

**ENERGY SALES AGREEMENT  
(California End-Use)**

THIS ENERGY SALES AGREEMENT (this "Energy Agreement") is made and entered into this 15th day of June, 2004 ("Effective Date"), by and between CORAL POWER, L.L.C., a Delaware limited liability company ("Coral"), and CITY OF CHULA VISTA ("Counterparty"), (also referred to individually, as the "Party" and collectively, as the "Parties"). In addition to terms defined elsewhere in this Agreement, the definitions used in this Energy Agreement are set forth in Annex A.

**ARTICLE 1. FORMATION OF TRANSACTIONS / TITLE TRANSFER**

1.1 Form of Contract. The specific terms of individual Transactions for the sale and delivery and purchase and receipt of Energy hereunder shall be established by the Parties at the time the Transaction is agreed to and shall be confirmed by the Parties in the manner set forth in this Section 1.1. The specific terms to be established by the Parties shall include at a minimum: (i) the Period of Delivery; (ii) the Contract Price; (iii) the Energy Delivery Point(s); (iv) the Contract Quantity; and (v) the Product. Such terms are collectively referred to herein as the "Economic Terms." The Economic Terms of a Transaction shall be confirmed in a Confirmation Letter.

Each Transaction, and the applicable Confirmation Letter, shall constitute an integral part of this Energy Agreement and shall be read and construed as one with this Energy Agreement. Any conflict not reasonably capable of reconciliation, between this Energy Agreement and the Confirmation Letter (other than any Economic Terms set forth in a Confirmation Letter) shall be resolved in favor of this Agreement.

1.2 Recording. Each Party consents to the recording of all telephone conversations between its employees and/or agents authorized to transact with the other Party under this Agreement. Any such recordings may be introduced to prove the intent of the Parties with respect to a Transaction; provided; however, that nothing herein shall be construed as a waiver of any objection to the introduction of such evidence on proper grounds. Each Party waives any further notice of such monitoring or recording, and agrees to notify its officers and employees of such monitoring or recording and to obtain any necessary consent of such officers or employees. The Parties agree not to contest or assert a defense to the validity or enforceability of any recorded telephonic Transactions entered into in accordance with this Agreement based upon (i) whether certain agreements are to be in writing or signed by the Party to be thereby bound or (ii) the authority of any employee of the Party if the employee name is stated in the recording.

1.3 Energy Title Transfer. Title to and risk of loss with respect to Energy delivered hereunder shall transfer from Coral to Counterparty at the Energy Delivery Point.

1.4 Transmission Losses and Charges. Counterparty and Coral shall be responsible for any transmission losses and loss charges relating to the transmission of Energy, as follows: (a) in the case of Coral, up to the Energy Delivery Point; and (b) in the case of Counterparty, at and from the Energy Delivery Point. Coral will provide a credit to the Counterparty for any transmission released to Counterparty by UDC (as defined in Section 3.1 hereof) which is made available to Coral for scheduling Counterparty energy deliveries. The credit will be equal to the charge from the Cal ISO for delivery of energy over the transmission path.

**ARTICLE 2. REMEDY FOR FAILURE TO DELIVER OR RECEIVE ENERGY**

2.1 Remedies for Failure to Perform. The Parties' respective rights with respect to the unexcused failure to deliver or accept the Contract Quantity in whole or in part in accordance with the terms of the applicable Product are as set forth in this Article 2.

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2.2 Coral's Failure to Deliver Energy. If Coral fails to deliver all or a portion of the Contract Quantity at the applicable Energy Delivery Point, where such failure was not excused by: (i) the terms of the applicable Product; or (ii) Counterparty's failure to receive the Energy, then Coral shall pay Counterparty, for the undelivered Energy, an amount equal to the sum of (A) the quantity of undelivered Energy multiplied by the positive sum, if any, of the Replacement Price less the Contract Price, plus (B) the amount, if any, of charges, fees or expenses charged to Counterparty by the Transmitting Entity due to such under-delivery.

2.3 Counterparty's Failure to Receive Energy. If Counterparty fails to receive all or a portion of the Contract Quantity at the applicable Energy Delivery Point, where such failure was not excused by (i) the terms of the applicable Product or (ii) Coral's failure to deliver the Energy, then Counterparty shall pay Coral, for the non-received Energy, an amount equal to the sum of (A) the quantity of under-received Contract Quantity multiplied by the positive sum, if any, of the Contract Price less the Sales Price, plus (B) the amount, if any, of charges, fees or expenses charged to Coral by the Transmitting Entity due to such non-receipt of Energy.

