariffs, including all rules, rates, schedules and preliminary statements, governing electric energy service to Customers in Utility's service territory, as filed with and approved by the Commission and, if applicable, the Federal Energy Regulatory Commission.

1.8. Assign(s) – Assign(s) shall have the meaning set forth in Section 14.3(c).

1.9. Billing Services – means Consolidated Utility Billing Service

1.9.3 Bond Charges – Bond Charges shall have the meaning set forth in the Rate Agreement.

1.9.7 Bundled Customer – A Customer that purchases electric energy from Utility.

1.10. Bureau – Bureau shall have the meaning set forth in Section 8.2(b).

1.11. Business Days – Regular Monday through Friday weekdays which are customary working days, excluding holidays, as established by Applicable Tariffs.

1.12. Business Hours – The period on a Business Day from 9:00 a.m. until 5:00 p.m.

1.13. C.E.R.S. – California Energy Resource Scheduling, a division of DWR.

1.14. Charges – DWR Charges and Utility Charges.

1.15. **Claims** – Claims shall have the meaning set forth in Section 12.

1.16. **Commission** – The California Public Utilities Commission.

1.17. **Confidential Information** – Confidential Information shall have the meaning set forth in Section 6.1(c).

1.18. **Consolidated Utility Billing Service** – Billing service through the use of Consolidated Utility Bills as described in Service Attachment 1 to this ~~Agreement~~Servicing Order.

1.19. **Consolidated Utility Bill** – A consolidated bill prepared and presented by Utility to a Customer which includes both the Customer's Utility Charges and DWR Charges.

1.19.3. **Contract Allocation Order** – Decision 02-09-053 of the Commission, issued on September 19, 2002, as such Decision may be amended or supplemented from time to time by the Commission.

1.19.7. **Contracts** – The Allocated Contracts.

1.20. **Customer** – A customer in Utility's service area that purchases (or is deemed to purchase) Aggregate Power.

1.21. **Daily Remittance Amount** – Daily Remittance Amount shall have the meaning set forth in Section 4.2(a).

1.22. **Daily Remittance Report** – Daily Remittance Report shall have the meaning set forth in Section 4.2(b).

1.23. **Day-Ahead Market** – The daily ISO forward market for which energy and ancillary services are scheduled for delivery on the following calendar day.

1.24. **Delinquent Payment** – Delinquent Payment shall mean the payment of any amount due under this ~~Agreement~~Servicing Order after the time when payment is required to be made hereunder, as further described and/or limited hereunder.

1.25. **Discloser** – Discloser shall have the meaning set forth in Section 6.1(c).

1.26. Reserved.

1.27. Reserved.

1.28. **DWR Charges** – Bond Charges, Power Charges and any other amounts authorized to be collected from Customers pursuant to Applicable Commission Orders and Applicable Law in order to meet DWR's revenue requirements under the Act, as calculated pursuant to this Agreement and Applicable Law.

1.29. **DWR Power** – The electric power and energy, including but not limited to capacity and output, or any of them supplied by DWR to Bundled Customers pursuant to the Act and Applicable Commission Orders.

1.30. **DWR Revenues** – Those amounts required to be remitted to DWR by Utility ~~pursuant to Applicable Law~~for DWR Charges and DWR Surplus Energy Sales Revenues.

1.30.5. **DWR Surplus Energy Sales Revenues** – Revenues received by Utility for the sale of surplus Power to third parties that Utility is required to remit to DWR, consistent with the Contract Allocation Order, Exhibit C of the Operating Order and Attachment J hereto.

1.31. **DWR's Agent** – DWR's Agent shall have the meaning set forth in Section 8.2(b).

1.32. **Effective Date** – The date this ~~Agreement~~Servicing Order is effective in accordance with Section 14.16, as such date is set forth on the cover page hereof.

1.32.3 **Electric Service Provider** – Electric Service Provider has the meaning set forth in the Rate Agreement.

1.32.7. **ESP Power** – electric power sold by an Electric Service Provider to Customers.

1.33. **Event of Default** – Event of Default shall have the meaning set forth in Section 5.2.

1.34. **Execution Date** – The date this ~~Agreement~~Servicing Order is fully executed by the Parties, as such date is set forth on the cover page hereof.

1.34.5 **Exit Fee** -- Any fee that DWR is entitled, under Applicable Law, to assess and collect from a Customer in the event such Customer ceases purchasing DWR Power.

1.35. **Final Hour-Ahead Schedule** – The final schedule of DWR Power submitted by DWR and Utility and published by the ISO for the Hour-Ahead Market.

1.36. **Fund** – Fund shall have the meaning set forth in Section 13.2.

1.37. **Governmental Authority** – Any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including the Commission.

1.38. **Governmental Program** - Any program or directive established by Applicable Law which directly or indirectly affects the rights or obligations of the Parties under this ~~Agreement~~Servicing Order and which obligates or authorizes DWR to make payments or give credits to Customers or other third parties under such programs or directives.

1.39. Hour-Ahead Market – The ISO forward market for which energy and ancillary services are scheduled for subsequent hours for delivery on the current calendar day.

1.40. Imbalance Energy – The difference between electric power metered and the electric power scheduled in the Day-Ahead Market or Hour-Ahead Market.

1.41. Indemnified Party – Indemnified Party shall have the meaning set forth in Section 12.

1.42. Indemnifying Party – Indemnifying Party shall have the meaning set forth in Section 12.

1.43. Initial Remittance Date – Initial Remittance Date shall have the meaning set forth in Section 4.2(a).

1.44. Insolvency Event – With respect to Utility, (a) the filing of a decree or order for relief by a court having jurisdiction in its premises or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for it or for any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive calendar days; or (b) the commencement by it of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by it to the entry of an order for relief in an involuntary case under any such law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for it or for any substantial part of its property, or the making by it of any general assignment for the benefit of creditors, or the taking of action by it in furtherance of any of the foregoing.

1.45. ISO – The State of California Independent System Operator Corporation.

1.46. Late Payment Rate – The Prime Rate plus 3%.

1.46.1. Operating Order – The Operating Order between DWR and Utility, dated as of [ ] and approved by the Commission on [ ].

1.46.2. Operating Order Effective Date – The date the Operating Order is effective in accordance with the provisions thereof.

1.46.3. Power – Electric power and energy, including but not limited to capacity and output.

1.46.5 Power Charges – Power Charges shall have the meaning set forth in the Rate Agreement.

1.47. **Prime Rate** – The rate which Morgan Guaranty Trust Company of New York announces from time to time in New York, New York as its prime lending rate, the Prime Rate to change when and as such prime lending rate changes. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer.

1.47.5 **Rate Agreement** – The Rate Agreement between DWR and the Commission adopted by the Commission on February 21, 2002 pursuant to Commission Decision 02-02-051, as the same may be amended and adopted by subsequent Commission proceedings.

1.48. **Recipient** – Recipient shall have the meaning set forth in Section 6.1(c).

1.49. **Recurring Fees** – Recurring Fees shall have the meaning set forth in Section 7.1.

1.50. **Remittance** – A payment by Utility to DWR or its Assign(s) in accordance with this ~~Agreement~~Servicing Order.

1.51. **Scheduled Energy** – DWR Power set forth on schedules submitted by DWR to Utility and the ISO, or by Utility to the ISO, as the case may be, in the Day-Ahead Market and Hour-Ahead Market that, pursuant to Section 2.2(b), DWR ~~will provide~~provided to Bundled Customers.

1.52. **Scheduling Coordinator – to – Scheduling Coordinator Trade** – Schedules for energy transferred from one ISO scheduling coordinator to another. Such schedules are deemed delivered by the ISO upon publication by the ISO of the final schedules.

1.53. **Services** – Billing Services, metering services and meter reading services which may be performed by Utility and related collection, remittance and other services provided by Utility for DWR pursuant to this ~~Agreement~~Servicing Order.

1.53.5 **Servicing Order** – This 2003 Servicing Order, including all attachments hereto.

1.54. **State** – The State of California.

1.55. **Set-Up Fee** – Set-Up Fee shall have the meaning set forth in Section 7.1.

1.56. **Term** – The term of this ~~Agreement~~Servicing Order as set forth in Section 5.1.

1.57. **20/20 Program** – 20/20 Program shall have the meaning set forth in Section 4.3.

1.58. **Utility Charges** – Charges incurred by a Customer for electricity-related services and products provided by Utility to the Customer, as approved by the Commission and, as applicable, the Federal Energy Regulatory Commission or other Governmental Authority (including, but not limited to, any Competition Transition Charges or Fixed Transition Amount Charges owing to Utility or its affiliates, as those terms are

defined under the California Public Utilities Code). Utility Charges shall not include DWR Charges or charges related to natural gas related services and products.

1.59. Utility-Provided Electric Power – Utility-Provided Electric Power shall refer to electricity from Utility's own generation, qualifying facility contracts, other power purchase agreements and bilateral contracts. Utility-Provided Electric Power shall include neither DWR Power nor ESP Power.

The terms used in the attachments, but not specifically defined herein or elsewhere in this Agreement, are understood by the Parties to have their ordinary meanings.

Section 2. Energy Delivery, Surplus Energy Sales and Ownership.

2.1. Delivery of DWR Power.

Pursuant to the Act and Applicable Commission Orders, Utility ~~covenants and agrees~~is ordered to transmit, or provide for the transmission of, and distribute DWR Power to Bundled Customers over Utility's transmission and distribution system in accordance with Applicable Law, Applicable Tariffs and any other agreements between the Parties.

