



**SPECIAL JOINT MEETING
of the Operations and Policy Board of Directors**

Saturday, January 20, 2018

8:30 am – 1:30 pm

City of Watsonville Community Room

275 Main Street, 4th Floor

Watsonville. CA 95076

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Bren Lehr, Board Clerk, at 831-641-7203 or blehr@mbcommunitypower.org.

If you have anything that you wish to be distributed to the Board please hand it to a member of MBCP staff who will distribute the information to the Board members and other staff.

8:00 am **Check in/Coffee**

8:30 am

1. **Welcome, Roll Call and Introduction of the Day**
2. **Public Comment for Items Not on the Agenda**

CONSENT AGENDA

3. **Approval of Contract with Estriatus Law PC for General Counsel Services** (*Policy Board Action Item*)
4. **Approval of PG&E-MBCP EEI Master Cover Sheet & Collateral Annex** (*Operations Board Action Item*)

REGULAR AGENDA

5. **CA Energy Market Discussion**

- Basic Operation & Oversight
- Generating & Delivering Electric Power
- Energy Products & Services
- Power Portfolio Accounting
- Key Market Considerations & Statistics
- AB1110 Implementation & Greenhouse Gas (GHG) Accounting
- Questions & Discussion

6. **MBCP Strategic Plan Discussion**

- A. Setting the Context: Vision and Budget Overview
- B. Goals and Strategies:
 1. Maximize GHG Reduction
 2. Lower Customer Bills/Costs
 3. Invest in /Local Energy Programs

12:00 pm Lunch Break

7. **Discussion of Community Advisory Group and Key Customers Stakeholder Group**

8. **Adjournment to Next Operations Board Meeting on February 7, 2018**

Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. MBCP has offices located at 70 Garden Court, Monterey CA for the purpose of making those public records available for inspection. The documents are also available on the MBCP website located at: MBCommunityPower.org.

Staff Report Item 3

TO: MBCP Policy Board of Directors

FROM: Tom Habashi, Interim Chief Executive Officer

SUBJECT: Approval of Contract with Estriatus Law PC for General Counsel Services

DATE: January 20, 2018

Recommendation

Approve contract with Estriatus Law PC and appoint Angela Lipanovich, Esq. to serve as MBCP's General Counsel on a part-time contact basis.

Background

Section 3.3.3 (h) of the Joint Exercise of Powers Agreement creating the Monterey Bay Community Power Authority provides that the Policy Board shall approve the Agency's General Counsel.

To date, Dana McRae from the County of Santa Cruz has filled this role on an interim basis and Dana was instrumental in sourcing and recommending Estriatus Law PC and Angela as her replacement. Attached for your reference is Estriatus' engagement letter for MBCP legal services which provide for a monthly retainer of \$6,500/month for 20 hours per month of legal services.

Attachment

Engagement Letter for Legal Services

ESTRIATUS LAW

2222 EAST CLIFF DRIVE, SUITE 216
SANTA CRUZ, CALIFORNIA 95062
ESTRIATUSLAW.COM

ANGELA LIPANOVICH
ALIPANOVICH@ESTRIATUSLAW.COM
DIRECT 831.247.6655
FAX 831.426.8315

VIA EMAIL (thabashi@mbcommunitypower.org)

January 5, 2018

Tom Habashi, CEO
Monterey Bay Community Power (“MBCP”)
70 Garden Court, Suite 300
Monterey, CA 93940

Re: Engagement Letter for Legal Services

Dear Tom:

This engagement letter will clarify and confirm the attorney-client relationship we discussed between Monterey Bay Community Power (“Client”) and Estriatus Law, PC (“Estriatus”). In this letter, the words “you” and “your” refer to the Client, and the words “I,” “my” and “me” refer to Estriatus.

Please read this letter, together with the enclosure (“Information for Clients”), before you sign and return the letter to me. The two documents will be my written agreement with you.

Scope of Engagement. In general, you have requested that I serve as General Counsel for Client to provide Client’s staff with general legal advice and to represent and advise MBCP, as your needs arise. In connection with this representation, I will attend both the Policy Board and Operations Board meetings of Client to provide any legal advice that the Board members may seek.

The scope of my engagement is currently limited to that representation. The scope of my engagement may change if you ask me to provide different services and I agree to provide them. If my engagement changes, the terms set out in this letter will apply to the expanded engagement, unless I enter into a further agreement modifying or superseding this one. My engagement may be terminated by either one of us upon notice to the other, subject to applicable Rules of Professional Conduct. In general my professional services may include investigation, research and analysis of legal and factual issues, analysis of applicable law, negotiations with other parties, drafting and preparation of documents, review and comment on documents prepared by others, and written and oral communications with other parties and with you.

You may from time to time ask me to perform additional or other services beyond the engagement described above. If you do request such services, I may need to clear potential conflicts of interest, and I may need to enter into a separate engagement letter with you. If I undertake additional or other services and do not ask you to sign a new engagement letter, this letter agreement will apply. As your lawyer, I will need to communicate with you about my representation. Please remain available to facilitate my work, to provide factual information and documents, and to make decisions when and as necessary.

In order for me to assist you effectively and efficiently, I assume that you will provide me with the factual information you have which relates to the subject matter of my engagement, and that you will make any appropriate business or technical decisions. In addition, I encourage you to share with me at all times your expectations and any concerns regarding my services at any time during the course of my representation. I believe that you should be actively involved in the strategy and management of your legal affairs

Estriatus Law, PC
January 5, 2018
Page Two

and my goal is to encourage candid and frequent communication between me. I will keep you informed of developments regarding your matters and will consult with you as necessary to ensure the timely, effective and efficient completion of my work.

After my representation is concluded, you may request the return of your files. If you do not wish your files returned and wish Estriatus to retain them for you, I will retain your files for 5 years following the culmination of my representation. At that time, I will communicate with you to determine your preference for their disposition. If after reasonable efforts I am unable to locate you, I will destroy the files.

Client Representatives. The people with whom you authorize Estriatus to work and communicate, will always include you, Tom Habashi, (Client's "representative") and will according to the specific matter at hand include other individuals and/or employees as indicated either verbally or in writing by you. Accordingly, Estriatus may communicate with and take direction from such representatives as to all matters relating to the representation and may rely on written and verbal instructions given by such representatives to Estriatus. Estriatus understands that you will rely upon your representatives to keep you informed and to involve you as your representatives deems appropriate. Estriatus stands ready to answer any questions any representative may have at any time and may from time to time copy you on some communications. Estriatus will, however, with your concurrence, not attempt to make you aware of all oral communications or copy you on all e-mails, letters and the like or include you in all decisions, and will rely on your representative to keep you informed.

Limitation on Scope of Engagement. My engagement is expressly limited, as set forth above under "Scope of Engagement," unless I expressly agree otherwise. You are my only client in this matter, and I will not represent anyone else in this engagement without your consent in a separate letter agreement. Unless specifically retained, my representation of you does not include representation of any of your affiliates, officers or directors ("Your Affiliates"). In short, Estriatus serves as legal counsel for you, but not for any of Your Affiliates. Accordingly, it is understood and agreed that any representation by Estriatus of another client adverse to any of Your Affiliates does not constitute a conflict of interest and does not require your consent.

Progress and Reporting. I will communicate information and advice to you, provide you with significant documents and keep you apprised of significant developments. Unless you instruct me otherwise, I will direct my oral and written communications to you.

Basis for Fees and Costs. I have agreed to provide legal services at a reduced hourly rate of \$325 contingent on a twenty (20) hour per month minimum for the term beginning on February 1, 2018 and ending on September 30, 2018, which shall be renewed annually at the start of each fiscal year of Client (collectively hereafter, the "Term"). In consideration for this reduced rate, you will owe a minimum of \$6,500 per month due on or before the first day of each calendar month during the Term. During the Term, you will be charged at my standard hourly rate of \$350 for any time that I work on your behalf in excess of twenty (20) hours per month. Subsequent to the Term, my fees will be charged at my standard hourly rate of \$350, unless we mutually agree otherwise.

I review my billing rates and fixed fees from time to time, generally as of January 1st of each year. Any rate adjustments will be reflected in your invoice. The specific basis on which fees, costs and expenses are computed, my practice in sending invoices, how I handle past due accounts, and the like, are set forth in greater detail in the enclosed sheet entitled "Information for Clients," which I incorporate in this letter.

Retainer. Upon execution of this letter, you agree to pay me an initial retainer for fees of \$6,500. I will hold this retainer in a client trust account on your behalf. You hereby authorize me to apply that retainer amount to the fees and disbursements billed to you pursuant to this agreement. I will hold the remainder of the retainer in my client trust account as security for your obligations to make timely payments of fees and disbursements pursuant to this agreement. When your retainer is exhausted, I reserve the right to demand further deposits prior to performing any additional services. Any retainer amount that is unused at the conclusion of my services will be refunded to you.

Billing Procedures. I will review Estriatus' time records before I prepare monthly billing statements or in the case of contingency billing prior to when such statement is generated. Based on that review, I may adjust downward the amount to be billed, where appropriate in my judgment. For example, the amount may be adjusted downward for duplication of effort, for training time beyond the normal adjustments for attorney experience already factored into my hourly rates, or in other situations where I believe it would not be appropriate to charge you for the full time spent on the project. The amount may only be adjusted upward if you have provided prior written consent for items requiring special efforts or circumstances not reflected in standard hourly rates. Payment is due upon receipt and in any event any balance due will be paid in full within thirty (30) days after the statement is received by the Client.

Estriatus Law, PC
January 5, 2018
Page Three

Thereafter, interest will be payable on the unpaid balance at the rate of 1.5 percent per month. If your account becomes delinquent and if I resort to collection proceedings, you will be responsible for my attorneys' fees and costs incurred in those proceedings.

Consultants. To aid in representing Client, it may become necessary to hire a consultant or investigator. Estriatus will not hire such a person without Client's written consent. Once Client consents, it will be responsible for such person's fees and charges. Client will have the right to approve any consultant or investigator to be hired.

Arbitration of Disputes. I anticipate a harmonious and satisfactory attorney-client relationship. If you become dissatisfied with any aspect of my relationship, I encourage you to bring that to my attention immediately. It is my belief that most problems can be resolved by a frank and good faith discussion between us. Examples of the types of disputes which, although unlikely, that could possibly develop between us are claims for unpaid fees and expenses, negligence, breach of contract, breach of fiduciary duty, fraud, any claim based on a statute, and likewise any defense or counterclaims.

If any disputes arise between us, I shall submit to binding arbitration as described in the enclosure. If you do not wish to agree to arbitrate any disputes with me, you should not sign this letter. Your agreement to arbitrate is not necessarily a condition of my agreement to represent you, and upon request, I will consider deleting the arbitration provision.

I look forward to working with you, and I am pleased to serve you.

Very truly yours,
Estriatus Law, PC



Angela Lipanovich, Esq.

Enclosures

APPROVED AND ACCEPTED: Tom Habashi, CEO

Print: _____

By: _____

Date: _____

Estriatus Law, PC
January 5, 2018
Page Four

INFORMATION FOR CLIENTS

Estriatus Law, PC

I am delighted you have chosen Estriatus Law, PC (“Estriatus”), and I appreciate the opportunity to serve you.

This enclosure provides information about Estriatus’ standard client-service practices, and it will clarify and confirm certain terms of my engagement. Please review this enclosure along with the accompanying engagement letter; together they will constitute the written agreement between you and Estriatus. The arrangements described here will apply to your account, effective immediately upon execution of the accompanying engagement letter, which I ask you to sign and return to me promptly.

PERSONNEL AND STAFFING

The engagement letter identifies the attorney primarily responsible for your matter. Others, of course, may assist from time to time. I assign lawyers and other personnel to matters based on their experience and expertise, the nature of the matter, the issues involved, and any time or cost constraints that may apply. I am sensitive to your need for cost-effective legal services and, depending on the circumstances, I might assign additional people to help with the matter.

BASIS FOR FEES

My fees for a particular matter may be based on a variety of factors depending on the nature of the representation. Such factors may include the time spent on the matter; the novelty and difficulty of the questions involved; the experience, reputation, and abilities of the lawyers rendering the services; the amount at issue; the results obtained; time limitations imposed by you or by the circumstances; and whether work on this matter will preclude Estriatus from rendering services to other clients. I am guided but not controlled in setting fees by customary hourly rates of lawyers and legal assistants working on comparable matters. My current hourly rates set forth in the engagement letter may be adjusted periodically. I will, of course, provide you with regular invoices showing detailed descriptions of services and the basis for all charges.