2.4 Suspension of Performance. Notwithstanding, and in addition to the remedies provided pursuant to Sections 2.2 and 2.3, if Coral or Counterparty fails to deliver or receive, as applicable, all or part of the Energy pursuant to a Transaction for a period of three (3) or more consecutive days during any Period of Delivery, and such failure is not excused pursuant to the applicable terms of Section 2.2 or Section 2.3 or by agreement of the Parties, then upon one (1) Business Day prior notice, and for so long as the non-performing Party fails to perform, the performing Party shall have the right to suspend its performance under such Transaction. In the event the performing Party suspends performance pursuant to this Section 2.4, it shall not be obligated to resume performance until it has received (a) notice from the non-performing Party at least one (1) Business Day prior to the date upon which the non-performing Party intends to resume its performance and (b) assurance reasonably requested by the performing Party that the non-performing Party will recommence and continue its obligations.

2.5 Timing of Payments Due Under Article 2. The Parties agree that each calendar month, the sum of any payments due to Counterparty by Coral and to Coral by Counterparty pursuant to this Article 2 shall be netted against each other and the net amount, if any, shall be due to the applicable Party on the same date payments are due hereunder in accordance with the provisions of Section 4.3. Notwithstanding Section 2.4, the failure to pay any amounts due pursuant to this Article 2 may constitute an Event of Default pursuant to the provisions of Section 7.1(a).

2.6 Sole and Exclusive Remedy. THE REMEDY SET FORTH IN THIS ARTICLE 2 SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE AGGRIEVED PARTY FOR THE FAILURE OF THE OTHER PARTY TO DELIVER OR RECEIVE THE CONTRACT QUANTITY, AS APPLICABLE, AND ALL OTHER DAMAGES AND REMEDIES ARE HEREBY WAIVED.

### ARTICLE 3. DIRECT ACCESS PROVISIONS

Notwithstanding anything else set forth herein, the provisions in this Article 3 shall control over any conflicting provisions set forth in this Agreement or the Confirmation Letter for any Transaction entered into hereunder.

3.1 Counterparty to Register for and Maintain Direct Access Status. Counterparty shall be solely responsible for obtaining and maintaining status with the respective investor owned utility (the "UDC") as a "direct access" customer. Failure of Counterparty to obtain and/or maintain direct access status shall

not excuse Counterparty's performance under any Transaction or the Agreement. Counterparty represents and warrants to Coral that it understands that (i) there are certain risks inherent with each Transaction entered into pursuant to the Agreement, including the risk that the State of California will suspend or terminate direct access or impose surcharges upon direct access participants and (ii) the suspension or termination of direct access for Counterparty's failure to obtain or maintain its status as a direct access customer shall not excuse its performance under any Transaction or the Agreement but such termination or suspension or failure to maintain status may, at Coral's sole discretion, be deemed to be an Event of Default as set forth in Section 7.2 of this Agreement subject to all terms and conditions set forth therein.

3.2 Direct Access Service Request Procedure / Counterparty Information. Counterparty shall provide information Coral deems necessary to effectuate a direct access service request that Coral will prepare and submit to the UDC for approval to enable Coral to act as the energy service provider (the "ESP") for Counterparty. Counterparty shall also cooperate with Coral as necessary to enable Coral to act as Counterparty's ESP with respect to the UDC, the California Independent System Operator Corporation ("CAISO") and any third parties in order to allow Coral to perform its obligations hereunder. Counterparty shall indemnify Coral from and against any and all liabilities resulting from the UDC's release of Counterparty's information to Coral. Counterparty shall promptly execute releases or authorizations Coral deems necessary to perform its obligations hereunder.

3.3 Facility Equipment. Counterparty shall obtain and maintain all equipment and services related to its facility necessary or required to enable Counterparty to buy and receive the electric energy pursuant to this Agreement and any Transactions entered into hereunder, including but not limited to UDC-approved interval meter(s), meter installation and maintenance services, meter data management services, and telemetry and communication channels and equipment as may be required for the ESP to remotely poll meters and serve customer demand.

3.4 No Liability for Actions of UDC. Counterparty acknowledges and agrees that Coral is not responsible for and cannot control the operations of the UDC and Coral shall have no liability whatsoever under this Agreement or any Transactions entered into hereunder for any failure of Counterparty to receive the electric energy from or through the UDC's distribution system. Coral shall not assure continuity of service by the UDC. Coral shall have no responsibility for the quality of electric energy delivered to Counterparty's facility or for damages caused by defective electric transmission or distribution facilities or negligent electric transmission, distribution, scheduling or use practices by the CAISO, the UDC, any third party or Counterparty. Counterparty shall indemnify Coral from and against any and all costs, liabilities, charges, fees and expenses imposed by the UDC on Counterparty resulting from Counterparty's purchase of electric energy from Coral.