2.2. Data and Information Communications Procedures.

(a) Utility shall estimate Bundled Customer usage and Utility-retained generation for a given trade day and shall communicate the net of such estimate to DWR by 7:00 a.m. on the preceding Business Day; provided, however upon the Operating Order Effective Date, Utility is directed to comply with the data and information communications procedures of the Operating Order. In the event that DWR observes a persistent deviation between estimated Bundled Customer usage and actual Bundled Customer usage, or between estimated Utility-retained generation and actual Utility-retained generation, DWR may request Utility to review, and Utility will promptly commence to review, Utility's forecast methodology and will report the results of such review to DWR; provided, however, that Utility shall have no obligation to correct or minimize such deviation except as provided in Attachment H hereto.

(b) DWR ~~shall~~agrees to send to Utility in writing each day the Scheduling Coordinator-to-Scheduling Coordinator Trade between DWR and Utility. This information shall be delivered no later than 9:30 a.m. for trades in the Day-Ahead Market for the following day, and no later than two hours and twenty minutes prior to the start of the delivery hour for trades in the Hour-Ahead Market. Utility is ordered and DWR agrees to ~~will~~ separately provide these schedules to the ISO prior to the close of the respective markets. The above deadlines for DWR are set because the ISO Day-Ahead Market currently closes at 10:00 a.m. on the day before delivery and the ISO Hour-Ahead Market currently closes two hours before the delivery hour. If these

closing times should change, the deadlines for submission of DWR data to Utility shall change proportionately, which revised deadlines shall be confirmed in writing by DWR and Utility. DWR agrees that, ~~U~~upon Utility's request, DWR shall supply information to Utility substantiating to Utility's reasonable satisfaction (i) the total amount of energy purchased by DWR in the Day-Ahead Market and Hour-Ahead Market; and (ii) other such information that may be required for Utility to verify the DWR Charges, or any component thereof, including information regarding the allocation of such energy among Customers and other third parties to the extent so required. Notwithstanding the provisions of this paragraph (b), upon the Operating Order Effective Date, Utility shall schedule and dispatch Power as provided in the Operating Order.

(c) The basis for remittances of revenues for Power Charges shall be the amounts collected from Bundled Customers for ~~actual~~delivery of DWR Power ~~supplied~~, as further described in Attachments B and H of this Servicing Order, and upon the Operating Order Effective Date, consistent with the principles set forth in Exhibit C of the Operating Order. The basis for the remittance of revenues for Bond Charges shall be amounts collected from Customers pursuant to future Applicable Commission Orders implementing such Bond Charges (including, without limitation, the portion of any Exit Fee imposed by the Commission on Customers of Electric Service Providers or upon any other third party which constitutes a Bond Charge). If and when ordered by the Commission, the remaining portion of any such Exit Fee shall be remitted to ~~the Department~~ DWR in a manner reasonably agreed upon by the Parties. All DWR Charges shall be at the applicable Commission-approved rates. If either Party obtains actual knowledge of a material flaw in the procedures or methods set forth in this ~~Agreement~~Servicing Order, and such flaw has a material adverse effect on (i) the delivery of Services (including, without limitation, the timely and accurate remittance of DWR Charges and DWR Surplus Energy Sales Revenues to DWR), or (ii) the timely and accurate payment to Utility of compensation for Services hereunder, the discovering Party shall bring such flaw to the attention of the other Party within a reasonable time. Upon the delivery of such notice, the Parties ~~agree~~shall ~~to~~ conduct good faith negotiations to resolve such flaw. Without limiting any other terms, express or implied, of this Servicing Order or any other agreement between the Parties, the Parties ~~agree~~acknowledge that the two preceding sentences do not impose an independent obligation to perform any investigation or monitoring to discover any such flaw.

(d) Adjustments to the remittance of revenues to DWR prior to the Operating Order Effective Date in (c) above will be based on the following, (i) the difference between scheduled quantities and those scheduled quantities which are actually reflected in ISO settlement statements, and (ii) the difference between the Utility estimate of Customer usage and the actual Customer usage

reflected in ISO settlement statements. Adjustments to the remittance of revenues to DWR after the Operating Order Effective Date in (c) above will be based on the following, (i) the difference between estimated dispatched quantities of Utility and DWR Contracts and the actual dispatched quantities reflected in ISO settlement statements, and (iii) the difference between Utility's estimate of Customer usage and the actual Customer usage reflected in ISO settlement statements. Utility shall include an adjustment of DWR Charges, DWR Power, Utility-Provided Electric Power, DWR Surplus Energy Sales Revenues and, as applicable, ESP Power, on its next Consolidated Utility Bill if so provided for in Attachment H.

(e) Upon the Operating Order Effective Date, Utility shall calculate and remit DWR Surplus Energy Sales Revenues consistent with the Contract Allocation Order and the Operating Order. The basis for remittance of DWR Surplus Energy Sales Revenues shall be amounts collected by Utility from third parties for sales of surplus Power, as further described in Attachment J hereto and Exhibit C of the Operating Order, all in accordance with the Contract Allocation Order. Attachment J hereto includes a procedure for the remittance of Preliminary Monthly Surplus Energy Sales Revenues Remittance Amount and the Actual Monthly Surplus Energy Sales Revenues Remittance Amount.

~~(e)~~(f) All data and information to be exchanged between the Parties in connection with scheduling or settlement of transactions shall be in the format agreed to by Utility and DWR and shall, except as otherwise provided by this ~~Agreement~~Servicing Order or Utility Applicable Tariffs, or as may be approved by Utility in its reasonable discretion, be submitted electronically. If a Party receives any information that is unreadable, or contains data that cannot be processed by the receiving Party's system, or is otherwise damaged, such receiving Party shall inform the sending Party of such problem. Until any such problem is corrected, the receiving Party shall not be responsible for processing information received in this condition. The foregoing notwithstanding, a receiving Party shall not be excused from its obligation to process information if the receiving Party cannot read or otherwise process the information sent by the sending Party as a result of defects, errors, bugs, or viruses in the receiving Party's systems or software or due to negligence or wrongful act(s) or failure(s) to act on the part of the receiving Party's employees, agents, independent contractors, subcontractors or assigns.

2.3. Ownership of DWR Power, Surplus Power, Utility-Provided Electric Power and DWR Revenues.

(a) Notwithstanding any other provision herein, and in accordance with the Act and Section 80110 of the California Water Code, ~~Utility and DWR agree that~~ DWR shall retain title to all DWR Power sold by DWR to Bundled Customers or any surplus Power sold by Utility on DWR's behalf in accordance with the

terms of the Operating Order and consistent with the Contract Allocation Order. In accordance with the terms hereof and the Operating Order, as the case may be, Utility is acting solely as the servicing agent for DWR with respect to the sale of Aggregate Power provided to Customers and with respect to sales of surplus Power to third-party power purchasers. In accordance with the Act and Section 80104 of the California Water Code, upon the delivery of DWR Power to Bundled Customers or the sale of surplus Power to third-party power purchasers, those Bundled Customers and third-party power purchasers, shall be deemed to have purchased that ~~p~~Power from DWR, and payment for any such sale shall be a direct obligation of such Bundled Customers or third-party purchasers, as the case may be, to DWR. Notwithstanding any other provision herein, ~~DWR and Utility agree that~~ Utility shall retain title to all Utility-Provided Electric Power supplied by Utility to Bundled Customers and all surplus Power provided by Utility.

(b) DWR Charges and DWR Surplus Energy Sales Revenues shall be the property of DWR for all purposes.

2.4. Allocation of DWR Power and DWR Surplus Energy Sales Revenues.

DWR Power will be allocated pursuant to the Act and other Applicable Law and Applicable Tariffs. Upon the Operating Order Effective Date, DWR Power and DWR Surplus Energy Sales Revenues shall be allocated consistent with the Contract Allocation Order, and as provided in the Operating Order and this Servicing Order.

2.5 DWR Surplus Energy Sales Revenues.

The treatment of surplus Power shall be governed by the Contract Allocation Order and as further provided by Operating Order and Attachment J attached hereto, as the same may be hereafter amended by written agreement of the Parties.

Section 3. Billing Services.

3.1. Provision of Services by Utility.

(a) Utility shall provide metering services, meter reading services and Billing Services relating to (i) the delivery of DWR Power that is the basis for a Power Charge and (ii) the delivery of Aggregate Power, except to the extent that such services are provided by a third party, that is the basis for a Bond Charge. In the event that billing services are provided by a third party to its Customers, Utility shall bill and collect DWR Charges from the third party supplier, as applicable to the third party for its Customers, on behalf of DWR, in accordance with Applicable Commission Orders and Applicable Tariffs and remit the same to DWR upon collection.- Utility provided metering services, meter reading services and Billing Services shall be provided in accordance

with Applicable Commission Orders, Applicable Tariffs and Service Attachment 1 hereto.

Upon the Operating Order Effective Date, Utility shall sell surplus Power on behalf of DWR, and provide invoicing and collection of amounts owed by third parties for such surplus Power sales made by Utility on DWR's behalf and allocate such revenues to DWR. Surplus Power sales made by Utility on DWR's behalf, including the invoicing and collection of amounts owed by third parties and credit risk management, shall be conducted by Utility in accordance with Applicable Commission Orders, including but not limited to, the Contract Allocation Order, Applicable Tariffs, the Operating Order and Service Attachment 2 hereto.

(b) On behalf of DWR, Utility shall (i) follow its customary standards, policies and procedures in performing its duties hereunder and (ii) perform its duties hereunder using the same degree of care and diligence that Utility exercises for its own account.

(c) For surplus Power sales to third parties, Utility shall apply prudent credit risk management criteria to ensure that such purchasers meet or exceed DWR credit criteria, or in the absence of such DWR designated criteria, then consistent with industry accepted credit standards. If Utility sells surplus Power to an entity that requires collateral, the cost and obligation to post such collateral shall be Utility's responsibility.

(d) Utility shall be responsible for all transaction fees or other costs associated with the sale of surplus Power imposed by third-party purchasers or any agents of Utility or such purchaser.