COSTS AND EXPENSES

I do not charge clients for long distance telephone calls or faxes. But I do pass along certain other out-of-pocket costs, such as court filing fees, deposition or transcript fees, consulting or expert witness fees and expenses, title company reports, computerized legal research, travel expenses, overnight delivery charges, messenger services, etc. I try to serve all clients with the most effective support systems available. When I receive bills from vendors relating to your matter, I may forward them to you for direct payment. For administrative ease, I may advance costs with the understanding that you will promptly reimburse me. I try to include costs in invoices relating to the month in which such costs are incurred, but sometimes I cannot do that and must include them in later invoices. In any event, you will be responsible for costs I incur or pay relating to your matter.

MONTHLY INVOICES

I send invoices on a monthly basis. Payment is due upon receipt and in any event within 30 days after you receive the invoice. Ordinarily, my statements reflect time expended approximately 15 to 45 days prior to the date on the invoice, so I will appreciate and expect prompt payment. I will provide you with a Statement of Account if your account becomes delinquent.

DELINQUENT ACCOUNTS

Like other businesses, I have substantial cash demands that require me to borrow money if accounts are not paid promptly. In the event an account becomes delinquent, I employ the same prudent collection procedures used by other businesses to ensure that Estriatus clients who pay their bills promptly are not penalized for the additional costs associated with delinquent accounts. I reserve the right to assess and collect late-payment charges of 1.5% per month on past due accounts. If your account becomes delinquent and if Estriatus resorts to collection proceedings, you will be responsible for Estriatus’ attorneys’ fees and costs incurred in those proceedings.

Estriatus Law, PC
January 5, 2018
Page Five

TERMINATION OF SERVICES

I may cease performing services and terminate representation if you fail to pay my invoices when due, or otherwise breach my agreement, or if I believe termination is called for under applicable law, including legal-ethics rules. In the unlikely event I must withdraw, I will, of course, take reasonable steps to avoid any foreseeable prejudice to your rights.

CONFLICTS OF INTEREST

I have attempted to rule out any conflict of interest by checking in my client-matter database all names and other information you have provided to me. Please inform me immediately if you use other names or have affiliated companies that you want entered into my database, or if you become aware of any additional parties that have an interest in or may be substantially affected by resolution of this matter.

ARBITRATION

With the exception of collection actions by Estriatus on delinquent accounts, as referenced above, if a dispute ever arises between you and Estriatus that I cannot resolve informally, rather than either of us taking the other to court, I propose to submit the matter to binding arbitration, a process I believe is well suited to resolving lawyer-client disputes. There are important differences between litigation and arbitration. Law and public policy favor arbitration as a method of resolving disputes, and I believe arbitration has considerable advantages for both lawyers and clients.

Arbitration is normally quicker, less expensive and more efficient than court proceedings, enabling both sides to avoid considerable attorneys' fees and costs. In arbitration, each side would present evidence and arguments to a panel of arbitrators, usually retired judges or other persons with relevant experience, and each side would agree to abide by the decision of the arbitrators as the final determination of all legal and factual issues. The parties would get to select the arbitrators, and hearings could be scheduled more promptly and on a date certain. Arbitration is less acrimonious, and it is private, protecting confidential client information. Arbitrators have broad discretion and are not bound by strict rules of evidence and procedure, so the process is relatively informal, more flexible and more relaxed.

Arbitration does have some disadvantages: fees must be paid to the arbitrators, and arbitration limits freedom of choice in how we might pursue claims and remedies against each other. In arbitration, there are limits on discovery, on the ability to compel production of witnesses and documents, and on the kinds of relief available. An arbitration agreement waives the right to a jury trial, there is no public forum, and there is virtually no appeal. Thus, arbitration tends to be relatively quick, simple, inexpensive, private and final.

On balance, I believe arbitration is the best way to resolve lawyer-client disputes. So unless we both agree otherwise in writing, your signature on the engagement letter will confirm our agreement to arbitrate under the following arbitration provision.

Client and Estriatus expressly agree to resolve, by binding arbitration, any controversy or claim arising out of or relating to this engagement (except collection actions on delinquent accounts, as referenced above). Such claims or controversies include any dispute relating to this agreement, my relationship, the quality or scope of my services, the fees charged, the appropriateness of actions taken or not taken, or any other matter relating to the representation, including any claim of legal malpractice. The arbitration will be conducted under the Commercial Arbitration Rules of the American Arbitration Association (i.e., the version of those rules in effect as of the date shown at the top of the accompanying Engagement Letter), before a single arbitrator. The parties shall be entitled to full discovery in accordance with the Federal Rules of Civil Procedure for a period of ninety days after service of the demand for arbitration. Unless the arbitrator decides otherwise, each party will bear its own attorneys fees and share equally in the payment of the arbitrators' fees and costs. The arbitrator shall follow the law and not re-write the agreement of the parties. Judgment on the arbitration award may be entered in any court having jurisdiction thereof.

CHOICE OF LAW AND FORUM

The laws of the state of California shall apply in interpreting or enforcing this agreement. Any proceedings relating to this agreement shall be filed and heard in the County of Santa Cruz, California.

Estriatus Law, PC
January 5, 2018
Page Six

RECORD RETENTION AND DESTRUCTION

At the conclusion of your matter, Estriatus will return to you any valuable property you have entrusted to me, and I will dispose of any and all superfluous documents consistent with maintaining their confidentiality. Unless you request otherwise, I will then store the entire balance of the file, at Estriatus' expense, for five years. After that five-year period, unless you make other arrangements and pick up the file, I will dispose of it in the regular course of business at Estriatus' expense, consistent with maintaining confidentiality.

QUESTIONS

I strive to provide high quality, cost effective legal services and to provide you with accurate, understandable invoices. If you are ever dissatisfied with my services, my invoices, or any aspect of our relationship, please let me know immediately so that I can address your concerns. With good communication, I should be able to resolve amicably and informally any problem that might arise.

Staff Report Item 4

TO: MBCP Operations Board of Directors

FROM: Tom Habashi, Interim Chief Executive Officer

SUBJECT: Approval of PG&E – MMCP EEI Master Cover Sheet & Collateral Annex

DATE: January 20, 2018

Recommendation

Staff recommends that the MBCP Board authorize the Chief Executive Officer to execute an EEI Master Agreement, with terms consistent with those contained in the attached form, with Pacific Gas and Electric Company.

Background

On September 15, 2017, MBCP issued a request for proposals for power supply and scheduling coordination services, and MBCP subsequently executed several power supply agreements resulting from that solicitation. MBCP initially deferred consideration of an offer from Pacific Gas and Electric Company (PG&E) for sale of resource adequacy capacity, focusing first on the other elements of MBCP's power supply portfolio. MBCP has now completed negotiations with PG&E on a master power purchase and sale agreement, which is recommended for Board approval.

MBCP is utilizing the industry-standard Edison Electric Institute master power purchase and sale agreement ("Master Agreement"), using terms and conditions that have been commonly adopted by existing CCA programs. The Master Agreement is a widely used standard form agreement containing general terms and conditions for electric power transactions. The first section of the Master Agreement, known as the "Cover Sheet", enables election of certain optional provisions and allows for modifications to the standard terms agreed to between the parties. Generally speaking, the cover sheet represents the product of negotiations that have occurred among the parties as those relate to the Master Agreement. The specifics of individual transactions, such as product, price, and delivery term, are documented in so-called Confirmations, under the umbrella of the general terms and conditions set forth in the Master Agreement.

Assuming approval of the Master Agreement with PG&E, MBCP anticipates negotiating Confirmations to transact for resource adequacy and potentially other energy products.

Conclusion

Approval of the attached EEI Master Agreement will establish a commercial relationship between MBCP and PG&E, enabling MBCP to execute Confirmations for the purchase of resource adequacy and potentially other energy products from PG&E going forward.

ATTACHMENTS

1. Master Cover Sheet
2. Collateral Annex

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

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

Name: **Monterey Bay Community Power Authority**, a California joint powers authority (“Party A”)

Name: **Pacific Gas and Electric Company** (“Party B”), limited for all purposes hereunder to its Electric Procurement and Electric Fuels Functions.

All Notices:

Street: 70 Garden Court #300
City: Monterey, CA Zip: 93940
Attn: Tom Habashi
Phone: 831-313-5557

All Notices:

Street: 245 Market Street
City: San Francisco, CA Zip: 94105
Attn: Contract Management
Phone: (415) 973-8660

E-mail: tom.habashi@mbcommunitypower.org

Invoices:

Attn: Tom Habashi
Phone: 831-313-5557

Invoices:

Attn: Manager-Electric Settlements
Phone: (415) 973-9381

E-mail: tom.habashi@mbcommunitypower.org

Scheduling:

Attn: Tom Habashi
Phone: 831-313-5557
Address: _____
E-mail: tom.habashi@mbcommunitypower.org

Scheduling:

Attn: Mike McDermott
Phone: (415) 973-6222, 973-4072

Payments:

Attn: Tom Habashi
Phone: 831-313-5557

Payments:

Attn: Manager-Electric Settlements
Phone: (415) 973-4277

E-mail: tom.habashi@mbcommunitypower.org
Duns: _____
Federal Tax ID Number: 82-2386705

Duns: 556650034
Federal Tax ID Number: 94-0742640

Wire Transfer:

BNK: _____
ABA: _____
ACCT: _____

Wire Transfer:

BNK: The Bank of Mellon NY
ABA: 011001234
ACCT: 059994

Credit and Collections:

Attn: Tom Habashi
Phone: 831-313-5557

Credit and Collections:

Attn: Manager, Credit Risk Management
Phone: (415) 972-5188

Email: MCRM-Credit@pge.com

PG&E Edits 12/5/17

Confirmations:

Attn: Tom Habashi
Address: Same as Above
Phone: 831-313-5557

E-mail: tom.habashi@mbcommunitypower.org

Confirmations:

Attn: Manager-Electric Settlements
Phone: (415) 973-9381

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

Attn: Troutman Sanders LLP
100 SW Main St. Ste. 1000
Portland, OR 97204
Attn: Stephen Hall
Phone: 503-290-2336
Email: Steve.Hall@troutmansanders.com

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

Attn: _____

Phone: _____
Email: _____

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

Party A Tariff	Tariff	Dated	Docket Number
Party B Tariff	Tariff	Dated <u>December 19, 2002</u>	Docket Number <u>ER03-198-000</u>

Article Two

Transaction Terms and Conditions Optional provision in Section 2.4. If not checked, inapplicable

Article Four

Remedies for Failure to Deliver or Receive Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

5.1(g) Cross Default for Party A:

Party A: Monterey Bay Community Power Authority Cross Default Amount \$100,000.00

Other Entity: _____ Cross Default Amount 0

5.1(g) Cross Default for Party B:

Party B: Pacific Gas and Electric Company Cross Default Amount \$ 100,000,000.00

Other Entity: _____ Cross Default Amount \$ _____

5.6 Closeout Setoff

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

Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows:

Option C (No Setoff)

Article Eight

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

- Option A
- Option B Specify
- Option C Specify

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable

If applicable, complete the following:

Party B Collateral Threshold: See Collateral Annex

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below ___ from S&P or ___ from Moody's or if either S&P or Moody's does not rate Party B.

- Other:
Specify: _____

(e) Guarantor for Party B: None

Guarantee Amount:

8.2 Party B Credit Protection:

(a) Financial Information:

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

(b) Credit Assurances:

- Not Applicable
- Applicable

(c) Collateral Threshold:

- Not Applicable
- Applicable

If applicable, complete the following:

Party A Collateral Threshold: See Collateral Annex

(d) Downgrade Event:

- Not Applicable
- Applicable

If applicable, complete the following:

- It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below ___ from S&P or ___ from Moody's or if Party A is not rated by either S&P or Moody's.
- Other:
Specify: _____

(e) Guarantor for Party A: _____

Guarantee Amount: \$_____

Article Ten

Confidentiality

- Confidentiality Applicable If not checked, inapplicable.

Schedule M

- Party A is a Governmental Entity or Public Power System
- Party B is a Governmental Entity or Public Power System
- Add Section 3.6. If not checked, inapplicable
- Add Section 8.6. If not checked, inapplicable

Other Changes

Specify, if any: The following changes shall be applicable.

GENERAL TERMS AND CONDITIONS.

(A) Article One: General Definitions. Amend Article One as follows:

(1) Section 1.1 is amended in its entirety to read: “Affiliate” means (i) with respect to Party A, any entity which directly or indirectly controls, is controlled by, or is under a common control with Party A, and (ii) with respect to Party B, none. For purposes of this definition, “control” (including, with correlative meaning, the terms “controlling”, “controlled by” and “under common control with”), shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies through the ownership of voting securities, by agreement or otherwise. Notwithstanding the foregoing, the public entities that are designated as “Parties” under the Joint Powers Agreement (referred to herein as “members” of Party A) shall not constitute or otherwise be deemed an “Affiliate” of Party A for the purposes of this Master Agreement or any Confirmations executed in connection therewith.

(2) Section 1.12 deleted and replaced with the definition of “Credit Rating” as set forth in Paragraph 10 to the Collateral Annex to this Agreement

(3) The following defined term is added as Section 1.26A:

“1.26A “Joint Powers Agreement” means the Joint Powers Agreement, effective as of February 21, 2017, as amended, providing for the formation of Party A, as such agreement may be further amended or amended and restated.”

(4) Section 1.27 deleted and replaced with the definition of “Letter of Credit” as set forth in the Collateral Annex to this Agreement (as modified in Paragraph 10 to that Collateral Annex).

(5) Section 1.45 is deleted and replaced with the definition of “Performance Assurance” as set forth in the Collateral Annex to this Agreement (as modified by Paragraph 10 to that Collateral Annex), and “Credit Assurance” as the term is used in this Cover sheet shall mean Performance Assurance as so defined in the Collateral Annex.

(6) In Section 1.50 replace the reference to Section 2.4 with reference to Section 2.5.

(7) In Section 1.51 replace “at Buyer’s option” in the fifth line with “absent a purchase”.

(8) In Section 1.53 replace “at Seller’s option” in the fifth line with “absent a sale”.

(9) A new Section 1.62 is added as follows:

“Broker or Index Quotes” means quotations solicited or obtained in good faith from (a) regularly published and widely-distributed daily forward price assessments from a broker that is not an Affiliate of either Party and who is actively participating in markets for the relevant Products or (b) end-of-day prices for the relevant Products published by exchanges which transact in the relevant markets.”

(10) A new Section 1.63 is added as follows:

“Market Quotation Average Price” means the arithmetic mean of the quotations solicited in good faith from not less than three (3) Reference Market-Makers (as hereinafter defined); provided, however, that the Party obtaining the quotes shall use reasonable efforts to obtain good faith quotations from at least five (5) Reference Market-Makers and, if at least five (5) such quotations are obtained, the Market Quotation Average Price shall be determined by disregarding the highest and lowest quotations and taking the arithmetic mean of the remaining quotations. The quotations shall be based on the offers to sell or bids to buy, as applicable, obtained for transactions substantially similar to each Terminated Transaction. The quote must be obtained assuming that the Party obtaining the quote will provide sufficient credit support for the proposed transaction. Each quotation shall be obtained, to the extent reasonably

practicable, as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the Party obtaining the quotations and in accordance with the notice pursuant to Section 5.2, which designates the Early Termination Date. If fewer than three quotations are obtained, it will be deemed that the Market Quotation Average Price in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.”

(11) A new Section 1.64 is added as follows:

“Reference Market Maker” shall have the meaning as set forth in the Collateral Annex to this Agreement.

(12) A new Section 1.65 is added as follows:

“JAMS” means JAMS, Inc., or its successor entity, a judicial arbitration and mediation service.

(B) Article Two: Transaction Terms and Conditions. Amend Article Two as follows:

(1) In Section 2.1, delete the first sentence in its entirety and replace with the following:

“A Transaction, or an amendment, modification or supplement thereto, shall be entered into only upon a writing signed by both Parties.”

(2) Section 2.3 is hereby deleted in its entirety and replaced with the following:

2.3 “No Oral Agreements or Modifications. Notwithstanding anything to the contrary in this Master Agreement, the Master Agreement and any and all Transactions may not be orally amended or modified.”

(3) Section 2.4 is hereby amended by deleting the words “either orally or” in the sixth line.

(4) A new Section 2.6 is added to read as follows:

“2.6 Imaged Agreement. Any original executed Master Agreement, Confirmation or other related document may be photocopied and stored in electronic format (the ‘Imaged Agreement’). The Imaged Agreement, if introduced as evidence on paper, the Confirmation, if introduced as evidence in automated facsimile form, the Recording, if introduced as evidence in its original form and as transcribed onto paper or into other written format, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the Parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the Recording, the Confirmation, or the Imaged Agreement (or photocopies of the transcription of the Recording, the Confirmation, or the Imaged Agreement) on the basis that such were not originated or maintained in documentary or written form under either the hearsay rule or the best evidence rule. However, nothing in this Section 2.6 shall preclude a Party from challenging the admissibility of such evidence on some other grounds, including, without limitation, the basis that such evidence has been altered from the original.”

(C) Article Three: Obligations and Deliveries. Amend Article Three as follows:

(1) Add a new Section 3.4 at the end of the Article:

“3.4 NERC Interchange Transaction Tags. The Parties acknowledge that all Transactions are subject to the North American Electric Reliability Council (“NERC”) Policy 3, Version 5 (“NERC Policy”) standards for interchange transactions. Notwithstanding anything to the contrary contained in the NERC Policy, the Parties agree that, with respect to all Transactions between the Parties under this Agreement, the Purchasing-Selling Entity (as defined in the NERC Policy) immediately before the load serving Purchasing-Selling Entity shall be the entity responsible for providing the Interchange Transaction (as defined in the NERC Policy) tag.”

(2) Add a new Section 3.5 as follows:

3.5. Index Transactions. If the Contract Price for a Transaction is determined by reference to a third-party information source, then the following provisions shall be applicable to such Transaction.

(a) Market Disruption. If a Market Disruption Event occurs during a Determination Period, the Floating Price for the affected Trading Day(s) shall be determined by reference to the Floating Price specified in the Transaction for the first Trading Day thereafter on which no Market Disruption Event exists; provided, however, if the Floating Price is not so determined within three (3) Business Days after the first Trading Day on which the Market Disruption Event occurred or existed, then the Parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), and if the Parties have not so agreed on or before the twelfth Business Day following the first Trading Day on which the Market Disruption Event occurred or existed, then the Floating Price shall be determined in good faith by taking the average of the price quotations for the Trading Days that are obtained from no more than two (2) Reference Market-Makers selected by each of the Parties (for a total of four (4) price quotations).

(b) For purposes of this Section 3.5, the following definitions shall apply:

(i) "Determination Period" means each calendar month a part or all of which is within the Delivery Period of a Transaction.

(ii) "Exchange" means, in respect of a Transaction, the exchange or principal trading market specified in the relevant Transaction.

(iii) "Floating Price" means a price per unit in \$U.S. specified in a Transaction that is based upon a Price Source.

(iv) "Market Disruption Event" means, with respect to any Price Source, any of the following events: (a) the failure of the Price Source to announce or publish the specified Floating Price or information necessary for determining the Floating price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading in the relevant options contract or commodity on the Exchange or in the market specified for determining a Floating Price; (c) the temporary or permanent discontinuance or unavailability of the Price Source; (d) the temporary or permanent closing of any Exchange specified for determining a Floating Price; or (e) a material change in the formula for or the method of determining the Floating Price.

(v) "Price Source" means, in respect of a Transaction, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the specified price (or prices from which the specified price is calculated) specified in the relevant Transaction.

(vi) "Trading Day" means a day in respect of which the relevant Price Source published the Floating Price.

(c) Corrections to Published Prices. For purposes of determining a Floating Price for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within two (2) years of the original publication or announcement, either Party may notify the other Party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than thirty (30) days after publication or announcement of that correction, a Party gives notice that an amount is so payable, the Party that originally either received or retained such amount will, not later than ten (10) Business Days after the effectiveness of that notice, pay, subject to any applicable conditions precedent, to the other Party that amount, together with interest at the Interest Rate for the period

from and including the day on which payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

(d) Calculation of Floating Price. For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three (3) decimal places. If the fourth (4th) decimal number is five (5) or greater, then the third (3rd) decimal number shall be increased by one (1), and if the fourth (4th) decimal number is less than five (5), then the third (3rd) decimal number shall remain unchanged.”

(D) Article Five: Events of Default; Remedies. Amend Article Five as follows

(1) In Section 5.1(a) change “three (3) Business Days” to “five (5) Business Days”.

(2) Section 5.2 is amended to (i) add the words “and time of day” in the third line immediately following the first instance of the word “day” and (ii) add the following at the end of the Section:

“The Non-Defaulting Party shall determine its Gains and Losses by determining the Market Quotation Average Price for each Terminated Transaction. In the event the Non-Defaulting Party is not able, after commercially reasonable efforts, to obtain the Market Quotation Average Price with respect to any Terminated Transaction, then the Non-Defaulting Party shall calculate its Gains and Losses for such Terminated Transaction in a commercially reasonable manner by calculating the arithmetic mean of at least three (3) Broker or Index Quotes for transactions substantially similar to each Terminated Transaction. Such Broker or Index Quotes must be obtained assuming that the Party obtaining the quote will provide sufficient credit support for the proposed transaction. In the event the Non-Defaulting Party is not able, after commercially reasonable efforts to obtain at least three (3) Broker or Index Quotes with respect to any Terminated Transaction, then the Non-Defaulting Party shall calculate its Gains and Losses for such Terminated Transaction in a commercially reasonable manner by reference to information supplied to it by one or more third parties including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets. Third parties supplying such information may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors and other sources of market information; provided, however, that such third parties shall not be Affiliates of either Party. Only in the event the Non-Defaulting Party is not able, after using commercially reasonable efforts, to obtain such third party information, then the Non-Defaulting Party shall calculate its Gains and Losses for such Terminated Transaction in a commercially reasonable manner using relevant market data it has available to it internally.”

(2) Section 5.3 is amended by inserting “plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Defaulting Party Pursuant to Article Eight,” between the words “that are due to the Non-Defaulting Party,” and “plus any and all other amounts” in the sixth line.

(3) The following is added to the end of Section 5.4: “Notwithstanding any provision to the contrary contained in this Agreement, the Non-Defaulting Party shall not be required to pay to the Defaulting Party any amount under Article 5 until the Non-Defaulting Party receives confirmation satisfactory to it in its reasonable discretion (which may include an opinion of its counsel) that all other obligations of any kind whatsoever of the Defaulting Party to make any payments to the Non-Defaulting Party or any of its Affiliates under this Agreement or otherwise which are due and payable as of the Early Termination Date have been fully and finally performed.”; and

(4) Section 5.6 is amended by adding the following sentence to the end of the section: The Parties shall be limited to setting off only against the payment of money under transactions between the Parties with respect to the purchase and sale of natural gas and for which such transaction is solely for the purpose of procuring natural gas for the use of Party B's electric fuels management function, thereby explicitly excluding from set-off: (i) any payments of money which might arise through a transaction between the Parties for the purchase and sale of natural gas for use by Party B's core natural gas retail function; and (ii) any payments of money which arise out of an instrument relating to borrowed money indebtedness of any kind (whether matured or unmatured or whether or not contingent).

(E) Article Ten: Miscellaneous. Amend Article Ten as follows:

(1) Section 10.2(i) is amended as follows: the phrase "... and is qualified to conduct its business in each jurisdiction in which it will perform a Transaction." is added to the end of 10.2(i);

(2) Section 10.2(vi) is amended by deleting the phrase "or any of its Affiliates".

(3) Section 10.2(ix) is amended by adding the phrase "it is an 'eligible contract participant' as defined in Section 1(a)(12) of the Commodity Exchange Act, as amended, and it is an 'eligible commercial entity' as defined in Section 1(a)(11) of the Commodity Exchange Act, as amended".

(4) Section 10.2(x) is amended by replacing "and" in the third line with a comma and adding the following at the end of the section: "and it intends to physically settle each Transaction such that if the 'commodity option' (as defined in the Commodity Exchange Act, as amended) associated with a Transaction is exercised, the option would result in the sale of an 'exempt commodity' (as defined in Section 1(a)(20) of the Commodity Exchange Act, as amended) for immediate or deferred delivery."

(5) Section 10.5 is amended as follows: (a) the phrase "may be withheld in the exercise of its sole discretion" is deleted and replaced with "which consent may not be unreasonably withheld"; and (b) replace the word "affiliate" with the defined term "Affiliate."

(6) Section 10.11 is deleted in its entirety and replaced with the following:

"10.11 Confidentiality. If the Parties have elected on the Cover Sheet to make this Section 10.11 applicable to this Master Agreement, neither Party shall disclose the terms or conditions of this Agreement or any Transaction to a third party (other than the Party's or the Party's Affiliates' employees, lenders, counsel, accountants, advisors or ratings agencies who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding or request applicable to such Party or any of its Affiliates, or as Party B deems necessary in order to demonstrate the reasonableness of its actions to duly authorized governmental or regulatory agencies, including, without limitation, the California Public Utilities Commission ("CPUC") or any division thereof; provided, however, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation. The confidentiality obligation hereunder shall not apply to any information that was or hereafter becomes available to the public other than as a result of a disclosure in violation of this Section 10.11.