3.2. Reserved.

3.3. Modification of Billing and Metering Systems.

Utility ~~reserves~~shall have the right to modify and replace its billing and metering systems, subject to the requirements of Applicable Law, if any. However, to the extent that such modifications and replacements materially interrupt Services provided by Utility to DWR, Utility shall provide to DWR, as soon as reasonably practicable, prior written notice of any such changes, including, but not limited to, such changes as are required by Applicable Law or Applicable Commission Order(s). Moreover, to the extent any such modifications would affect the collection of DWR Charges or DWR Surplus Energy Sales Revenues in a manner which is different from the collection of Utility Charges or other Utility revenues from the sale of Power, Utility shall obtain DWR's prior written consent to such modifications, which consent shall not be unreasonably withheld or delayed.

3.4. Customer Inquiries.

So long as Consolidated Utility Billing Service is in place, Utility ~~agrees to~~shall address all Customer inquiries regarding the DWR Charges. DWR agrees to provide all necessary information to Utility in order to permit Utility to respond to all Customer inquiries on a timely basis. In extraordinary circumstances, Utility will refer Customer inquiries to DWR in a manner to be agreed upon by the Parties. In the event that either (i) DWR's failure to provide all such necessary information to Utility, (ii) DWR's provision of inaccurate information or (iii) DWR's failure to handle Customer inquiries referred to it by Utility in extraordinary circumstances in the manner agreed upon by the Parties results in Utility's non-compliance with its obligations under this Section 3.4, such non-compliance will not constitute a material breach of this ~~Agreement~~Servicing Order and will not give DWR the right to terminate this ~~Agreement~~Servicing Order.

3.5 Inquiries From Third-Party Power Purchasers.

So long as Utility, as agent to DWR, sells surplus Power to third-party purchasers, Utility shall address all third-party purchasers' inquiries regarding such surplus Power sales. If Utility and any third-party purchaser should have a dispute with respect to the sale of surplus Power, Utility shall resolve all such disputes. Utility shall apply the same practices to the resolution of such disputes as Utility uses to resolve disputes related to any other transaction with such third-party purchaser.

Section 4. DWR ~~Charges~~Revenues; Remittance of DWR Revenues.

4.1. DWR ~~Charges~~Revenues.

DWR Revenues required to be remitted to DWR under this ~~Agreement~~Servicing Order shall be based upon DWR Charges in effect from time to time pursuant to Applicable Law and Attachments B and H hereto. Upon the Operating Order Effective Date, DWR Surplus Energy Sales Revenues shall be remitted based upon the terms of Attachment J hereto and consistent with the principles provided in Exhibit C of the Operating Order.

4.2. Remittance of DWR Revenues.

As provided below and in Attachments B, H and J hereto, all DWR Revenues shall be held by Utility in trust for DWR (whether or not held together with other monies) and shall be remitted to DWR.

(a) Within one Business Day after the Effective Date, Utility shall determine the Daily Remittance Amount in the manner set forth in Attachment B hereto (the "Daily Remittance Amount"). On the day of such determination (the "Initial Remittance Date"), Utility shall remit to DWR or its Assign(s) the Daily Remittance Amount, if any, for each day from the Effective Date up to and

including the Initial Remittance Date. On each subsequent Business Day during the remainder of the Term, Utility shall determine and remit to DWR or its Assign(s) the Daily Remittance Amount for such Business Day. If the Utility determines that it has remitted amounts to DWR in error, Utility may provide notice of such event to DWR (accompanied by an explanation of the facts surrounding such erroneous deposit), and DWR ~~shall~~agrees to review such notice and information as soon as practicable and promptly repay such funds if and to the extent DWR agrees with Utility, such agreement not to be unreasonably withheld or delayed.

(b) Each Remittance shall be accompanied by a written report substantially in the form of that set forth in Attachment C hereto (the "Daily Remittance Report"). Utility will not be required at any time to advance or pay any of its own funds in the fulfillment of its responsibilities hereunder with respect to DWR Charges, except to the extent provided otherwise in the Attachments hereto.

(c) Utility, from time to time, will make adjustments regarding amounts remitted as described in Attachment B hereto. In addition, monthly reconciliation reports, as described in Attachment C hereto, shall be filed with DWR by Utility.

(d) Except as expressly provided in this ~~Agreement~~Servicing Order (including the Attachments hereto), Utility shall not deduct from amounts due to DWR hereunder any amounts owing by DWR to Utility which relate to arrangements within or outside the scope of this ~~Agreement~~Servicing Order, or any other amounts, and Utility expressly waives any right to do so. The foregoing shall not limit Utility's rights to seek any other remedies permitted under other arrangements with DWR.

(e) The Parties recognize that prior to ~~the Effective Date,~~October 1, 2001, Utility has been remitting DWR Charges to DWR based upon the interim remittance methodologies described in Decision 01-03-081, adopted by the Commission on March 27, 2001, and Decision 01-05-064, adopted by the Commission on May 15, 2001 (collectively the "Interim Remittance Methodologies"). Utility shall reconcile the amounts remitted pursuant to the Interim Remittance Methodologies at the time and in the manner set forth in Attachment B hereto.

Beginning October 1, 2001, Utility has also made Remittances utilizing the method set forth in Section 2.2 and Attachments B and H of the Servicing Agreement approved by the Commission pursuant to Decision 01-09-013, as amended from time to time. On and after the Operating Order Effective Date, Utility shall transition to using the Post-Transition Remittance Methodology as provided in Attachment H hereto and consistent with the Settlement Principles for Remittances and Surplus Revenues set forth in Exhibit C of the Operating Order, this Servicing Order and Attachments B and H hereto.

(f) Upon the Operating Order Effective Date, the percentage of surplus Power sales which is to be allocated to DWR by Utility shall be determined consistent with the Contract Allocation Order and the principles set forth on Exhibit C of the Operating Order, all as further provided in this Servicing Order.

(g) On the first Business Day after the 20th day of the month following each delivery month after the Operating Order Effective Date, Utility shall calculate and remit to DWR the Preliminary Monthly Surplus Energy Sales Revenues Remittance Amount in the manner set forth in Attachment J hereto (the "Monthly Remittance Amount"). Each Monthly Remittance Amount for surplus Power sold on behalf of DWR shall be accompanied by a written report in a form to be developed by the Parties.

(h) After the Operating Order Effective Date, Utility will calculate the Actual Monthly Surplus Energy Sales Revenues Remittance Amount on or prior to the first Business Day after the due date of the ISO Monthly Final Market Invoice for the delivery trade month as set forth in Attachment J hereto. Each Actual Monthly Surplus Energy Sales Revenues Remittance Amount for surplus Power sold by Utility on behalf of DWR shall be accompanied by a written report in a form to be developed by the Parties.

4.3. 20/20 Program.

To the extent that the program established in the California Governor's Executive Order D-30-01, dated March 13, 2001, and Executive Order D-33-01, dated April 26, 2001, as the foregoing orders may be amended, supplemented, extended or otherwise modified (the "20/20 Program"), obligates DWR to make payments or extend credits to Bundled Customers or other third parties under such program, Remittances to DWR may be reduced by such payments to the extent of DWR's responsibility as required by Applicable Law and Applicable Tariffs. DWR agrees that Utility's reasonable initial implementation and recurring administrative costs associated with such program shall be paid by DWR in the same manner and at the same times as Utility's Set-Up Fee and Recurring Fees, respectively, as described in Sections 7.2 and 7.3 below. Additionally, Utility will invoice DWR for any other costs incurred by Utility under such program, and DWR ~~shall~~agrees to pay such invoices as Additional Charges, in the manner contemplated in Section 7 below. The method for calculating reduced Remittances to DWR under this Section 4.3, as well as Utility's implementation and administration costs, shall be as set forth in Attachment F hereto.

Section 5. Term and Termination; Events of Default.

5.1. Term.

The term of this ~~Agreement~~Servicing Order (the "Term") shall commence on the Effective Date and shall terminate on the earlier of (a) 180 calendar days after the last

date DWR Charges are imposed on Customers and 180 calendar days after the last date Utility sells surplus Power on behalf of DWR pursuant to the Operating Order and Attachment J hereto, or (b) the earlier termination of this ~~Agreement~~Servicing Order pursuant to this Section 5.

5.2. Events of Default by Utility.

The following events shall constitute "Events of Default" by Utility under this ~~Agreement~~Servicing Order:

(a) any failure by Utility to remit to DWR or its Assign(s) any required Remittance in the manner and at the time specified in this ~~Agreement~~Servicing Order (except to the extent otherwise allowed under Sections 4.3 and 7.2) that continues unremedied for three Business Days after the earlier of the day Utility receives written notice thereof from DWR or the day the responsible manager at Utility first has actual knowledge of such failure; or

(b) any failure by Utility to duly observe or perform in any material respect any other term or condition~~covenant or agreement~~ of Utility set forth in this ~~Agreement~~Servicing Order, which failure (i) materially and adversely affects the interests or rights of DWR or its Assign(s), and (ii) continues unremedied for a period of 60 calendar days after written notice of such failure has been given to Utility by DWR or its Assign(s); or

(c) any representation or warranty made by Utility in this ~~Agreement~~Servicing Order proves to have been incorrect when made, which has a material adverse effect on DWR or its Assign(s) and which material adverse effect continues unremedied for a period of 60 calendar days after the date on which written notice thereof has been given to Utility by DWR or its Assign(s).

5.3. Consequences of Utility Events of Default.

(a) Upon any Event of Default by Utility, DWR may, in addition to exercising any other remedies available under this ~~Agreement~~Servicing Order or under Applicable Law, (i) terminate this ~~Agreement~~Servicing Order in whole or in part (including Service Attachment 1); and (ii) apply to the Commission and, if necessary, any court of competent jurisdiction for sequestration and payment to DWR or its Assign(s) of DWR Revenues. Remittances not made to DWR by Utility on the date due (except to the extent Remittances were not made by operation of Sections 4.3, 7.2, 14.4 or Attachment B hereto) shall bear interest at the Prime Rate from the first day after the due date until the third Business Day after the due date, and at the Late Payment Rate thereafter until paid.