Party B acknowledges that Party A is a public entity subject to the requirements of the California Public Records Act (Cal. Gov. Code section 6250 et seq.). Party A acknowledges that Party B may submit information to Party A that Party B considers confidential, proprietary, or trade secret information pursuant the Uniform Trade Secrets Act (Cal. Civ. Code section 3426 et seq.), or otherwise protected from disclosure pursuant

to an exemption to the California Public Records Act (Government Code sections 6254 and 6255). Upon request or demand of any third person or entity not a party to this Agreement (“Requestor”) to Party A pursuant to the California Public Records Act for production, inspection and/or copying of Confidential Information (“Requested Confidential Information”), Party A as soon practical shall notify Party B in writing that such request has been made. Party B shall be solely responsible for taking whatever legal steps are necessary to prevent release of the Requested Confidential Information to the Requestor by Party A. If Party B takes no such action, after receiving the foregoing notice from Party A, Party A shall be permitted to comply with the Requestor’s demand and is not required to defend against it. If Party B does take such action, Party A shall provide timely and reasonable cooperation to Party B if requested by Party B, for which Party B will be responsible for any agreed reasonable expenses incurred by Party A in providing such cooperation.

Regardless of any other provisions of this Agreement, either Party shall have the right to disclose the terms and conditions of a transaction between the parties to index publishers that aggregate and report such data to the public in the form of indices.

(7) A new Section 10.12 is added as follows:

“10.12 Execution. A signature received via facsimile or email shall have the same legal effect as an original.”

(8) A new Section 10.13 is added as follows:

The Parties agree that Security and Exchange Commission rules for reporting power purchase agreements may require PG&E to collect and possibly consolidate financial information. For any Transaction for which such reporting is required, PG&E is obligated to obtain information from Seller to determine whether or not consolidation is required. If PG&E determines that consolidation is required, PG&E shall require the following during every calendar quarter for the term of such Transaction:

- a) Complete financial statements and notes to financial statements and
- b) Financial schedules underlying the financial statements, all within 15 days of the end of each quarter.
- c) Access to records and personnel, so that PG&E's independent auditor can conduct financial audits (in accordance with generally accepted auditing standards) and internal control audits (in accordance with Section 404 of the Sarbanes-Oxley Act of 2002).

Any information provided to PG&E shall be treated confidentially and only disclosed on an aggregate basis with other similar entities for which PG&E has power-purchase contracts. The information will only be used for financial statement purposes and shall not be otherwise shared with internal or external parties.

(9) A new Section 10.14 is added as follows:

10.14 Dispute Resolution. Mindful of the high costs of litigation, not only in dollars but time and energy as well, the Parties intend to and do hereby establish a final and binding out-of-court dispute resolution procedure to be followed in the event any controversy should arise out of or concerning the performance of a Transaction. Accordingly, it is agreed as follows:

10.14(a) Negotiation.

(1) Except for disputes arising with respect to a Termination Payment, the Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Agreement by prompt negotiations between each Party’s designated representative (“Manager”). Either Party may request a meeting (in person or telephonically) to initiate negotiations. Parties will then designate their respective Managers in writing, and the meeting shall be held within ten (10) Business Days

of the other Party's receipt of such request, at a mutually agreed time and place. If the matter is not resolved within 15 Business Days of their first meeting ("Initial Negotiation End Date"), the Managers shall refer the matter to the designated senior officers of their respective companies, who shall have authority to settle the dispute ("Executive(s)"). Within five (5) Business Days of the Initial Negotiation End Date ("Referral Date"), each Party shall provide one another written notice confirming the referral and identifying the name and title of the Executive who will represent the Party.

(2) Within 5 Business Days of the Referral Date the Executives shall establish a mutually acceptable location and date, which date shall not be greater than 30 calendar days from the Referral Date, to meet. After the initial meeting date, the Executives shall meet, as often as they reasonably deem necessary to exchange the relevant information and to attempt to resolve the dispute.

(3) All communication and writing exchanged between the Parties in connection with these negotiations shall be confidential and shall not be used or referred to in any subsequent binding adjudicatory process between the Parties.

(4) If the matter is not resolved within 45 calendar days of the Referral Date, or if the Party receiving the written request to meet, pursuant to subpart (a) above, refuses or will not meet within 10 Business Days, either Party may initiate mediation of the controversy or claim according to the terms of the following Section 10.14(b).

(5) If a dispute exists with respect to the Termination Payment, and such dispute cannot be resolved by good faith negotiation of the Parties within 10 Business Days of the Non-Defaulting Party's receipt of the detailed basis for the explanation of the dispute then either Party may refer the matter directly to Arbitration, as set forth in Section 10.14(c) below.

10.14(b) Mediation. If the dispute (other than a dispute regarding the Termination Payment) cannot be resolved by negotiation as set forth in Section 1 above, then either Party may initiate mediation, the first-step of a two-step dispute resolution process, which JAMS shall administer. As the first step, the Parties agree to mediate any controversy before a commercial mediator from the JAMS panel, pursuant to JAMS's then-applicable commercial mediation rules, in San Francisco, California. Either Party may initiate such a mediation by serving a written demand for mediation. The mediator shall not have the authority to require, and neither Party may be compelled to engage in, any form of discovery prior to or in connection with the mediation. If within sixty (60) days after service of a written demand for mediation, or as extended by mutual agreement of the Parties, the mediation does not result in resolution of the dispute, then the Parties shall resolve such controversy through Arbitration by one retired judge or justice from the JAMS panel, which Arbitration shall take place in San Francisco, California, and which the arbitrator shall administer by and in accordance with JAMS's Commercial Arbitration Rules ("Arbitration"). If the Parties cannot mutually agree on the Arbitrator who will adjudicate the dispute, then JAMS shall provide the Parties with an Arbitrator pursuant to its then-applicable Commercial Arbitration Rules. The period commencing from the date of the written demand for mediation until the appointment of a mediator shall be included within the sixty (60) day mediation period. Any mediator(s) and arbitrator(s) shall have no affiliation with, financial or other interest in, or prior employment with either Party and shall be knowledgeable in the field of the dispute. Either Party may initiate Arbitration by filing with the JAMS a notice of intent to arbitrate within sixty (60) days of service of the written demand for mediation.

10.14(c) Arbitration.

(1) At the request of a Party, the arbitrator shall have the discretion to order depositions of witnesses to the extent the arbitrator deems such discovery relevant and appropriate. Depositions shall be limited to a maximum of three (3) per Party and shall be held within thirty (30) days of the making of a request. Additional depositions may be scheduled only with the permission of the arbitrator, and for good cause shown. Each deposition shall be limited to a maximum of six (6) hours duration unless otherwise permitted by the arbitrator for good cause shown. All objections are reserved for the Arbitration hearing except for objections based on privilege and proprietary and

confidential information. The arbitrator shall also have discretion to order the Parties to exchange relevant documents. The arbitrator shall also have discretion to order the Parties to answer interrogatories, upon good cause shown.

(2) The arbitrator, once chosen, shall consider any transaction tapes or any other evidence which the arbitrator deems necessary, as presented by each Party. In deciding the award, the provisions of this Agreement will be binding on the arbitrator. The arbitrator will deliver his or her decision in writing within 30 days after the conclusion of the arbitration hearing. The arbitrator shall specify the basis for his or her decision, the basis for the damages award and a breakdown of the damages awarded, and the basis of any other remedy. Except as provided in the Federal Arbitration Act, the decision of the arbitrator will be binding on and non-appealable by the Parties. Each Party agrees that any arbitration award against it may be enforced in any court of competent jurisdiction and that any Party may authorize any such court to enter judgment on the arbitrator's decision.

(3) The arbitrator shall have no authority to award punitive or exemplary damages or any other damages other than direct and actual damages.

(4) Any expenses incurred in connection with hiring the arbitrators and performing the Arbitration shall be shared and paid equally between the Parties. Each Party shall bear and pay its own expenses incurred by each in connection with the Arbitration, unless otherwise included in a solution chosen by the Arbitration panel. In the event either Party must file a court action to enforce an arbitration award under this Article, the prevailing Party shall be entitled to recover its court costs and reasonable attorney fees.

(5) In the event the Parties choose to litigate any matter hereunder, the Parties hereby waive the right to jury trial.

(6) Except as may be required by Law, the existence, contents or results of any Arbitration hereunder may not be disclosed by a Party or the arbitrator without the prior written consent of both Parties.

(11) A new Section 10.15 is added as follows:

10.15 Mobile Sierra. Notwithstanding any provision of this Agreement, neither Party shall seek, nor shall they support any third party seeking, to prospectively or retroactively revise the rates, terms or conditions of service of this Agreement through application or complaint to the FERC pursuant to the provisions of the Federal Power Act, absent prior written agreement of the Parties. Further, absent the prior written agreement in writing by both Parties, the standard of review for changes to the rates, terms or conditions of service of this Agreement proposed by a Party, a non-Party, or the FERC acting *sua sponte* shall be the "public interest" standard of review set forth in *United States Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

(12) A new Section 10.16 is added as follows:

"10.16 Joint Powers Authority.

Party B hereby acknowledges and agrees that Party A is organized as a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 et seq.) pursuant to the Joint Powers Agreement and is a public entity separate from its members. Party A shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement and Party B agrees that it shall have no rights and shall not make any claim, take any actions or assert any remedies against any of Party A's members in connection with this Agreement, any cities participating in Party A's aggregation program, or any of Party A's retail customers in connection with this Agreement or any of the Transactions."

(F) Schedule P: Products and Definitions. Amend Schedule P as follows:

Add the following definitions, in appropriate alphabetical order:

“CAISO Energy” means with respect to a Transaction, a Product under which the Seller shall sell and the Buyer shall purchase a quantity of energy equal to the hourly quantity without Ancillary Services (as defined in the Tariff) that is or will be scheduled as a schedule coordinator to schedule coordinator transaction pursuant to the applicable tariff and protocol provisions of the California Independent System Operator (“CAISO”) (as amended from time to time, the “Tariff”) for which the only excuse for failure to deliver or receive is an Uncontrollable Force (as defined in the Tariff).

“WECC” means the Western Electricity Coordinating Council.

“WSPP” means the Western Systems Power Pool.

“WSPP Agreement” means the Western Systems Power Pool Agreement as amended from time to time.

“West Firm” or “WSPP Firm” means with respect to a Transaction, a Product that is or will be scheduled as firm energy and consistent with the most recent rules adopted by the WECC for which the only excuses for failure to deliver or receive are if an interruption is (i) due to an Uncontrollable Force as provided in Section 10 of the WSPP Agreement; or (ii) where applicable, to meet Seller's public utility or statutory obligations to its customers. Notwithstanding any other provision in this Master Agreement, if Seller exercises its right to interrupt to meet its public utility or statutory obligations, Seller shall be responsible for payment of damages for failure to deliver firm energy as provided in Article Four of this Agreement.

(G) Schedule M: Amend Schedule M as follows:

(1) Add the following definition in Article One:

“Act” means Joint Powers Act of the State of California (Government Code Section 6500 et seq.)

(2) Section 3.4 of Schedule M is deleted in its entirety and replaced with the following addition to Article Three:

“Section 3.4 Party A’s Deliveries. As a condition to the obligations of Party B under this Agreement, Party A shall provide to Party B (i) copies of all ordinances, resolutions, public notices and other documents evidencing the necessary authorizations with respect to the execution, delivery and performance by Party A of this Master Agreement and (ii) the incumbency and signatures of the signatories of Party A executing this Master Agreement and any Confirmations executed in connection herewith.”

(3) Section G of Schedule M is amended to insert the relevant state of California.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the last dated signature below.

<p>Party A MONTEREY BAY COMMUNITY POWER AUTHORITY, a California joint powers authority</p>	<p>Party B PACIFIC GAS AND ELECTRIC COMPANY</p>
<p>By: _____ Name: _____ Title: _____ Date: _____</p>	<p>By: _____ Name: _____ Title: _____ Date: _____</p>

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting there from. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

PARAGRAPH 10
to the
COLLATERAL ANNEX
to the
EEI MASTER POWER PURCHASE AND SALE AGREEMENT

CREDIT ELECTIONS COVER SHEET

Please Note: PG&E is Party B

Paragraph 10. Elections and Variables

I. Collateral Threshold.

A. Party A Collateral Threshold.

- Zero (Zero dollars) (the “Threshold Amount”); provided, however, that the Collateral Threshold for Party A shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to Party A; and provided further that, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

- (a) The amount (the “Threshold Amount”) set forth below under the heading “Party A Collateral Threshold” opposite the Credit Rating for [Party A][Party A’s Guarantor] on the relevant date of determination, or (b) zero if on the relevant date of determination [Party A][its Guarantor] does not have a Credit Rating from the rating agency specified below or an Event of Default or a Potential Event of Default with respect to Party A has occurred and is continuing; provided, however, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

Party A		
<u>Collateral Threshold</u>	<u>S&P Credit Rating</u>	<u>Moody’s Credit Rating</u>
\$ _____	_____ (or above)	
\$ _____	_____	
\$ _____	_____	
\$ _____	_____	
\$ _____	Below _____	

- (a) The amount (the “Threshold Amount”) set forth below under the heading “Party A Collateral Threshold” opposite the Credit Rating for Party A on the relevant date of determination, and if Party A’s Credit Ratings shall not be equivalent, the lower Credit Rating shall govern or (b) zero if on the relevant date of determination Party A does not

ATTACHMENT 2

have a Credit Rating from the rating agency(ies) specified below or an Event of Default or a Potential Event of Default with respect to Party A has occurred and is continuing; provided, however, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

Party A		
<u>Collateral Threshold</u>	<u>S&P Credit Rating</u>	<u>Moody's Credit Rating</u>
\$ _____	A- or above	A3 or above
\$ _____	BBB+	Baa1
\$ _____	BBB	Baa2
\$ _____	BBB-	Baa3
\$ _____	Below BBB-	Below Baa3

- The amount of the Guaranty Agreement dated _____ from _____, as amended from time to time but in no event shall Party A's Collateral Threshold be greater than \$_____.
- Other – see attached threshold terms

B. Party B Collateral Threshold.

- \$_____ (the "Threshold Amount"); provided, however, that the Collateral Threshold for Party B shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to Party B; and provided further that, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand.
- (a) The amount (the "Threshold Amount") set forth below under the heading "Party B Collateral Threshold" opposite the Credit Rating for Party B on the relevant date of determination, or (b) zero if on the relevant date of determination Party B does not have a Credit Rating from the rating agency specified below or an Event of Default or a Potential Event of Default with respect to Party B has occurred and is continuing; provided, however, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand:

Party B Collateral Threshold	S&P Credit Rating	Moody's Credit Rating
\$ _____	_____ (or above)	
\$ _____	_____	
\$ _____	_____	
\$ _____	_____	
\$ _____	Below _____	

- (a) The amount (the "Threshold Amount") set forth below under the heading "Party B Collateral Threshold" opposite the Credit Rating for Party B on the relevant date of determination, and if Party B's Credit Ratings shall not be equivalent, the lower Credit Rating shall govern or (b) zero if on the relevant date of determination Party B does not have a Credit Rating from the rating agency(ies) specified below or an Event of Default or a Potential Event of Default with respect to Party B has occurred and is continuing; provided, however, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

Party B Collateral Threshold	S&P Credit Rating	Moody's Credit Rating
\$30,000,000	BBB or above	Baa2 or above
\$5,000,000	BBB-	Baa3
\$0	Below BBB-	Below Baa3

- The amount of the Guaranty Agreement dated _____ from _____, as amended from time to time but in no event shall Party B's Collateral Threshold be greater than \$_____.
- Other – see attached threshold terms

II. Eligible Collateral and Valuation Percentage.

The following items will qualify as "Eligible Collateral" for the Party specified:

	Party A	Party B	Valuation Percentage
(A) Cash	[x]	[x]	100%
(B) Letters of Credit	[x]	[x]	100% unless either (i) a Letter of Credit Default shall have occurred and be continuing with respect to such Letter of Credit, or (ii) thirty (30) or fewer Days remain prior to the expiration of such Letter of Credit, in which cases the Valuation Percentage shall be zero (0).
(C) Other	[]	[]	_____ %

III. Independent Amount.

A. Party A Independent Amount.

- Party A shall have a Fixed Independent Amount of \$_____. If the Fixed Independent Amount option is selected for Party A, then Party A (which shall be a Pledging Party with respect to the Fixed IA Performance Assurance) will be required to Transfer or cause to be Transferred to Party B (which shall be a Secured Party with respect to the Fixed IA Performance Assurance) Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the “Fixed IA Performance Assurance”). The Fixed IA Performance Assurance shall not be reduced for so long as there are any outstanding obligations between the Parties as a result of the Agreement, and shall not be taken into account when calculating Party A’s Collateral Requirement pursuant to the Collateral Annex. Except as expressly set forth above, the Fixed IA Performance Assurance shall be held and maintained in accordance with, and otherwise be subject to, Paragraphs 2, 5(b), 5(c), 6, 7 and 9 of the Collateral Annex.
- Party A shall have an Independent Amount as specified in each confirmation governed by this Master Agreement. If the Independent Amount option is selected for Party A, then for purposes of calculating Party A’s Collateral Requirement pursuant to Paragraph 3 of the Collateral Annex, such Independent Amount for Party A shall be added by Party B to its Exposure Amount for purposes of determining Net Exposure pursuant to Paragraph 3(a) of the Collateral Annex.
- Party A shall have a Partial Floating Independent Amount of \$_____. If the Partial Floating Independent Amount option is selected for Party A, then Party A will be required to Transfer or cause to be Transferred to Party B Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the “Partial Floating IA Performance Assurance”) if at any time Party A otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to Paragraph 3 of the Collateral Annex. The Partial Floating IA Performance Assurance shall not be reduced so long as Party A has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount). The Partial Floating Independent Amount shall not be taken into account when calculating a Party’s Collateral Requirements pursuant to the Collateral Annex. Except as expressly set forth above, the Partial Floating Independent Amount shall be held and maintained in accordance with, and otherwise be subject to, the Collateral Annex.

a) Party B Independent Amount.

- Party B shall have a Fixed Independent Amount of _____the Notional Value of all outstanding transactions. If the Fixed Independent Amount Option is selected for Party B, then Party B (which shall be a Pledging Party with respect to the Fixed IA Performance Assurance) will be required to Transfer or cause to be Transferred to Party A (which shall be a Secured Party with respect to the Fixed IA Performance Assurance) Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the “Fixed IA Performance Assurance”). The Fixed IA Performance Assurance shall not be reduced for so long as there are any outstanding obligations between the Parties as a result of the Agreement, and shall not be taken into account when calculating Party B’s Collateral Requirement pursuant to the Collateral Annex. Except as expressly set forth above, the Fixed IA Performance Assurance shall be held and maintained in accordance with, and otherwise be subject to, Paragraphs 2, 5(b), 5(c), 6, 7 and 9 of the Collateral Annex.
- Party B shall have a Full Floating Independent Amount of \$_____. If the Full Floating Independent Amount Option is selected for Party B then for purposes of calculating Party B’s Collateral Requirement pursuant to Paragraph 3 of the Collateral Annex, such Full Floating Independent Amount for Party B shall be added by Party A to its Exposure Amount for purposes of determining Net Exposure pursuant to Paragraph 3(a) of the Collateral Annex.

- Party B shall have a Partial Floating Independent Amount of \$_____. If the Partial Floating Independent Amount option is selected for Party B, then Party B will be required to Transfer or cause to be Transferred to Party A Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the “Partial Floating IA Performance Assurance”) if at any time Party B otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to Paragraph 3 of the Collateral Annex. The Partial Floating IA Performance Assurance shall not be reduced for so long as Party B has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount). The Partial Floating Independent Amount shall not be taken into account when calculating a Party’s Collateral Requirements pursuant to the Collateral Annex. Except as expressly set forth above, the Partial Floating Independent Amount shall be held and maintained in accordance with, and otherwise be subject to, the Collateral Annex.

IV. Minimum Transfer Amount.

- A. **Party A Minimum Transfer Amount:** \$100,000.00_____
- B. **Party B Minimum Transfer Amount:** \$100,000.00_____

V. Rounding Amount.

- A. **Party A Rounding Amount:** \$10,000.00_____
- B. **Party B Rounding Amount:** \$10,000.00_____

VI. Administration of Cash Collateral.

A. **Party A Eligibility to Hold Cash.**

- Party A shall not be entitled to hold Performance Assurance in the form of Cash. Performance Assurance in the form of Cash shall be held in accordance with a Deposit Account Agreement (“DAA”), substantially in the form as attached hereto as Exhibit A, and in accordance with the provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex. The Bank holding the Cash pursuant to the DAA shall at all times meet the requirements for a Qualified Institution in accordance with the provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex.
- Party A shall be entitled to hold Performance Assurance in the form of Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2), Party A has a Credit Rating from S&P or Moody’s and the lowest Credit Rating for Party A is at least BBB- from S&P or Baa3 from Moody’s; and (3) Cash shall be held only in any jurisdiction within the United States. To the extent Party A is entitled to hold Cash, the Interest Rate payable to Party B on Cash shall be as selected below:

Party A Interest Rate.

- Federal Funds Effective Rate - the rate per annum equal to the “Monthly” Federal Funds Rate (as reset on a monthly basis based on the latest Month for which such rate is available) as reported in Federal Reserve Bank Publication H.15-519, or its successor publication.
- Other - _____

B. **Party B Eligibility to Hold Cash.**

ATTACHMENT 2

- Party B shall not be entitled to hold Performance Assurance in the form of Cash. Performance Assurance in the form of Cash shall be held in accordance with a Deposit Account Agreement (“DAA”), substantially in the form as attached hereto as Exhibit A and in accordance with the provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex. The Bank holding the Cash pursuant to the DAA shall at all times meet the requirements for a Qualified Institution in accordance with the provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex.
- Party B shall be entitled to hold Performance Assurance in the form of Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2) Party B has a Credit Rating from S&P or Moody’s and the lowest Credit Rating for Party B is at least BBB- from S&P or Baa3 from Moody’s; and (3) Cash shall be held only in any jurisdiction within the United States. To the extent Party B is entitled to hold Cash, the Interest Rate payable to Party A on Cash shall be as selected below:

Party B Interest Rate.

- Federal Funds Effective Rate - the rate per annum equal to the “Monthly” Federal Funds Rate (as reset on a monthly basis based on the latest Month for which such rate is available) as reported in Federal Reserve Bank Publication H.15-519, or its successor publication.
- Other - _____

VII. Notification Time.

- Other -

All demands, specifications and notices to Party A under this Collateral Annex will be made to the person specified under “Credit and Collections” for Party A on the Cover Sheet.

All demands, specifications and notices to Party B under this Annex will be made to the person specified under “Credit and Collections” for Party B on the Cover Sheet.

VIII. General.

If, as part of its obligations under the Agreement, including one or more Confirmations, a Party posts Performance Assurance, which Performance Assurance must be in a form and amount determined in accordance with and as set forth in Paragraph 10 of the Agreement, each Transaction to which the Parties agree shall be supported by this Performance Assurance, so that the counterparty may draw on the Performance Assurance to pay amounts owed and for which the payment period has run under any Confirmation. Further, at the non-defaulting Party’s election, a default under any Confirmation shall be a default under all Confirmations between the Parties, so that all Transactions under the Agreement may be subject to termination by the non-defaulting Party.

With respect to the Collateral Threshold, Independent Amount, Minimum Transfer Amount and Rounding Amount, if no selection is made in this Cover Sheet with respect to a Party, then the applicable amount in each case for such Party shall be zero (0). In addition, with respect to the “Administration of Cash Collateral” section of this Paragraph 10, if no selection is made with respect to a Party, then such Party shall not be entitled to hold Performance Assurance in the form of Cash and such Cash, if any, shall be held in a Qualified Institution pursuant to Paragraph 6(a)(ii)(B) of the Collateral Annex. If a Party is eligible to hold Cash pursuant to a selection in this Paragraph 10 but no Interest Rate is selected, then the Interest Rate for such Party shall be the Federal Funds Effective Rate as defined in Section VI of this Paragraph 10.

IX. Other Changes.

A. No Waiver.

Notwithstanding any other provision in this Agreement to the contrary, no full or partial failure to exercise and no delay in exercising, on the part of Party A (or its Custodian) or Party B (or its Custodian), any right, remedy, power or privilege permitted with respect to transfer timing (or any other deadline) pursuant to Paragraph 4, as modified by the preceding paragraph (or any other applicable provision), regardless of the frequency or constancy of such failure or delay, shall operate in any way as a waiver thereof by such party.