(b) Reserved.

5.4. Defaults by DWR.

DWR agrees that it shall be in default under this ~~Agreement~~Servicing Order upon:

(a) subject to subsections (b), (c), (d) and (e) below, DWR's failure to cure its material breach of any provision of this ~~Agreement~~Servicing Order within 60 calendar days after receiving written notice thereof from Utility;

(b) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to pay to Utility the Set-Up Fee or Recurring Fees within three Business Days after the date they are due hereunder, as provided in Section 7;

(c) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to pay to Utility the initial implementation and recurring administrative costs associated with Utility's implementation of the 20/20 Program, as provided in Section 4.3;

(d) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to fulfill any other monetary obligation hereunder within 15 calendar days after receiving written notice from Utility that such obligation is past due; or

(e) DWR's failure to fulfill ~~its~~the terms and obligations under Section 2.2 within 15 calendar days after receiving written notice thereof from Utility.

Upon any default by DWR under this Section 5.4, Utility may exercise any remedies available under this ~~Agreement~~Servicing Order or under Applicable Law, provided that Utility shall have no right to terminate this ~~Agreement~~Servicing Order either in whole or in part (including Service Attachment 1) or any obligation hereunder. DWR agrees that, ~~E~~except for amounts to which DWR has objected in writing pursuant to Section 7.2 and which are determined not to be owed, any Set-Up Fee or Recurring Fees, or any initial implementation and recurring administrative costs associated with Utility's implementation of the 20/20 Program, as provided in Section 4.3, which are not paid to Utility on the date due shall bear interest at the Prime Rate from the first day after the due date until the third Business Day after the date they are required to be made hereunder, and at the Late Payment Rate thereafter until paid. DWR further agrees that, ~~E~~except for amounts to which DWR has objected in writing pursuant to Section 7.2 and which are determined not to be owed, any other monetary obligation payable to Utility by DWR shall bear interest at the Prime Rate from the date due until 15 days after receiving written notice from Utility that such amount is overdue, and thereafter at the Late Payment Rate. DWR further agrees that, ~~W~~when and to the extent that any amounts to which DWR has objected in writing pursuant to Section 7.2 are determined to be owing, such amounts shall bear interest from the due date at the rates described above for the applicable category of obligation.

5.5. Survival of Payment Obligations.

Upon termination of this ~~Agreement~~Servicing Order, DWR agrees that it, and it is ordered that SDG&E, ~~each Party~~ shall remain liable to the other Party for all amounts owing under this ~~Agreement~~Servicing Order. Utility shall continue to collect and remit, pursuant to the terms of this ~~Agreement~~Servicing Order, Attachment B and Attachment ~~B~~J hereto, any DWR Charges billed to Customers before the effective date of termination and DWR Surplus Energy Sales Revenues attributable to surplus Power sales made prior to the effective date of termination, except as provided in Attachment B and Attachment J hereto.

Section 6. Confidentiality.

6.1. Proprietary Information.

(a) Nothing in this ~~Agreement~~Servicing Order shall affect Utility's obligations to observe any Applicable Law prohibiting the disclosure of Confidential Information regarding its Customers.

(b) Nothing in this ~~Agreement~~Servicing Order, and in particular nothing in Sections 6.1(e)(x) through 6.1(e)(z) of this ~~Agreement~~Servicing Order, shall affect the rights of the Commission to obtain from Utility, pursuant to Applicable Law, information requested by the Commission, including Confidential Information provided by DWR to Utility. Applicable Law, and not this ~~Agreement~~Servicing Order, will govern what information the Commission may disclose to third parties, subject to any confidentiality agreement between DWR and the Commission.

(c) ~~The Parties acknowledge that e~~Each Party may acquire information and material that is the other Party's confidential, proprietary or trade secret information. As used herein, "Confidential Information" means any and all technical, commercial, financial and customer information disclosed by one Party to the other (or obtained from one Party's inspection of the other Party's records or documents), including any patents, patent applications, copyrights, trade secrets and proprietary information, techniques, sketches, drawings, maps, reports, specifications, designs, records, data, models, inventions, know-how, processes, apparati, equipment, algorithms, software programs, software source documents, object code, source code, and information related to the current, future and proposed products and services of each of the Parties, and includes, without limitation, the Parties' respective information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing, manufacturing, business forecasts, sales and merchandising, and marketing plans and information. In all cases, Confidential Information includes proprietary or confidential information of any third party disclosing such information to either Party in the course of such third party's business or

relationship with such Party. Utility's Confidential Information also includes any and all lists of Customers, and any and all information about Customers, both individually and aggregated, including but not limited to Customers' names, street addresses of Customer residences and/or facilities, email addresses, identification numbers, Utility account numbers and passwords, payment histories, energy usage, rate schedule history, allocation of energy uses among Customer residences and/or facilities, and usage of DWR Power. DWR agrees, and it is ordered with respect to SDG&E, that ~~A~~all Confidential Information disclosed by the disclosing Party ("Discloser") will be considered Confidential Information by the receiving Party ("Recipient") if identified as confidential and received from Discloser.

(d) ~~Each Party agrees~~DWR agrees, and SDG&E is ordered to take all steps reasonably necessary to hold in trust and confidence the other Party's Confidential Information. Without limiting the generality of the immediately preceding sentence, ~~each Party agrees~~DWR agrees and SDG&E is ordered (i) to hold the other Party's Confidential Information in strict confidence, not to disclose it to third parties or to use it in any way, commercially or otherwise, other than as permitted under this ~~Agreement~~Servicing Order; and (ii) to limit the disclosure of the Confidential Information to those of its employees, agents or directly related subcontractors with a need to know who have been advised of the confidential nature thereof and who have acknowledged their express obligation to maintain such confidentiality.

(e) ~~The~~DWR agrees, and it is ordered with respect to SDG&E that the foregoing two paragraphs will not apply to any item of Confidential Information if: (i) it has been published or is otherwise readily available to the public other than by a breach of this ~~Agreement~~Servicing order; (ii) it has been rightfully received by Recipient from a third party without breach of confidentiality obligations of such third party and outside the context of the provision of Services under this ~~Agreement~~Servicing Order; (iii) it has been independently developed by Recipient personnel having no access to the Confidential Information; or (iv) it was known to Recipient prior to its first receipt from Discloser. DWR agrees, and it is ordered with respect to SDG&E that, ~~I~~in addition, Recipient may disclose Confidential Information if and to the extent required by law or a Governmental Authority, provided that (x) Recipient shall give Discloser a reasonable opportunity to review and object to the disclosure of such Confidential Information, (y) Discloser may seek a protective order or confidential treatment of such Confidential Information, and (z) Recipient shall make commercially reasonable efforts to cooperate with Discloser in seeking such protective order or confidential treatment. DWR agrees, and it is ordered with respect to SDG&E that Discloser shall pay Recipient its reasonable costs of cooperating.

6.2. No License.

DWR agrees, and it is ordered with respect to SDG&E that ~~N~~nothing contained in this ~~Agreement~~Servicing Order shall be construed as granting to a Party a license, either express or implied, under any patent, copyright, trademark, service mark, trade dress or other intellectual property right, or to any Confidential Information now or hereafter owned, obtained, controlled by, or which is or may be licensable by, the other Party.

6.3. Survival of Provisions.

DWR agrees, and it is ordered with respect to SDG&E that ~~T~~the provisions of this Section 6 shall survive the termination of this ~~Agreement~~Servicing Order.

Section 7. Payment of Fees and Charges.

7.1. Utility Fees.

DWR agrees that it will pay to Utility a fee, calculated in accordance with Attachment G hereto (the "Set-Up Fee"), in order to cover Utility's costs of establishing the procedures, systems, and mechanisms necessary to perform Services. In addition, DWR also agrees to pay to Utility an annual fee, calculated in accordance with Attachment G hereto, payable monthly in arrears as provided in Section 7.2 hereof (the "Recurring Fees") for Services rendered pursuant to Section 3.1, Section 3.4 and Service Attachment 1 to this ~~Agreement~~Servicing Order. Additional fees to cover changes in costs or the costs of other services provided hereunder shall be as set forth in Attachment G, or if not set forth therein, shall be negotiated by the Parties. Except to the extent provided otherwise in subsequent agreements between the Parties and except to the extent otherwise provided under the 20/20 Program, if the Parties are unable to resolve any disputes relating to such additional fees, either Party may, upon giving seven calendar days advance written notice to the other, submit the dispute to the Commission for proposed resolution, in accordance with Applicable Law. Provided, however, DWR ~~agrees to~~shall pay to Utility fees that will permit recovery of the Utility's incremental cost of establishing procedures, systems and mechanisms necessary to perform Services in connection with Bond Charges. The Utility shall file these fees with the Commission. DWR, prior to Commission action on this filing, shall pay the fees as filed. Upon final action by the Commission, such payment shall be adjusted to reflect the fees approved by the Commission, together with interest from the date of payment to the date of adjustment, at the Prime Rate. Utility acknowledges that the Commission may adjust, with notice to Utility and an opportunity for Utility to be heard, Utility's rates to avoid double recovery of any costs paid by DWR hereunder which have already been included in Utility's rates.

7.2. Payment of Utility Fees and Charges.

The Set-Up Fee shall be due and payable on the ~~Effective Date,~~effective date of the Servicing Agreement approved by the Commission pursuant to Decision 01-09-013, and DWR agrees to~~will~~ pay Utility the Set-Up Fee, in the manner provided in Section 7.3 below. After receipt of Utility's invoice 30 days in advance, DWR ~~will~~agrees to pay to Utility its Recurring Fees in monthly installments by the 10th day of each month in the manner provided in Section 7.3 below. Additionally, with respect to all other fees and charges which are expressly identified as owing by DWR to Utility under this ~~Agreement~~Servicing Order (the "Additional Charges") Utility shall (in paper format or, at DWR's option, electronically) submit to DWR an invoice reflecting such Additional Charges for such calendar month. Any invoiced amount for Recurring Fees or Additional Charges shall be due and payable within three Business Days after presentation, and any invoiced amount and the Set-Up Fee shall be considered past due 30 calendar days after presentation, after which interest shall accrue as provided in Section 7.4. To the extent that any invoiced amounts described in this Section 7.2 are not fully paid within 45 days after presentation, and DWR has not objected to Utility in writing by such date, DWR agrees that Utility shall have the right to deduct from any future Remittance(s) the unpaid and overdue amount which is not the subject of any such objection by such date, until such invoice is paid in full or until the dispute over the amount due has been resolved.

7.3. Method of Payment.

(a) Except as otherwise expressly provided herein, DWR agrees, and with respect to SDG&E it is ordered that any payment from either Party to the other Party under this ~~Agreement~~Servicing Order shall be made by ACH or, if ACH is unavailable, then by wire transfer of immediately available funds to the bank account designated by the receiving Party or, if mutually agreed, paid by means of a check or warrant sent to the recipient's address indicated in accordance with Section 14.14 hereof. Where the Parties have made arrangements for a bank or other third party to remit funds from one Party to the other Party, DWR agrees, and with respect to SDG&E it is ordered that proper identification of the bank or third party, including the account number, shall be furnished in writing. DWR agrees, and with respect to SDG&E it is ordered that ~~T~~the remitting Party shall reasonably cooperate in correcting any bank or other third-party errors and shall not be relieved of its payment responsibilities because of such errors.

(b) Except as expressly provided otherwise herein or under any Applicable Law, Utility shall be required to pay all expenses incurred by it in connection with its activities under this ~~Agreement~~Servicing Order (including any fees to and disbursements by accountants, counsel, or any other person, any taxes, fees, surcharges or levies imposed on Utility, and any expenses incurred in connection with reports to be provided hereunder) out of the compensation

paid to it pursuant to this Section 7, and Utility shall not be entitled to any extra payment or reimbursement therefor. Notwithstanding anything to the contrary above, if and to the extent any additional taxes (excluding taxes on Utility's income), fees or charges are imposed on Utility due solely to Utility's performance of Services hereunder with respect to DWR Charges (such as franchise fees or taxes on DWR Power, the State of California electric energy surcharge, local utility user taxes, or Commission fees), to the extent these taxes, fees, or charges are not already included in Utility's rates and Utility has not been reimbursed therefor and is not authorized to seek reimbursement from Customers therefor, DWR ~~shall~~agrees to reimburse Utility therefor as "Additional Charges" in accordance with Section 7.2.

7.4. Interest

DWR agrees, and with respect to SDG&E it is ordered that ~~E~~except as provided in Sections 5.3 or 5.4, any Delinquent Payment under this ~~Agreement~~Servicing Order (whether or not a regularly scheduled payment) shall bear interest at the Late Payment Rate.

Section 8. Records; Audit Rights; Annual Certification.

8.1. Records.

Utility shall maintain accurate records and accounts relating to DWR Revenues (including separate accounting of Bond Charges and Power Charges) in sufficient detail to permit recordation of DWR Charges billed to Customers and DWR Revenues remitted by Utility to DWR. Utility shall maintain accurate records and accounts relating to DWR Surplus Energy Sales Revenues (including separate accounting of surplus Power sales transactions by counterparty) in sufficient detail to permit recordation of DWR Surplus Energy Sales Revenues separate from other DWR Revenues remitted by Utility to DWR. Utility shall provide to DWR and its Assign(s) access to such records. Access shall be afforded without charge, upon reasonable request made pursuant to Section 8.2. DWR agrees that ~~A~~access shall be afforded only during Business Hours and in such a manner so as not to interfere unreasonably with Utility's normal operations. Utility shall not treat DWR Revenues as income or assets of the Utility or any affiliate for any tax, financial reporting or regulatory purposes, and the financial books or records of Utility and affiliates shall be maintained in a manner consistent with the absolute ownership of DWR Revenues by DWR and Utility's holding of DWR Revenues in trust for DWR (whether or not held together with other monies).

8.2. Audit Rights.

(a) Upon 30 calendar days' prior written notice, DWR may request an audit, conducted by DWR or its agents (at, DWR agrees, DWR's expense), of Utility's records and procedures, which shall be limited to records and

procedures containing information bearing upon: (i) DWR Charges being billed to Customers by Utility (and Customer payments of DWR Charges); (ii) fees to Utility for Services provided by Utility pursuant to this ~~Agreement~~Servicing Order; (iii) Utility's performance of its obligations under this ~~Agreement~~Servicing Order; (iv) allocation of Aggregate Power that is subject to DWR Charges pursuant hereto or Applicable Law; (v) projection or calculation of DWR's revenue requirements as described in Sections 80110 and 80134 of the California Water Code from time to time; ~~and~~ (vi) DWR Surplus Energy Sales Revenues collected from third-party purchasers and the collection and allocation of such revenues, and (vii) such other matters as may be permitted by Applicable Commission Orders, Applicable Tariffs or as DWR or its Assign(s) may reasonably request. The audit shall be conducted during Business Hours without interference with Utility's normal operations, and in compliance with Utility's security procedures.

(b) As provided in the Act, the State of California Bureau of State Audits (the "Bureau") shall conduct a financial and performance audit of DWR's implementation of Division 27 (commencing with Section 80000) of the California Water Code, such audit to be completed prior to December 31, 2001, and the Bureau shall issue a final report on or before March 31, 2003. In addition, as provided in Section 8546.7 of the California Government Code, ~~Utility agrees that,~~ pursuant to this Section 8.2, Utility is ordered to permit DWR or the State of California Department of General Services, the Bureau, or their designated representative ("DWR's Agent") ~~shall have the right to~~ review and to copy (at, DWR agrees, DWR's expense) any non-confidential records and supporting documentation pertaining to the performance of this ~~Agreement~~Servicing Order and to conduct an on-site review of any Confidential Information pursuant to Sections 8.3 and 8.8 hereof. Utility ~~agrees to~~shall maintain such records for such possible audit for three years after final Remittance to DWR. Utility ~~agrees to~~shall allow such auditor(s) access to such records during Business Hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Utility ~~agrees to~~shall include a similar right for DWR or DWR's Agent to audit records and interview staff in any contract between Utility and a subcontractor related to performance of this ~~Agreement~~Servicing Order.

8.3. Confidentiality.

Materials reviewed by either Party or its agents in the course of an audit may contain Confidential Information subject to Section 6 above. DWR agrees, and with respect to SDG&E it is ordered that ~~T~~the use of all materials provided to DWR or Utility or their agents, as the case may be pursuant to this Section 8, shall comply with the provisions in Section 6 and shall be limited to use in conjunction with the conduct of the audit and preparation of a report for appropriate distribution of the results of the audit consistent with Applicable Law.

8.4. Annual Reports.

At least annually, Utility shall cause a firm of independent certified public accountants (which may provide other services to Utility) to prepare, and Utility will deliver to DWR and its Assign(s), a report addressed to Utility (which may be included as part of Utility's customary auditing activities), for the information and use of DWR, to the effect that such firm has performed certain procedures (the scope of which shall be agreed upon with DWR) in connection with Utility's compliance with its obligations under this ~~Agreement~~Servicing Order during the preceding year, identifying the results of such procedures and including any exceptions noted. Utility will deliver a copy of each report prepared hereunder to the Commission (at the address specified in section 14.14) at the same time it delivers each such report to DWR.

8.5. Annual Certifications.

At least annually, Utility will deliver to DWR, with a copy to the Commission, a certificate of an authorized officer certifying that to the best of such officer's knowledge, after a review of Utility's performance under this ~~Agreement~~Servicing Order, Utility has fulfilled its obligations under this ~~Agreement~~Servicing Order in all material respects and is in compliance herewith in all material respects.

8.6. Additional Applicable Laws.

~~Each Party shall~~ DWR agrees, and SDG&E is ordered to make an effort to promptly notify the other Party in writing to the extent such Party becomes aware of any new Applicable Laws or changes (or proposed changes) in Applicable Tariffs hereafter enacted, adopted or promulgated that may have a material adverse effect on either Party's ability to perform its duties under this ~~Agreement~~Servicing Order. DWR agrees, and with respect to SDG&E it is ordered that ~~A~~a Party's failure to so notify the other Party pursuant to this Section 8.6 will not constitute a material breach of this ~~Agreement~~Servicing Order, and will not give rise to any right to terminate this ~~Agreement~~Servicing Order or cause either Party to incur any liability to the other Party or any third party.

8.7. Other Information.

Upon the reasonable request of DWR or its Assign(s), Utility shall provide to the Commission and to DWR or its Assign(s) any public financial information in respect of the Utility applicable to Services provided by Utility under this ~~Agreement~~Servicing Order, or any material information regarding the sale of DWR Power, surplus Power or the collection of DWR Charges, to the extent such information is reasonably available to Utility, which (i) is reasonably necessary and permitted by Applicable Law to monitor the performance by Utility hereunder, or (ii) otherwise relates to the exercise of DWR's rights or the discharge of DWR's duties under this ~~Agreement~~Servicing Order or any Applicable Law. In particular, but

without limiting the foregoing, Utility shall provide to DWR, with a copy to the Commission, any such information that is necessary or useful to calculate DWR's revenue requirements (as described in Sections 80110 and 80134 of the California Water Code) or DWR Charges or DWR Surplus Energy Sales Revenues.

8.8. Customer Confidentiality.

Nothing in this Section 8 shall affect the obligation of Utility to observe any Applicable Law prohibiting disclosure of information regarding Customers, and the failure of Utility to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8 or this ~~Agreement~~Servicing Order.