B. Paragraph 1. Definitions.

- a) **“Credit Rating”** is deleted in its entirety and replaced with the following language:
“Credit Rating” means, with respect to any entity, (a) the rating then assigned to such entity’s unsecured senior long-term debt obligations (not supported by third party credit enhancements), or (b) if such entity does not have a rating for its unsecured senior long-term debt obligations, then the rating assigned to such entity as an issuer rating by S&P and/or Moody’s. If the entity is rated by both S&P and Moody’s and such ratings are not equivalent, the lower of the two ratings shall determine the Credit Rating. If the entity is rated by either S&P or Moody’s, but not both, then the available rating shall determine the Credit Rating.”
- b) **“Credit Rating Event”** – Replace the words “Paragraph 6(a)(iii)” with “Paragraph 6(a)(ii).”
- c) **“Downgraded Party”** – Replace the words “Paragraph 6(a)(i)” with “Paragraph 6(a)(ii).”
- d) **“Guaranty”** means a guaranty issued in a form substantially as contained in Schedule 2 attached hereto and by an issuer acceptable to the Secured Party.
- e) **“Letter of Credit”** is deleted in its entirety and replaced with the following definition:
“Letter of Credit” means an irrevocable, non-transferable standby letter of credit, the form of which must be substantially as contained in Schedule 1 attached hereto; provided that, the issuer must be a Qualified Institution.
- f) **“Letter of Credit Default”** –
 - (i) In line 3, after the words: “Rating of at least (i)”, delete all language from that line and replace it with: “A-, with a stable outlook designation from S&P and A3, with a stable outlook designation from Moody’s, if such issuer is rated by both S&P and Moody’s.”; and (ii) Add the words, “with a stable outlook designation” after the words “‘A-’ by S&P” and “‘A3’ by Moody’s,” in line 4.
- g) **“Performance Assurance”** – Replace the words “Paragraph 6(a)(iv)” with “Paragraph 6(a)(iii).”
- h) **“Qualified Institution”** is deleted in its entirety and replaced with the following definition:
“Qualified Institution” means either a U.S. commercial bank, or a U.S. branch of a foreign bank acceptable to the Beneficiary Party in its sole discretion; and in each case such bank must have a Credit Rating of at least: (a) “A-, with a stable designation” from S&P and “A3, with a stable designation” from Moody’s, if such bank is rated by both S&P and Moody’s; or (b) “A-, with a stable designation” from S&P or “A3, with a stable designation” from Moody’s, if such bank is rated by either S&P or Moody’s, but not both, even if such bank was rated by both S&P and Moody’s as of the date of issuance of the Letter of Credit but ceases to be rated by either, but not both of those ratings agencies.
- i) **“Secured Party”** – Replace the words “Paragraph 3(b)” with “Paragraph 3(a).”

C. Paragraph 3. Calculations of Collateral Requirement.

In Paragraph 3(b)(2), is amended by replacing the comma after “Secured Party” with “and” and deleting the phrase, “,and any Interest Amount that has not yet been Transferred to the Pledging Party”.

D. Schedule 1 to the Collateral Annex is deleted in its entirety and replaced as noted herein.

ATTACHMENT 2

IN WITNESS WHEREOF, the parties have executed this Collateral Annex by their duly authorized officers as of the date hereof.

PACIFIC GAS AND ELECTRIC COMPANY

By:
Name:
Title:
Date

By:
Name:
Title:
Date

FORM OF LETTER OF CREDIT

Issuing Bank Letterhead and Address

STANDBY LETTER OF CREDIT NO. XXXXXXXX

Date: [insert issue date]

Beneficiary:

Applicant: [Insert name of Applicant and address]

Attention:

Letter of Credit Amount: [insert amount]

Expiry Date: [insert expiry date]

Ladies and Gentlemen:

By order of **[Insert name of Applicant]** (“Applicant”), we hereby issue in favor of **[Insert name of Beneficiary]** (the “Beneficiary”) our irrevocable standby letter of credit No. **[Insert number of letter of credit]** (“Letter of Credit”), for the account of Applicant, for drawings up to but not to exceed the aggregate sum of U.S. \$ **[Insert amount in figures followed by (amount in words)]** (“Letter of Credit Amount”). This Letter of Credit is available with **[Insert name of bank, and the city and state in which it is located]** by sight payment, at our offices located at the address stated below, effective immediately. This Letter of Credit will expire at our close of business on **[Insert expiry date]** (the “Expiry Date”).

Funds under this Letter of Credit are available to the Beneficiary against presentation of the following documents:

1. Beneficiary’s signed and dated sight draft in the form of Annex A hereto, referencing this Letter of Credit No. **[Insert number]** and stating the amount of the demand; and

2. One of the following dated statements signed by an authorized representative or officer of Beneficiary:

A. “[**Insert name of Beneficiary**] (the “Beneficiary”) is entitled to draw the amount of **[Spell out the amount followed by (US\$xxxxxxx.xx)]**, under Letter of Credit No. **[Insert number]** owed by **[Insert name of Beneficiary’s counterparty under the EEI agreement]** or its assignee to Beneficiary under or in connection with the **[Insert identification of the EEI agreement]** Agreement between the Beneficiary and **[Insert name of Beneficiary’s counterparty under the EEI agreement]** or its assignee”

B. “Letter of Credit No. **[Insert number]** will expire in thirty (30) days or less and **[Insert name of Beneficiary’s counterparty under the EEI agreement]** or its assignee has not provided replacement Performance Assurance acceptable to **[Insert name of Beneficiary] (the Beneficiary)**, and the amount of **[Spell out the amount followed by (US\$xxxxxxx.xx)]** of the accompanying sight draft does not exceed the amount of Performance Assurance that **[Insert name of Beneficiary’s counterparty under the EEI agreement]** or its assignee is required to transfer to the Beneficiary under the terms of the **[Insert identification of the EEI agreement]** between **[Insert name of Beneficiary’s counterparty under the EEI agreement]** and the Beneficiary.

Special Conditions:

1. Partial and multiple drawings under this Letter of Credit are allowed;
2. All banking charges associated with this Letter of Credit are for the account of the Applicant;

3. This Letter of Credit is not transferable; and
4. A drawing for an amount greater than the Letter of Credit Amount is allowed, however, payment shall not exceed the Letter of Credit Amount.

We engage with you that drafts drawn under and in compliance with the terms and conditions of this Letter of Credit will be duly honored upon presentation, if presented on or before the Expiry Date (or after the Expiry Date as provided below regarding events of Force Majeure), at **[Insert bank's address for drawings]**.

All demands for payment shall be made by presentation of copies or original documents, or by facsimile transmission of documents to **[Insert fax number or numbers]**, Attention: **[Insert name of bank's receiving department]**. If a demand is made by facsimile transmission, the originals or copies of documents must follow by overnight mail, and you may contact us at **[Insert phone number(s)]** to confirm our receipt of the transmission. Your failure to seek such a telephone confirmation does not affect our obligation to honor such a presentation.

Our payments against complying presentations under this Letter of Credit will be made no later than on the sixth (6th) banking day following a complying presentation.

Except as stated herein, this Letter of Credit is not subject to any condition or qualification. It is our individual obligation, which is not contingent upon reimbursement and is not affected by any agreement, document, or instrument between us and the Applicant or between the Beneficiary and the Applicant or any other party.

Except as otherwise specifically stated herein, this Letter of Credit is subject to and governed by the *Uniform Customs and Practice for Documentary Credits, 2007 Revision*, International Chamber of Commerce (ICC) Publication No. 600 (the "UCP 600"); provided that, if this Letter of Credit expires during an interruption of our business as described in Article 36 of the UCP 600, we will honor drafts presented in compliance with this Letter of Credit within thirty (30) days after the resumption of our business and effect payment accordingly.

The law of the State of New York shall apply to any matters not covered by the UCP 600.

For telephone assistance regarding this Letter of Credit, please contact us at **[insert number and any other necessary details]**.

Very truly yours,

[insert name of issuing bank]

By: _____
Authorized Signature

Name: **[print or type name]** _____

Title: _____

Annex A SIGHT DRAFT

TO
[INSERT NAME AND ADDRESS OF PAYING BANK]

AMOUNT: \$ _____ DATE: _____

AT SIGHT OF THIS DEMAND PAY TO THE ORDER OF [insert name of Beneficiary] THE AMOUNT OF
U.S.\$ _____ (_____ U.S. DOLLARS)

DRAWN UNDER [INSERT NAME OF ISSUING BANK] LETTER OF CREDIT NO. XXXXXX.

REMIT FUNDS AS FOLLOWS:

[INSERT PAYMENT INSTRUCTIONS]

DRAWER

BY: _____
NAME AND TITLE

Schedule 2: Guaranty Form

EXHIBIT__ to contract No.

GUARANTY AGREEMENT

_____, a [corporation ?] organized under the laws of _____ (referred to herein as “Counterparty”) and PACIFIC GAS AND ELECTRIC COMPANY (referred to herein as “PG&E”) are entering into a Master Power Purchase and Sale Agreement and individual transactions thereunder or related thereto (all collectively and individually referred to herein as “the Contract”). The Counterparty is a [subsidiary??] of _____ organized under the laws of _____, with its principal place of business at _____ (referred to herein as “Guarantor”). To induce PG&E to enter into the Contract with the Counterparty, and for valuable consideration, the Guarantor is entering into this Guaranty Agreement (referred to herein also as the “Guaranty”) and hereby agrees as follows:

(a) **Guaranty and Obligations.** The Guarantor, irrevocably and unconditionally guarantees to PG&E, its successors, endorsees and assigns, the due and punctual performance and payment in full of all obligations and amounts owed by the Counterparty to PG&E under the Contract, whether due or to become due, secured or unsecured, absolute or contingent (all referred to herein as “Obligations”). The liability of the Guarantor hereunder is a continuing guaranty of payment and performance when any Obligation is owing or when the Counterparty is in default or breach under the Contract, without regard to whether recovery may be or has become barred by any statute of limitations or otherwise may be unenforceable. In case of the failure of the Counterparty to pay or perform the Obligations punctually, the Guarantor hereby agrees, upon written demand by PG&E, to perform the Obligations or pay or cause to be paid any such amounts punctually when and as the same shall become due and payable. The Guarantor hereby also agrees to reimburse PG&E for any reasonable attorneys’ fees and all other costs and expenses incurred by PG&E in enforcing this Guaranty. If at any time during the term of this Guaranty PG&E determines that the creditworthiness of the Guarantor has materially changed, PG&E may declare the Guarantor to be in default under this Guaranty.

(b) **Guaranty of Payment.** The Guarantor hereby agrees that its obligations under this Guaranty constitute a guaranty of payment when due and not of collection.

(c) **Nature of Guaranty.** The Guarantor hereby agrees that its obligations under this Guaranty shall be irrevocable and unconditional, irrespective of the validity, or enforceability of the Contract against the Counterparty (other than as a result of the unenforceability thereof against PG&E), the absence of any action or measure to enforce the Counterparty’s Obligations under the Contract, any waiver or consent of PG&E with respect to any provisions thereof, the entry by the Counterparty and PG&E into amendments to the Contract for additional services under the Contract or otherwise, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor (excluding the defense of payment). The Guarantor agrees that the obligations of the Guarantor under this Guaranty will upon the execution of any such amendment by the Counterparty and PG&E extend to all such amendments without the taking of further action by the Guarantor, the Counterparty, or PG&E. The Guarantor agrees that the Counterparty and PG&E may, without prior written consent of the Guarantor, mutually agree to modify the Obligations or the Contract or any agreement between the Counterparty and PG&E, without in any way impairing or affecting this Guaranty.

(d) **Termination.** This Guaranty may not be terminated by the Guarantor and shall remain in full force and effect until all of the Obligations of the Counterparty under or arising out of the Contract have been fully performed.

(e) **Rescinded Payment; Independent Liability.** The Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time, payment, or any part thereof, of any Obligation or interest thereon is rescinded or must otherwise be restored or returned for any reason whatsoever, and the Guarantor shall remain liable hereunder in respect of such payments or obligations or interest thereon as if such payment had not been made. PG&E shall not be obligated to file any claim relating to the Obligations owing to it in the event that the Counterparty becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of PG&E to file shall not affect the Guarantor's obligations hereunder. The Guarantor's obligations hereunder are independent of the Obligations of the Counterparty. The liability of the Guarantor hereunder is independent of any security for or other guaranty of payment received by PG&E in connection with the Contract, is not affected or impaired by (a) any voluntary or involuntary liquidation, dissolution, receivership, attachment, injunction, restraint, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Counterparty or any of its assets, including but not limited to any rejection or other discharge of the Counterparty's obligations imposed or asserted by any Court, trustee or custodian or any similar official or imposed by any law, statute or regulation in such event, or (b) the extension of time for the payment of any sum, in whole or in part, owing or payable to PG&E under the Contract or this Guaranty or the extension of the time for the performance of any other obligation under or arising out of or on account of the Contract or this Guaranty, or (c) any failure, omission or delay on the part of PG&E to enforce, assert or exercise any right, power or remedy conferred on PG&E in the Contract or this Guaranty or any action on PG&E's part granting indulgence or extension in any form, or (d) the release, modification, waiver or failure to pursue or seek relief with respect to any other guaranty, pledge or security device whatsoever, or (e) any payment to PG&E by the Counterparty that PG&E subsequently returns to the Counterparty pursuant to court order in any bankruptcy or other debtor-relief proceeding, or (f) any amendment, modification or other alteration of the Contract, or (g) any indemnity agreement the Counterparty may have from any party, or (h) any insurance that may be available to cover any loss. The Guarantor waives any right to the deferral or modification of the Guarantor's obligations hereunder by virtue of any such debtor-relief proceeding involving the Counterparty.