Section 9. Representations and Warranties.

(a) Each person executing this ~~Agreement~~Servicing Order for the respective Parties expressly represents and warrants that he or she has authority to bind the Party on whose behalf he or she has executed this ~~Agreement~~Servicing Order.

(b) Each Party represents and warrants that it has the full power and authority to execute and deliver this ~~Agreement~~Servicing Order and to perform its terms, that execution, delivery and performance of this ~~Agreement~~Servicing Order have been duly authorized by all necessary corporate or other action by such Party, and that this ~~Agreement~~Servicing Order constitutes such Party's legal, valid and binding obligation, enforceable against such Party in accordance with its terms.

Section 10. Amendment Upon Changed Circumstances.

(a) The Parties ~~acknowledge~~ are informed that compliance with any Commission decision, legislative action or other governmental action (whether issued before or after the Effective Date of this ~~Agreement~~Servicing Order) affecting the operation of this ~~Agreement~~Servicing Order, including but not limited to (i) dissolution of the ISO, (ii) changes in the ISO market structure, (iii) a decision regarding the "Fixed Department of Water Resources Set-Aside" as such term is defined in Section 360.5 of the California Public Utilities Code, (iv) the establishment of other Governmental Programs, (v) the establishment or implementation of Bonds Charge or related changes ordered by the Commission, ~~or~~ (vi) the imposition of an Exit Fee or similar DWR Charge upon Customers of Electric Service Providers or upon any other third party, (vii) the modification of the Operating Order or (viii) the modification of provisions related to the sales of surplus Power made on behalf of DWR to third parties by Utility, may require that amendment(s) be made to this ~~Agreement~~Servicing Order. ~~The Parties therefore agree that i~~If either Party reasonably determines that such a decision or action would materially affect the Services to be provided hereunder or the reasonable costs thereof, then

upon the issuance of such decision or the approval of such action (unless and until it is stayed), DWR agrees, and SDG&E is ordered to ~~the Parties will~~ negotiate the amendment(s) to this ~~Agreement~~Servicing Order that is (or are) appropriate in order to effectuate the required changes in Services to be provided or the reimbursement thereof. Notwithstanding Section 5.4, if the Parties are unable to reach agreement on such amendments within 60 days after the issuance of such decision or approval of such action, ~~either Party~~DWR may, and SDG&E shall ~~in the exercise of its sole discretion~~, submit the disagreement to the Commission for proposed resolution, in accordance with Applicable Law. Nothing herein shall preclude either Party from challenging the decision or action which such Party deems may adversely affect its interests in any appropriate forum of the Party's choosing.

(b) The Parties ~~acknowledge~~ are informed that this ~~Agreement~~Servicing Order has not been reviewed by the rating agencies which are rating DWR's bonds. ~~The Parties agree that, i~~If the rating agencies request changes to this ~~Agreement~~Servicing Order, DWR agrees, and SDG&E is ordered to ~~which the Parties reasonably determine are necessary or appropriate, the Parties will~~ negotiate to amend this ~~Agreement~~Servicing Order to accommodate the rating agency requests and will cooperate in obtaining ~~any required~~ approvals of the Commission ~~or other entities~~ for such amendments.

(c) The Parties ~~acknowledge~~are informed that this ~~Agreement~~Servicing Order shall be modified to implement the California Governor's Executive Order D-39-01, dated June 9, 2001, concerning load curtailment programs. Therefore, the Parties agree to negotiate an amendment to this ~~Agreement~~Servicing Order and to cooperate in obtaining ~~any required~~ approvals of the Commission ~~or other entity~~ for such amendment.

Section 11. Data Retention.

DWR agrees, and with respect to SDG&E it is ordered that ~~A~~all data associated with the provision and receipt of services pursuant to this ~~Agreement~~Servicing Order shall be maintained for the greater of (a) the retention time required by Applicable Law or Applicable Tariffs for maintaining such information, or (b) three years.

Section 12. Indemnity.

It is ordered that Utility and, to the extent allowed under Applicable Law, DWR agrees that it (each, the "Indemnifying Party") shall defend, indemnify, and hold the other Party, together with its affiliates, and each of their respective officers, agents, employees, assigns and successors in interest (collectively, the "Indemnified Party"), harmless from and against all claims, losses, demands, actions and expenses, damages and liabilities of any nature whatsoever (collectively "Claims") with respect to the acts or omissions of the Indemnifying Party or its officers, agents, contractors and employees or with respect to Indemnifying Party's performance of its obligations

under this ~~Agreement~~Servicing Order. DWR agrees, and with respect to SDG&E it is ordered that ~~N~~notwithstanding the above, the provisions of this Section 12 shall not apply to any Claims to the extent they involve the negligence, gross negligence, recklessness, willful misconduct or breach of this ~~Agreement~~Servicing Order by either Indemnified Party. DWR agrees, and with respect to SDG&E it is ordered that ~~E~~each Indemnified Party shall bear its own attorneys' fees and costs under this Section 12. DWR agrees, and with respect to SDG&E it is ordered that ~~T~~the Indemnifying Party's obligations under this Section 12 shall survive termination of this ~~Agreement~~Servicing Order. This Section 12 notwithstanding, DWR ~~makes~~has made no representation that it has the express or implied legal authority to perform any obligation under this Section 12.

Section 13. Limitations on Liability.

13.1. Consequential Damages.

DWR agrees, and with respect to SDG&E it is ordered that ~~I~~in no event will either Party be liable to the other Party for any indirect, special, exemplary, incidental, punitive, or consequential damages under any theory. Nothing in this Section 13.1 shall limit either Party's rights as provided in Section 12 above.

13.2. Limited Obligations of DWR and Utility.

DWR agrees that it will be liable for all amounts owing to Utility for the Services hereunder, irrespective of (a) any Customer's failure to make full and timely payments owed for DWR Charges, or (b) Utility's rights under Sections 4.3 and 7.2 to deduct certain amounts in calculating Remittances owing by Utility to DWR under Attachment B. Utility will not be required at any time to advance or pay any of its own funds in the fulfillment of its responsibilities hereunder with respect to DWR Charges, except to the extent provided otherwise in Attachments B, ~~and~~ H and J hereto. DWR agrees that ~~A~~any amounts payable by DWR under this ~~Agreement~~Servicing Order shall be payable solely from moneys on deposit in the Department of Water Resources Electric Power Fund established pursuant to Section 80200 of the California Water Code (the "Fund"). Neither the full faith and credit nor the taxing power of the State of California are or may be pledged for any payment under this ~~Agreement~~Servicing Order. Revenues and assets of the State Water Resources Development System are not available to make payments under this ~~Agreement~~Servicing Order. If moneys on deposit in the Fund are insufficient to pay all amounts payable by DWR under this ~~Agreement~~Servicing Order, or if DWR has reason to believe such funds may become insufficient to pay all amounts payable by DWR under this ~~Agreement~~Servicing Order, DWR ~~shall~~agrees to diligently pursue an increase to its revenue requirements as permitted under the Act from the appropriate Governmental Authority as soon as practicable.

Section 14. Miscellaneous.

14.1. Independent Contractor.

Utility and its agents and employees shall perform their obligations under this ~~Agreement~~Servicing Order as independent contractors and not as officers or employees of the State of California. Notwithstanding the above, Utility shall act as the agent of DWR in billing and collecting DWR Charges and DWR Surplus Energy Sales Revenues hereunder, as provided in the Act and Section 80106 of the California Water Code.

14.2. Remedies Cumulative.

DWR agrees, and with respect to SDG&E it is ordered that ~~E~~except as otherwise provided in this ~~Agreement~~Servicing Order, all rights of termination, cancellation, or other remedies in this ~~Agreement~~Servicing Order are cumulative. DWR agrees, and with respect to SDG&E, it is ordered that ~~U~~use of any remedy shall not preclude any other remedy available under this ~~Agreement~~Servicing Order.

14.3. Assignment.

(a) DWR agrees, and with respect to SDG&E, it is ordered that ~~E~~except as provided in paragraphs (b), (c) and (d) below, neither Party shall assign or otherwise dispose of this ~~Agreement~~Servicing Order, its right, title or interest herein or any part hereof to any entity, without the prior written consent of the other Party. DWR agrees, and with respect to SDG&E, it is ordered that ~~N~~no assignment of this ~~Agreement~~Servicing Order shall relieve the assigning Party of any of its obligations under this ~~Agreement~~Servicing Order until such obligations have been assumed by the assignee. DWR agrees, and with respect to SDG&E, it is ordered that ~~W~~when duly assigned in accordance with this Section 14.3(a) and when accepted by the assignee, this ~~Agreement~~Servicing Order shall be binding upon and shall inure to the benefit of the assignee. DWR agrees, and with respect to SDG&E, it is ordered that ~~A~~any assignment in violation of this Section 14.3(a) shall be void.

(b) Notwithstanding the provisions of this Section 14.3, Utility may delegate its duties under this ~~Agreement~~Servicing Order to an agent or subcontractor, provided that Utility shall remain fully responsible for performance of any delegated duties and shall provide DWR with 30 calendar days' prior written notice of any such delegation, and further provided that such delegation does not, in the sole discretion of DWR, materially adversely affect DWR's or its Assigns' interests hereunder.

(c) DWR agrees, and with respect to SDG&E it is ordered~~Utility acknowledges and agrees~~ that DWR may assign or pledge its rights to receive performance (including payment of Remittances) hereunder to a trustee or another party

("Assign(s)") in order to secure DWR's obligations under its bonds (as that term is defined in the Act), and any such Assign shall be a third party beneficiary of this ~~Agreement~~Servicing Order; provided, however, that this authority to assign or pledge rights to receive performance hereunder shall in no event extend to any person or entity that sells power or other goods or services to DWR. Notwithstanding the immediately preceding sentence, DWR may assign or pledge its rights to receive Remittances hereunder to another party in order to secure DWR's other obligations under the Act.