(f) **Guarantor Waivers.** The Guarantor hereby waives (i) promptness, diligence, presentment, demand of payment, protest, order and, except as set forth in paragraph (a) hereof, notice of any kind in connection with the Contract and this Guaranty; (ii) any requirement that PG&E exhaust any right to take any action against the Counterparty or any other person prior to or contemporaneously with proceeding to exercise any right against the Guarantor under this Guaranty; (iii) to the fullest extent permitted by law, the benefit of any statute of limitations affecting its liability under or the enforcement of this Guaranty; (iv) any right to require PG&E to (A) proceed against or exhaust any insurance or security held from the Counterparty or any other party, or (B) pursue any other remedy available to PG&E; (v) any defense based on or arising out of any defense of the Counterparty other than payment in full of the amount(s) owed, including without limitation any defense based on or arising out of the disability of the Counterparty, the unenforceability of the indebtedness from any cause, or the cessation from any cause of the liability of the Counterparty, other than payment in full of the amount(s) owed. The Guarantor agrees that PG&E may, at its election, foreclose on any security held by PG&E, whether or not the means of foreclosure is commercially reasonable, or exercise any other right or remedy available to PG&E without affecting or impairing in any way the liability of the Guarantor under this Guaranty, except to the extent the amount(s) owed to PG&E by the Counterparty have been paid. The Guarantor further agrees that until all amounts owed by the Counterparty to PG&E are paid in full, even though such amounts may in total exceed the Guarantor's liability hereunder, the Guarantor shall have no right of subrogation, waives any right to enforce any remedy that PG&E has or may have against the Counterparty, and waives any benefit of and any right to participation in any security from the Counterparty now or later held by the Guarantor. The Guarantor assumes all responsibility for keeping itself informed of the Counterparty's financial condition and all other factors affecting the risks and liability assumed by the Guarantor hereunder, and PG&E shall have no duty to advise the Guarantor of information known to it regarding such risks.

(g) **No Assignment of Guaranty Obligations Without Consent.** The Guarantor may not assign or otherwise transfer its obligations under this Guaranty to any other party without the prior written consent of PG&E, the exercise of which shall be in PG&E's sole discretion.

(h) **Governing Law.** This Guaranty shall be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine.

(i) **Jurisdiction.** With respect to any suit, action or proceedings (collectively "Proceedings") relating to this Guaranty Agreement, Guarantor irrevocably: (i) submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City; and (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, and any claim of inconvenient forum, and any objection to the jurisdiction of any such court.

(j) **Severability.** In the event that any provision of this Guaranty conflicts with the law or if any such provision is held to be invalid, illegal or unenforceable, such provision shall be deemed to be restated to reflect as nearly as possible the original intention of the parties in accordance with applicable law or, if that is not possible, the provision shall be deleted, and the remainder of this Guaranty shall remain in full force and effect.

(k) **Representations and Warranties.** The Guarantor, through its undersigned officer, represents and warrants to PG&E that (i) the Counterparty is a subsidiary or other affiliate of the Guarantor, (ii) the Guarantor is a duly organized and validly existing corporation or other legal entity in good standing under the laws of the jurisdiction of its incorporation or formation, (iii) the Guarantor has the corporate power and legal authority to execute, deliver and perform the terms and provisions of this Guaranty and has taken all necessary corporate and other action to authorize the execution, delivery and performance by it of this Guaranty, (iv) the Guarantor has duly executed and delivered this Guaranty, and (v) this Guaranty constitutes the legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms.

(l) **No Amendment; No PG&E Waiver.** This Guaranty shall not be amended without the prior written consent of PG&E. Any amendment to this Guaranty made in violation of this provision shall be null and void. No right, power, remedy or privilege of PG&E under this Guaranty shall be deemed to have been waived by any act or conduct on the part of PG&E, or by any neglect to exercise any right, power, remedy or privilege, or by any delay in doing so, and every right, power, remedy or privilege of PG&E hereunder shall continue in full force and effect until specifically waived or released in a written document executed by PG&E. Any such written waiver or release of a right, power, remedy or privilege on any one occasion shall not be construed as a bar to any right, power, remedy or privilege which PG&E would otherwise have on any future occasion. No single or partial exercise of any right, power, remedy or privilege by PG&E shall preclude any other or further exercise by PG&E of any other right, power, remedy or privilege. The rights and remedies provided in this Guaranty are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

(m) **Notices.** All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be delivered, mailed, or sent by facsimile transmission to the address and to the individuals indicated below. Either party may periodically change any address to which notice is to be given it by providing notice of such change as provided herein.

If to Guarantor:

If to PG&E: Pacific Gas and Electric Company

Pacific Gas and Electric Company
77 Beale Street, MC B28L
San Francisco, CA 94105
Attention: Credit Risk Management
Fax: (415) 973.7301 _
Email: PGERiskCredit@exchange.pge.com

Any notice provided hereunder shall be effective upon actual receipt, if received during the recipient's normal business hour; or it shall be effective at the beginning of the recipient's next business day after receipt, if received after the recipient's normal business hours. If notice is provided by facsimile, the sender shall be responsible for obtaining facsimile receipt confirmation.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed in its name by its duly authorized officer as of the date set forth below.

By: _____

Name: _____

Title: _____

Date _____



Community Choice Aggregation (CCA)

Glossary of Terms and Acronyms

Energy Basics

Behind-the-meter	Refers to energy efficiency or electricity generation that takes place on the customer side of the electricity meter rather than on the utility/grid side. Behind-the-meter “improvements” are generally intended to reduce customer energy use and/or self-supply some or all of the customer’s typical energy requirements. Net Energy Metering is an example of a behind-the-meter program; a rooftop solar installation is an example of a behind-the-meter improvement.
Community Choice Aggregation	The legal term used in AB 117 and by the CPUC for programs also referred to as Community Choice Energy. As authorized by statute, CCA allows local governments to pool the municipal, residential and commercial electrical load within their municipality(ies) for the purpose of procuring and developing power to serve such customers.
Community Choice Energy	A term of art originating from CCA practitioners and program administrators. Community Choice Energy, or CCE, is not recognized in California statutory provisions related to CCA but is used synonymously with CCA nonetheless.
Community shared solar	An arrangement by which multiple electricity customers assume virtual “ownership” of a solar PV generating facility. Through this arrangement, participating customers pay for a share of the generating facility’s electric output and receive related benefits via bill credits. Note: the cost of procuring solar energy from such facilities typically exceeds the bill credit amount.
Demand response	Technology that is designed to reduce electricity demand (or consumption) during specified periods of time (when such reductions are deemed desirable to reduce energy costs or promote system reliability when available generating resources are being depleted).
Direct Access	A program that permits some large commercial customers to purchase power on the wholesale market through a provider other than the incumbent utility; CCE programs are not considered direct access, and direct access accounts are not typically enrolled in CCE programs to avoid contractual issues and duplicative customer charges.
Electric Load	The amount of electricity a customer or group of customers uses during a specific period of time; also referred to as “electric energy consumption” or “electric energy use.” Measured in kWh (for retail customers) as well as MWh or GWh (for wholesale transactions).
Feed-in tariff	A standard offer (meaning, a set of prescriptive participatory requirements with a non-negotiable power purchase agreement), usually for small generation projects (generally up to 3MW in size, as is the case for PG&E’s Renewable Energy Marketing Adjusting Tariff, or “ReMAT”, which is the name given to its re-branded FIT program), that requires the utility/CCA to pay a set amount for generated renewable electricity for a set number of years. Payments may vary based on project size, technology type, delivery profile or other factors. FIT programs are specifically intended to incentivize the development of locally situated renewable generating infrastructure.

Greenhouse gas (GHG)	A gas that causes the atmosphere to trap heat radiating from the earth. The most common GHG is Carbon Dioxide, though Methane and others emissions have also been determined to have a greenhouse effect.
Implementation Plan	A plan each CCA must present to the CPUC (for certification) before offering service to customers. Pertinent requirements are specified in Public Utilities Code Section 366.2.
Investor-owned utility (IOU)	A utility owned by its shareholders. Such utilities operate for profit. In California, large IOUs include PG&E, SCE and SDG&E, which are regulated by the California Public Utilities Commission. In areas to be served by CCAs, an IOU will represent the incumbent energy provider. If customers opt out of CCA service, they will be provided energy by the IOU. While served by the CCA, they will continue to receive bills, as well as transmission and distribution service, from the IOU.
Joint powers authority (JPA)	An entity permitted under the laws of some states, whereby two or more public authorities (for example, local governments, or special districts) can operate collectively.
Kilowatt (kW)	A unit of measurement expressing the potential to generate electricity (also known as capacity) or instantaneous energy usage. Regarding rates, certain customers (commercial and industrial, in particular) may incur demand charges based on the maximum kW usage during certain billing periods.
Kilowatt-hour (kWh)	A unit of measurement expressing the electrical output produced by 1 kW over the course of one hour. A kWh is the common unit of measurement of retail-level utility metering and billing.
Load-serving entity	A firm or organization that purchases electricity on behalf of any customer or group of customers. Once formed, a CCA is considered a load serving entity.
Megawatt (MW)	A unit of measurement expressing the potential to generate electricity (also known as capacity) or instantaneous energy usage. Regarding rates, certain customers (commercial and industrial, in particular) may incur demand charges based on the maximum kW usage during certain billing periods. 1 MW = 1,000 kW.
Megawatt-hour (MWh)	A unit of electrical energy that is produced by 1 MW over the course of one hour. MWh is the common unit of measurement for wholesale electricity transactions. 1 MWh = 1,000 kWh.
Microgrid	A local, small-scale power system that can operate independently of or in conjunction with the local electric utility's system.
Net Metering, or Net Energy Metering (NEM)	A state-mandated program supporting small-scale, behind-the-meter renewable generating facilities (usually rooftop solar). NEM service options work in concert with the participating customer's typical rate schedule, allowing the customer's generating facility to offset typical energy consumption. When the customer's generating facility is not producing power, her/his energy requirements will be supplied from the grid; when the customer's generating facility is producing power, the customer's may use less power from the grid or export power to the grid (if power production exceeds usage). When NEM customers produce electric power, bill credits are accrued, which may be applied to offset current or future energy charges or result in cash payouts.
Peak load	The maximum amount of electrical power consumed during any particular interval of time (day, month or year, as examples).
Power Purchase Agreement (PPA)	A contractual commitment between a buyer and seller to effectuate the purchase/sale of one or more energy products. Similar to other contracts, a PPA specifies the terms and conditions which govern the transaction. Such terms and conditions articulate responsibilities of each party, including the transaction term, quantities, prices, credit

	requirements and other items of interest. Within the electric utility industry, PPAs may use industry-standard forms, such as the Edison Electric Institute (EEI) form (a common contract document for many energy-related transactions), or other proprietary forms of agreement.
Smart grid	An electricity supply network that uses electronic communications and management systems to respond to changes in system requirements and optimize the operation of energy infrastructure.
Solar PV	A solar electricity generating technology in which solar energy is transformed into electricity through a photovoltaic (PV) cell.

California Regulatory Bodies

California Air Resources Board (CARB)	The CARB’s primary concern is maintaining healthy air quality and managing related compliance programs. In particular, CARB manages greenhouse gas reporting and operates California’s Cap and Trade Program. Currently, CCAs have minimal GHG reporting requirements under CARB regulations.
California Energy Commission (CEC)	The CEC is California’s primary energy policy and planning agency. The CEC collects data (e.g. sales, distributed generation) from all load-serving entities for forecasting and setting state energy policy. The CEC also administers California’s Power Source Disclosure Program (which includes regulations related to the Power Content Label). Long-term energy forecasting, energy efficiency, generator siting and other key areas of interest are also overseen by the CEC.
California Independent System Operator (CAISO)	CAISO manages the largest portion of California’s wholesale electric infrastructure and administers key energy markets within the state. CAISO market participation is performed via a Scheduling Coordinator (SC, defined elsewhere in this document), which serves as an agent for key CAISO market functions. CCAs have traditionally employed third-party SCs to facilitate CAISO market participation but may independently administer such responsibilities in the future. Market participants, including CCAs, must pay certain charges imposed by the CAISO for grid management and market administration.
California Public Utilities Commission (CPUC)	Primary regulator for investor-owned electric utilities in the state of California. While the CPUC does not have jurisdictional authority over CCA rate setting activities, it does administer certain compliance programs that are applicable to CCAs. Such programs include Resource Adequacy, Energy Storage and Renewables Portfolio Standard compliance amongst other programs. In addition, there are numerous proceedings at the CPUC that can directly or indirectly affect CCA’s, such as IOU procurement and rate setting proceedings, as well as the establishment of exit fee calculations (namely, the Power Charge Indifference Adjustment, or PCIA).
Federal Energy Regulatory Commission (FERC)	The Federal Energy Regulatory Commission, or FERC, is an independent agency that regulates the interstate transmission of electricity, natural gas, and oil. FERC also reviews proposals to build liquefied natural gas (LNG) terminals and interstate natural gas pipelines as well as licensing hydropower projects. FERC website: https://www.ferc.gov/default.asp .
North American Electric Reliability Corporation (NERC)	The North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the reliability and security of the bulk power system in North America. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the bulk power system through system awareness; and educates, trains, and certifies industry personnel. NERC’s area of responsibility spans the continental United States, Canada, and the northern portion of Baja California, Mexico. NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC) and

	governmental authorities in Canada. NERC's jurisdiction includes users, owners, and operators of the bulk power system, which serves more than 334 million people. NERC website: http://www.nerc.com/Pages/default.aspx .
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Wholesale Energy Services

Capacity	A term expressing the potential to generate electric energy. Typically measured in kilowatts (kW), megawatts (MW) or gigawatts (GW).
Clean Energy	A general term referring to energy that is low or zero carbon. Clean energy may include non-RPS eligible sources, such as large (>30 MW) hydroelectric and nuclear generators, as well as RPS-eligible generating resources that utilize typical renewable fuel sources (sun, wind, geothermal, biofuels).
Integrated Resource Plan (IRP)	For CCAs, a filing recently required by the CPUC, which may include detail regarding the CCA's load forecast, resource preferences and commitments, procurement strategy, compulsory and voluntary procurement targets, and complementary energy programs amongst other items.
NP-15	A Trading Hub specifically developed by the CAISO to represent the average price paid to generating resources within an area generally overlaying Northern California. The term NP-15 has been replaced by CAISO with the term NP15 Existing Zone Generation Trading Hub, or NP-15 EZ Gen Hub. Prices posted for the NP-15 EZ Gen Hub regularly change throughout the day in consideration of weather, generator operation/availability and customer energy requirements.

<p>Portfolio Content Category (PCC)</p>	<p>A term created to differentiate renewable energy products that are eligible to support the compliance obligations of California’s Renewables Portfolio Standard program. There are currently three (3) PCCs with key distinctions primarily related to generator locations and contract structures.</p> <ul style="list-style-type: none"> • Portfolio Content Category 1 (PCC-1): Refers to renewable energy products produced by renewable generators located within the state of California or delivering power directly to California. For purposes of RPS compliance, retail sellers must procure a minimum 75% of applicable RPS requirements from PCC-1 resources within Compliance Period 3 (which includes calendar years 2017-2020). • Portfolio Content Category 2 (PCC-2): Refers to renewable energy products produced by renewable generators located outside of California with energy import (substitute energy) obligations that must be balanced annually – this means that any PCC2 volumes counted towards RPS compliance must result in substitute energy imports to California (measured in MWh) in an equivalent quantity to the REC total being counted towards RPS compliance. Other energy accounting protocols must be satisfied to verify such energy imports. A retail seller cannot source more than 25% of its applicable RPS requirements from PCC2 resources in Compliance Period 3. • Portfolio Content Category 3 (PCC-3): Refers to a renewable energy product that results in the sale of environmental attributes from an eligible renewable generator without a related electric energy delivery obligation. PCC3 products are commonly referred to as “tradable RECs” or “unbundled RECs.” A retail seller cannot source more than 10% of its applicable RPS requirements from PCC3 resources in Compliance Period 3. <p>Eligible resources are defined in the Cal. Pub. Res. Code 25741 as facilities using and of the following technologies: Biomass, Solar Thermal, Photovoltaic, Wind, Geothermal, Fuel cells using renewable fuels, Hydroelectric under 30 MW, Digester gas, Municipal solid waste conversion, Landfill gas, Ocean wave, Ocean thermal, Tidal current.</p>
<p>Renewable Energy Certificate (REC)</p>	<p>An electronic “certificate” representing proof that 1 MWh of renewable energy, including all environmental benefits/attributes related thereto, has occurred. RECs represent the only available mechanism for tracking and substantiating ownership of renewable energy. RECs may be sold together with or separate from electrical energy. To the extent that RECs are sold with electrical energy produced by a renewable generator, such RECs are referred to as “bundled”; if RECs are sold separately from electrical energy, such RECs are referred to as “unbundled.”</p>
<p>Renewables Portfolio Standard (RPS)</p>	<p>The RPS program requires all retail sellers (which includes CCAs) to purchase specified minimum quantities of renewable energy from eligible resources. The currently applicable RPS program mandates successively increasing procurement thresholds over time, with key targets including 33% renewable energy procurement by 2020 and 50% renewable energy by 2030. Eligible renewable sources include: Biomass, Solar Thermal, Solar Photovoltaic, Wind, Geothermal, Fuel cells using renewable fuels, Hydroelectric under 30 MW, Digester gas, Municipal solid waste conversion, Landfill gas, Ocean wave, Ocean thermal, Tidal current. Please note that nuclear power and large hydroelectric are not considered renewable sources by the state of California, but are considered carbon-free sources (subject to rules defined during AB 1110 implementation).</p>

Resource Adequacy (RA)	A program administered by the state of California to promote grid reliability via resource sufficiency. Also referred to as “reserve capacity,” RA obligations specify that load serving entities must procure a minimum quantity of generating capacity to satisfy 100% of monthly peak demand, plus a 15% planning margin – this equates to 115% of peak monthly demand. California’s RA program differentiates reserve capacity by location and attributes of the participating generators. State regulators require load serving entities (including CCAs) to submit annual and monthly filings and forecasts substantiating the procurement of noted capacity requirements. While RA purchases confer capacity rights to the buyer, electric energy may not be produced or delivered as a result of such contractual commitments. The RA program is established in PU Code § 380.
Scheduling Coordinator (SC)	A requisite service provider, which serves as the intermediary between wholesale generators and/or load and the CAISO. SCs typically schedule generation and/or load, post collateral to facilitate CAISO market participation, and perform “shadow settlements” to determine expected charges related to CAISO market participation amongst other services. CCAs may perform SC services internally but have typically outsourced such services to experienced third party providers. SCs often create unique SC Identification Numbers, or SCIDs, to promote the independent tracking of charges and credits related to certain of their clients.
Settlement Quality Meter Data (SQMD)	Data from customer electric meters that is compiled and aggregated according to specific protocols expressed by the CAISO. SQMD is the basis for settling charges to load.

Finance

Debt Service Coverage Ratio (DSCR)	The level of funds available to satisfy periodic interest and principal payments (on debt). Lenders may specify certain DSCRs in loan covenants. .
Debt Service Coverage Ratio (DSCR) Reserve	A reserve account required by a lender that must be funded to a specified percentage of annual Debt Service payments.
Net Income	Total earnings for the year, net of expenses.
Operating Income	Revenue less Commodity Costs and Operating costs. This represents the CCA’s margin before interest expenses.
Operating Reserve	Liquid, unrestricted assets that the CCA can use to support its operations in the event there is volatility in revenues or expenses.
Power Margin	Revenue less Commodity costs. This represents the CCA’s gross margin before operating expenses and interest expenses.
Power Purchase Reserve	A type of reserve account that may be required by the power broker or purchaser to secure power procured on behalf of the CCA.

Rate Setting

<p>Energy Resource Recovery Account (ERRA)</p>	<p>ERRA proceedings are used to determine fuel and purchased power costs which can be recovered in utility rates. The utilities do not earn a rate of return on these costs, and only recover actual costs. The costs are forecast for the year ahead. If the actual costs are lower than forecast, then the utility gives money back, and vice versa. A balancing account exists to track such differences. IOUs annually provide a forecast filing and a compliance filing to set generation rates in the ERRA proceeding. In addition, if the ERRA reaches certain triggers, the IOU may change rates outside of the regular rate setting schedule.</p>
<p>Franchise Fee</p>	<p>A tax collected from IOU/CCA customers and paid to municipalities that allows for utility operation within California municipalities. CCAs may set their generation rates at comparatively lower levels to offset the modest financial impacts of Franchise Fee imposition.</p>
<p>Power Charge Indifference Adjustment (PCIA) or “exit fee”</p>	<p>A fee imposed by investor-owned utilities on departing load, meaning customers who leave bundled service for alternative generation suppliers (like CCAs), to ensure that above-market procurement costs are not transferred to the IOU’s remaining customers. The PCIA is calculated according to an agreed upon methodology, which is overseen by the CPUC’s Energy Division. As the term suggests, the purpose of this charge is to leave the IOU’s remaining bundled customers “indifferent” to such customer departures by eliminating the shifting of cost responsibility for the IOU’s above-market costs. In general terms, the PCIA is derived through an evaluation of the IOU’s Total Portfolio Cost relative to a Market Price Benchmark (as well as adders for certain compliance obligations, like renewable energy and capacity) – to the extent that the Total Portfolio Cost exceeds the Market Price Benchmark, the PCIA would be positive (and charges to departing load would occur); to the extent that the Market Price Benchmark exceeds the IOU’s Total Portfolio Cost, there would be no PCIA. The PCIA calculation is performed annually, with vintages set for each year in which customer departures occur. CCA customers pay this fee, so CCAs will typically set their rates lower to reduce or eliminate the impacts of PCIA charges.</p>
<p>Utility Users Tax (UUT)</p>	<p>Local taxes collected from all utility customers. Both CCA customers and IOU customers are charged the same amount, so it is not generally factored into the rate-setting process. It shows up on the generation portion of the bill, but is calculated by the IOU.</p>

Staff Report Item 7

TO: MBCP Operations and Policy Boards of Directors

FROM: Tom Habashi, Interim Chief Executive Officer

SUBJECT: Discussion of Community Advisory Group and Key Customers Stakeholder Group

DATE: January 20, 2018

Background

Now that many of the foundational aspects of MBCP's implementation are in place, MBCP is taking the next step in its evolution by engaging members of local and regional community and consumer groups regarding the establishment of local energy programs that support the primary goals of the Agency. The key goals of MBCP, as outlined in its Joint Powers Agreement, summarized, are:

- Maximize greenhouse gas reduction;
- Reduce customer costs; and
- Invest in local energy programs and projects

To address the complex issues associated with different customer sectors, MBCP proposes to form two separate stakeholder groups -- one to include residential and small commercial stakeholders and the second to cover large commercial, industrial, and agricultural interests. Each group will have a different scope, composition and approach, but both will be coordinated and supported by appropriate MBCP staff.

As discussed during previous Board meetings, it is anticipated that 1-2% of MBCP's net revenue will be budgeted each year over the next three years to support the implementation of local energy programs. The annual budget for these programs should range between \$1.5 to \$5 million. Once overall cash reserves have been met, additional funds will be made available to expand investments in local programs.

Discussion

MBCP proposes to form two stakeholder groups, summarized below.

1) Community Advisory Group (CAG)

- The CAG is proposed as an ad-hoc working group focused on local energy programs that serve residential and small commercial customers.
- The working group will be representative of all three Counties with a cross section of interests including: residential/ratepayer, environmental, labor, renewable energy, schools, tourism/hospitality, and small business
- Ideally, candidates will be sustainability champions and will have a reasonable understanding of the energy business, though that is not required.
- The CAG will hold meetings open to the public, complying with Brown Act protocols.
- Recommendations will be approved by majority vote with a quorum present.
- It is anticipated that the CAG's responsibility will conclude by September 30, 2018; however, the group may be called upon thereafter to support additional program discussions.

Proposed CAG Meeting Process & Schedule:

An initial training workshop for participants will be held with a professional facilitator to achieve the following:

- Develop a common understanding of the focused scope for the CAG, the criteria to be used by the CAG to evaluate programs and the expected outcomes of their effort.
- Agree on a realistic list of programs that the CAG can investigate on behalf of MBCP and discuss within the six-month timeframe;
- Finalize the CAG's recommendations by August 2018, reporting out to the Board in September in advance of the new fiscal year.

To achieve its goals, it may be necessary for the CAG to meet twice per month for 6 months, approximately 2 hours at each meeting. Meeting dates, times and location will be determined at the initial meeting.

2) Key Customers Stakeholder Group (KCSG)

MBCP staff propose that the KCSG host an ongoing series of workshops that combine technical information and round table discussions with representatives from all subcategories of Commercial, Industrial and Agriculture customers and MBCP key account staff. The workshops will be ongoing, with the format and topics designed to

meet the evolving needs of the workshop participants. The goal of the KCSG will be to create an ongoing dialogue with commercial stakeholders to continually improve programs and services that address their sector's specific needs and to provide economic development stimulus to the region.

The frequency of the workshop-discussions is TBD pending on level of interest and demand of KCSG participants. It is not anticipated that this group will sunset.

Timing and Next Steps

If approved, staff proposes the following steps with initial meetings occurring in late February or early March.

- 1) Solicit participation in both groups through the MBCP website, sector organizations, city and county partners and others.
- 2) Staff will compile list of interested participants, their organizations and the stakeholder category they represent
- 3) Initial CAG members will be appointed by a subcommittee of three MBCP Policy Board members representing the three counties of MBCP.

Conclusion

The Community Advisory and Key Customers Stakeholder Groups as proposed will provide valuable input as MBCP researches and establishes its local energy programs. As noted, 1-2% of MBCP revenue will support local programs implemented over the next three fiscal years. Staff seeks advice from a broad array of local representatives regarding program selection and use of funds, and looks forward to moving ahead with stakeholder group formation pending Board approval.