(d) Any person (i) into which Utility may be merged or consolidated, (ii) which may result from any merger or consolidation to which Utility shall be a party or (iii) which may succeed to the properties and assets of Utility substantially as a whole, which person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Utility hereunder, shall be the successor to Utility under this ~~Agreement~~Servicing Order without further act on the part of any of the Parties to this ~~Agreement~~Servicing Order; provided, however, that Utility shall have delivered to DWR and its Assign(s) an opinion of counsel reasonably acceptable to DWR stating that such consolidation, merger or succession and such agreement of assumption complies with this Section 14.3(d) and that all of Utility's obligations hereunder have been validly assumed and are binding on any such successor or assign.

(e) Notwithstanding anything to the contrary herein, DWR's rights and obligations hereunder shall be transferred, without any action or consent of either Party hereto, to any entity created by the State legislature which is required under Applicable Law to assume the rights and obligations of DWR under Division 27 of the California Water Code.

14.4. Force Majeure.

Neither Party shall be liable for any delay or failure in performance of any part of this ~~Agreement~~Servicing Order (including the obligation to remit money at the times specified herein) from any cause beyond its reasonable control, including but not limited to, unusually severe weather, flood, fire, lightning, epidemic, quarantine restriction, war, sabotage, act of a public enemy, earthquake, insurrection, riot, civil disturbance, strike, restraint by court order or Government Authority, or any combination of these causes, which by the exercise of due diligence and foresight such Party could not reasonably have been expected to avoid and which by the exercise of due diligence is unable to overcome. An Insolvency Event shall not constitute *force majeure*. Notwithstanding anything to the contrary above, DWR agrees, and with respect to SDG&E it is ordered that each Party's obligation to pay money hereunder shall continue to the extent such Party is able to make such payment, and any amounts owed by Utility hereunder and received by Utility shall be held in trust for DWR (whether or not held together with other monies) and remitted to DWR as soon as reasonably practicable. DWR agrees, and with respect to SDG&E

it is ordered that ~~A~~any amounts paid or remitted pursuant to this Section 14.4 shall not bear interest which would otherwise accrue under Section 7.

14.5. Severability.

DWR agrees, and with respect to SDG&E it is ordered ~~I~~in the event that any one or more of the provisions of this ~~Agreement~~Servicing Order shall for any reason be held to be unenforceable in any respect under Applicable Law, such unenforceability shall not affect any other provision of this ~~Agreement~~Servicing Order, but this ~~Agreement~~Servicing Order shall be construed as if such unenforceable provision or provisions had never been contained herein.

14.6. Third-Party Beneficiaries.

The provisions of this ~~Agreement~~Servicing Order are exclusively for the benefit of the Parties and any permitted assignee of either Party.

14.7. Governing Law.

This ~~Agreement~~Servicing Order shall be interpreted, governed and construed under the laws of the State of California as if executed and performed wholly within the State of California.

14.8. ~~Multiple Counterparts~~Reserved.

~~This Agreement may be executed in multiple counterparts, each of which shall be an original.~~

14.9. Section Headings.

Section and paragraph headings appearing in this ~~Agreement~~Servicing Order are inserted for convenience only and shall not be construed as interpretations of text.

14.10. Entire ~~Agreement~~Servicing Order; Applicable Law.

(a) This ~~Agreement~~Servicing Order, including all attachments and agreements contemplated herein, contains all of the terms and conditions ~~the entire agreement and understanding~~ between the Parties as to the subject matter of this ~~Agreement~~Servicing Order, and merges and supersedes all prior oral or written agreements, commitments, representations and discussions between the Parties or made to third parties regarding the subject matter of this ~~Agreement~~Servicing Order, except that this ~~Agreement~~Servicing Order and the Parties' obligations hereunder shall be subject in all cases to the provisions of Applicable Law, and except that this ~~Agreement~~Servicing Order shall have no effect on the terms of any agreement between DWR and Utility, as modified from time to time after the Execution Date hereof, referenced in Attachment E hereto. Furthermore, no default under any such other agreement

between the Parties shall constitute a default hereunder, and each party hereby waives any right to set off any amounts owing to it under any such other agreement against any amounts owing hereunder.

(b) Should a conflict exist between the provisions contained in this ~~Agreement~~Servicing Order (including the attachments hereto) and either Applicable Law or the 20/20 Program, the provisions of Applicable Law or the 20/20 Program, as the case may be, shall govern. The General Terms and Conditions contained in Attachment D are hereby incorporated by reference. In the event of a conflict between the provisions of this ~~Agreement~~Servicing Order and any attachment hereto (including Service Attachment 1), then the provisions of the attachment shall govern. Nothing in this subsection (b) shall relieve the Parties from complying with their obligations under Section 10 to make amendments to this ~~Agreement~~Servicing Order to reflect changed circumstances, including any amendments necessary due to amendments or supplements to the Operating Order or due to necessary reconciliation with the Operating Order.

14.11. Amendments.

No amendment, modification, or supplement to this ~~Agreement~~Servicing Order shall be effective unless it is in writing and signed by the authorized representatives of both Parties and approved as required, and by reference incorporates this ~~Agreement~~Servicing Order and identifies the specific portions that are amended, modified, or supplemented or indicates that the material is new. No oral understanding or agreement not incorporated in this ~~Agreement~~Servicing Order is binding on either of the Parties.

14.12. Waivers.

DWR agrees, and with respect to SDG&E, it is ordered that ~~N~~none of the provisions of this ~~Agreement~~Servicing Order shall be considered waived by either Party unless the Party against whom such waiver is claimed gives such waiver in writing. DWR agrees, and with respect to SDG&E, it is ordered that ~~T~~the failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this ~~Agreement~~Servicing Order or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect. DWR agrees, and with respect to SDG&E, it is ordered that ~~W~~waiver by either Party of any default by the other Party shall not be deemed a waiver of any other default.

14.13. ~~Construction~~Reserved.

~~This Agreement and the provisions contained herein shall not be construed or interpreted for or against any Party because that Party drafted or caused its legal representative to draft any of such provisions.~~

14.14. Notices and Demands.

(a) DWR agrees, and with respect to SDG&E, it is ordered that ~~E~~except as otherwise provided under this ~~Agreement~~Servicing Order, all notices, demands, or requests pertaining to this ~~Agreement~~Servicing Order shall be in writing and shall be deemed to have been given (i) on the date delivered in person, (ii) on the date when sent by facsimile (with receipt confirmed by telephone by the intended recipient or his or her authorized representative) or electronic transmission (with receipt confirmed telephonically or electronically by the intended recipient or his or her authorized representative) or by special messenger, or (iii) 72 hours following delivery to a United States post office when sent by certified or registered United States mail postage prepaid, and addressed as set forth below:

Utility: San Diego Gas & Electric Company
Customer Service Solutions
8335 Century Park Court, CP11E
San Diego, California 92123

Attn: Dawn Osborne
Direct Access Strategy & Policy Manager
Telephone: (858) 654-1275
Facsimile: (858) 654-1256
Email: dosborne@sdge.com

DWR: State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, California 95821

Attn: Peter S. Garris
Deputy Director
Telephone: (916) 574-2733
Facsimile: (916) 574-0301
Email: pgarris@water.ca.gov

(b) DWR agrees, and with respect to SDG&E, it is ordered that ~~E~~each Party shall be entitled to specify as its proper address any other address in the United States, or specify any change to the above information, upon written notice to the other Party complying with this Section 14.14.

(c) DWR agrees, and with respect to SDG&E, it is ordered that ~~E~~each Party shall designate on Attachment A the person(s) to be contacted with respect to specific operational matters. Each Party shall be entitled to specify any change to such person(s) upon written notice to the other Party complying with this Section 14.14.

(d) DWR agrees, and with respect to SDG&E, it is ordered that ~~C~~copies of documents required by this ~~Agreement~~Servicing Order to be delivered to the Commission shall be delivered in accordance with this Section 14.14 and shall be addressed as set forth below:

California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Attn: Paul Clanon
Energy Division Director
Telephone: (415) 703-2237
Facsimile: (415) 703-2200
Email: pac@cpuc.ca.gov

14.15. Good Faith.

~~Each party hereby covenants that it shall~~ DWR agrees to, and SDG&E is ordered to perform all its actions, obligations and duties in connection with this ~~Agreement~~Servicing Order in good faith.

14.16. Approval.

This ~~Agreement~~Servicing Order shall be effective when ~~it has been executed by both Parties and~~ approved by the Commission. Except as expressly provided otherwise herein, neither Party may commence performance hereunder until such date. Any delay in the commencement of performance hereunder as a consequence of waiting for such approval(s) shall not be a breach or default under this ~~Agreement~~Servicing Order.

DWR has determined, pursuant to Section 80014(b) of the California Water Code, that application of certain provisions of the Government Code and Public Contract Code applicable to State contracts, including but not limited to advertising and competitive bidding requirements and prompt payment requirements, would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the California Water Code and that such provisions and requirements are therefore not applicable to or incorporated in this ~~Agreement~~Servicing Order.

The ~~Agreement~~First Amended and Restated Servicing Agreement as amended by Amendment No. 1 (the "original Servicing Agreement"), as further amended by the changes set forth in this ~~First Amended and Restated~~ 2003 Servicing ~~Agreement,~~ Order, shall remain in full force and effect. All references to the "Servicing Agreement" or to the "Agreement" in the original Servicing Agreement or in this ~~First Amended and Restated~~ 2003 Servicing ~~Agreement~~Order shall hereafter mean the ~~First Amended and Restated~~ 2003 Servicing ~~Agreement~~Order, unless the context requires a different interpretation. The Parties intend this ~~First Amended and Restated~~2003 Servicing ~~Agreement~~Order to amend the original Servicing Agreement, and in the event of irreconcilable conflict between the terms of the original Servicing Agreement and this ~~First Amended and Restated~~2003 Servicing ~~Agreement~~Order, the terms of this ~~First Amended and Restated~~2003 Servicing ~~Agreement~~Order shall control. The ~~First Amended and Restated~~2003 Servicing ~~Agreement~~Order shall be effective ~~as, if and when~~at such time it has been executed by both Parties and approved by the Commission, and until such time, the original Servicing Agreement shall remain in full force and effect.

14.17. Attachments.

The following attachments are incorporated in this ~~Agreement~~Servicing Order:

Service Attachment 1 – Consolidated Utility Billing Services

Service Attachment 2 – Wholesale Trading, Invoicing and Collection Services

Attachment A – Representatives and Contacts

Attachment B – Remittance Methodology

Attachment C – Sample Daily and Monthly Reports

Attachment D – General Terms and Conditions

Attachment E – Additional Provisions

Attachment F – Calculation Methodology for Reduced Remittances Pursuant to 20/20 Program

Attachment G – Fee Schedule

Attachment H – Adjustments to DWR Charges for Variances in DWR Power Delivered

Attachment I – Reserved

Attachment J – Surplus Energy Sales Revenues Remittance

[Remainder of Page Intentionally Left Blank]

~~IN WITNESS WHEREOF, the Parties have executed this Servicing Agreement on the date or dates indicated below, to be effective as of the Effective Date.~~

~~CALIFORNIA STATE DEPARTMENT OF WATER RESOURCES~~	~~SAN DIEGO GAS & ELECTRIC COMPANY~~
~~By:~~ _____	~~By:~~ _____
~~Name:~~ _____	~~Name:~~ _____
~~Title:~~ _____	~~Title:~~ _____
~~Date:~~ _____	~~Date:~~ _____

SERVICE ATTACHMENT 1

SAN DIEGO GAS & ELECTRIC COMPANY

CONSOLIDATED UTILITY BILLING SERVICES

Section	Title	Page
Section 1	Establishment and Maintenance of Consolidated Utility Billing	SA 1-2
Section 2	Customer Billings Procedures	SA 1-2
Section 3	Customer Payments	SA 1-4
Section 4	Collection and Nonpayment	SA 1-4
Section 5	Taxes and Fees Service	SA 1-4
Section 6	Late Payments	SA 1-5

SERVICE ATTACHMENT 1

SAN DIEGO GAS & ELECTRIC COMPANY

CONSOLIDATED UTILITY BILLING SERVICES

Section 1. Establishment and Maintenance of Consolidated Utility Billing.

Under Consolidated Utility Billing, Utility will include the DWR Charges with its Utility Charges on the Customer's Bill.

Section 2. Customer Billing Procedures.

2.1. Compliance with Metering Standards. Except to the extent such services are provided by a third party:

(a) Utility shall comply with all metering standards pursuant to Applicable Tariffs.

(b) Utility shall read and validate data from meters, and edit and estimate such data, under the terms of Applicable Tariffs.

(c) Utility shall maintain, store and provide current and historical meter and usage data as required by Applicable Tariffs.

2.2. Presentation of DWR Charges on Consolidated Utility Bill.

(a) DWR Charges shall appear on all Consolidated Utility Bills in the manner and at the time required by Applicable Law and Applicable Tariffs.

(b) Notwithstanding subsection (a) above, the Utility may change the manner of bill presentation of DWR Charges upon the agreement of DWR or at the request of DWR and upon agreement by the Utility. Such agreement by DWR or Utility is not to be unreasonably withheld.

(c) Notwithstanding subsections (a) and (b) above, no change shall be made to Consolidated Utility Bill formats without the approval of the Commission, if the Commission's approval is required under Applicable Law and Applicable Tariffs.

(d) Notwithstanding subsections (a), (b) and (c), above, the Consolidated Utility Bill shall, upon Commission implementation of Bond Charges, (i) at all times thereafter contain a separate line item for Bond Charges and (ii) so long as DWR is providing Power to Customers, contain a statement to the effect that the Consolidated Utility Bill includes Charges for power provided by DWR for which DWR is collecting "X" cents per kilowatt hour (where X= the current Power Charge). DWR shall pay Utility its incremental costs incurred

to implement the separate line for Bond Charges as additional fees for additional services in accordance with Section 7 and Attachment G of this Servicing Order.

2.3. Billing Costs.

DWR agrees that Utility shall be reimbursed for the reasonable costs of the Billing Services it performs for DWR under this ~~Agreement~~Servicing Order, except for those costs that would have been incurred in providing Billing Services for Customers in the absence of this ~~Agreement~~Servicing Order. DWR agree that ~~T~~the ~~Parties agree that the~~ Commission has jurisdiction to address any dispute concerning the reasonableness of the costs of Billing Services charged to DWR under this ~~Agreement~~Servicing Order.

2.4. Adjustments to DWR Charges.

Utility will resolve all disputes with Customers relating to DWR Charges consistent with Applicable Tariffs and prevailing industry standards. Utility will not waive any late payment fee or modify the terms of payment of any amounts payable by Customer unless such action is consistent with the action taken with respect to its own Charges and Applicable Tariffs. In the event that DWR is entitled by Applicable Law to collect Exit Fees as a component of DWR Charges, DWR agrees, and SDG&E is ordered to negotiate the amendment(s) to this ~~Agreement~~Servicing Order that is (or are) appropriate in order ~~may be amended~~ to facilitate the calculation and collection of such Exit Fees, and any such amendment shall be submitted to the Commission for approval.

2.5. Format of Consolidated Utility Bills.

Utility shall conform to such requirements in respect of the format, structure and text of Consolidated Utility Bills as Applicable Law and Applicable Tariffs shall from time to time prescribe. Utility shall, subject to the requirements of Sections 1 and 2 of this Service Attachment 1, determine the format and text of Consolidated Utility Bills in accordance with its reasonable business judgment, and its policies and practices with respect to its own charges.

2.6. Customer Notices.

(a) If DWR Charges are revised at any time, Utility shall, to the extent and in the manner and timeframe required by Applicable Law, provide Customers with notice announcing such revised DWR Charges. Such notice shall, as appropriate, include publication, inserts to or in the text of the bills or on the reverse side of bills delivered to Customers, and/or such other means as Utility may from time to time use to communicate with its customers. The format of any such notice shall be determined by the mutual agreement of the Parties, subject to approval by the Commission's public advisor.

(b) In addition, at least once each year, to the extent permitted by Applicable Law, Utility shall cause to be prepared and delivered to Customers a notice stating, in effect, that DWR Power and DWR Charges are owned by DWR and not Utility. Such notice shall be included, in a manner and format to be agreed upon by the Parties, subject to approval by the Commission's public advisor, either as an insert to or in the text of the bills or on the reverse side of bills delivered to such Customers or shall be delivered to Customers by electronic means or such other means as Utility may from time to time use to communicate with its Customers.

2.7. Delivery.

Utility shall deliver all Consolidated Utility Bills (i) by United States Mail in such class or classes as are consistent with polices and practices followed by Utility with respect to its own charges or (ii) by any other means, whether electronic or otherwise, that Utility may from time to time use to present its own charges to its customers. In the case of Consolidated Utility Billing Service, Utility shall pay from its own funds all costs of issuance and delivery of Consolidated Utility Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time, except to the extent that the presentation of DWR Charges and any associated bill messages or notices (including, without limitation, bill inserts and published notices) materially increase the costs in which case such increase in costs shall be borne solely by DWR. To the extent practicable, Utility agrees to give DWR seven calendar days prior written notice of any such additional costs. Any such increased costs shall be invoiced to DWR as Additional Charges and shall be subject to the provisions of Section 7 of the ~~Agreement~~Servicing Order.

Section 3. Customer Payments.

Utility shall permit Customers to pay DWR Charges through any of the payment options then offered by Utility to Customers for payment of Utility Charges appearing on the Consolidated Utility Bill. Utility shall not permit Customers to direct how partial payments of balances due on Consolidated Utility Bills will be applied. Utility will credit all payments received from a Customer as set forth in Attachment B hereto.

Section 4. Collection and Nonpayment.

4.1. Collection of DWR Charges.

Utility will collect DWR Charges in accordance with its standard practices, and will notify Customers of amounts overdue for DWR Charges in accordance with such practices. Such collection practices shall conform to all requirements of Applicable Law and Applicable Tariffs. Utility will post all payments for DWR Charges as promptly as practicable, but in no case less promptly than Utility posts payments for Utility Charges.

4.2. Termination of Customer's Electrical Service.

Utility shall adhere to and carry out disconnection policies in accordance with Applicable Law.

Section 5. Taxes and Fees Service.

Subject to Section 7.3, Utility will collect and remit to the various authorities the taxes and fees assessed to Customers on the DWR Charges.

Section 6. Late Payments.

In the event that Utility receives late payment interest charges from a Customer, such payment shall be allocated to DWR based upon the same proportion that DWR Charges bear to the total Utility Charges on the Consolidated Utility Bill. Utility shall not allocate to DWR any other late payment service charges or collection fees (including but not limited to disconnection or reconnection services or similar charges related to Customer defaults).

SERVICE ATTACHMENT 2

SAN DIEGO GAS & ELECTRIC COMPANY

WHOLESALE TRADING, BILLING, COLLECTION OF SURPLUS POWER SALES

Section	Title	Page
Section 1	Surplus Sales Transactions	SA 2-
Section 2	Wholesale Invoicing Procedures	SA 2-
Section 3	Wholesale Payments	SA 2-
Section 4	Collection and Nonpayment	SA 2-
Section 5	Taxes and Fees Service?	SA 2-
Section 6	Late Payments?	SA 2-
Section 7	Credit Risk Management?	SA2-

[To be provided by Utility]