3.5 Disclaimer of Warranties. CORAL HEREBY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY, WRITTEN OR ORAL, AS TO THE DELIVERY OF ELECTRIC ENERGY HEREUNDER AND ANY OTHER MATTER RELATING TO THIS AGREEMENT AND ANY TRANSACTIONS ENTERED INTO HEREUNDER, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. CORAL SHALL BE UNDER NO OBLIGATION TO ACQUIRE ELECTRIC ENERGY FOR SALE TO COUNTERPARTY FROM ANY PARTICULAR ENTITY, SOURCE, LOCATION OR GENERATING TECHNOLOGY. CORAL MAKES NO REPRESENTATION OR WARRANTY TO COUNTERPARTY REGARDING THE ACQUISITION OF "RENEWABLE" OR "GREEN" ELECTRIC ENERGY UNDER THIS AGREEMENT AND TRANSACTIONS UNDER THIS AGREEMENT SHALL BE ASSUMED TO BE SUPPLIED BY "NET SYSTEM POWER" AS THAT TERM IS USED IN CALIFORNIA PUBLIC UTILITIES CODE SECTIONS 398.1 ET. SEQ.

3.6 Exception to Confidentiality Obligation. Section 8.9 of this Agreement shall not prohibit Coral from disclosing Counterparty's confidential information to the UDC or CAISO to the extent necessary for Coral to carry out its obligations pursuant to this Agreement or any Transactions entered into hereunder.

3.7 Counterparty Liable for CAISO Imbalance Charges, CAISO Load Based Charges and Direct Access Surcharges. Counterparty acknowledges and agrees that Coral is not selling Counterparty a load shaped product and as such, in the event Counterparty uses more or less than the Contract Quantity of energy purchased from Coral, such differential will be sold or purchased, as applicable, by the CAISO to satisfy the shortfall or oversupply created by Counterparty's usage pattern. In the event the CAISO requires Coral to pay any charges relating to CAISO's satisfaction of these shortfalls and oversupply positions, and load based charges, Counterparty shall pay all such amounts to Coral. In order to ensure that Coral is not required to pay the CAISO for these amounts prior to receiving payment from Counterparty, Coral may estimate the amount of the CAISO charges, include such estimation on Counterparty's invoice and Coral shall reconcile such estimate with the actual CAISO charges when such amounts are known. Counterparty acknowledges and agrees that it is entirely liable for and shall indemnify Coral and its affiliates from and against any and all surcharges, fees, costs and expenses imposed on direct access customers by the California Public Utility Commission, the applicable UDC or any other state, local or federal agency. The indemnity provision set forth in the immediately preceding sentence shall survive the termination of this Agreement.

#### ARTICLE 4. BILLING AND PAYMENT / TERM / ASSIGNMENT

4.1 Energy Payment. In connection with all Transactions entered into hereunder, Counterparty shall pay Coral the Energy Payment. Subject to Article 8, the Energy Payment shall be the total consideration paid by Counterparty to Coral for Energy delivered pursuant to a Transaction.

4.2 Invoices. Each calendar month, Coral shall render to Counterparty in connection with each Transaction, an invoice setting forth the Energy Payment due by Counterparty to Coral and any other amounts due between the Parties with respect to the immediately preceding calendar month.

4.3 Payments. Subject to the netting provisions of Section 4.4, Counterparty shall, by the later of (i) the 20th day of each calendar month or (ii) 10 days after delivery of Coral's invoice, or if such day is not a Business Day, the next Business Day, render to Coral by wire transfer payment in immediately available funds of the amount due Coral for all Energy purchased during the preceding month. If Counterparty fails to pay the entire amount of any invoice when this amount becomes due, Counterparty shall pay Coral a late charge on the unpaid balance that shall accrue on each calendar day from the due date at the Interest Rate. If Counterparty, in good faith, disputes any part of any invoice, Counterparty shall provide Coral a written explanation of the basis for the dispute and pay the portion of such invoice conceded to be correct no later than the due date as calculated in accordance with the preceding sentence. If any amount disputed by Counterparty is determined to be due to Coral, it shall be paid within ten (10) days of such determination, along with interest calculated at the Interest Rate from the original due date until the date paid.

4.4 Netting. If Coral and Counterparty are each required to pay an amount in the same month pursuant to this Agreement, then such amounts with respect to each Party may be aggregated and the Parties shall discharge their obligations to pay through netting, in which case the Party, if any, owing the greater aggregate amount shall pay to the other Party the difference between the amounts owed. Each Party reserves to itself all rights, setoffs, counterclaims and other remedies and defenses consistent with Section 7.2 (to the extent not expressly herein waived or denied) which such Party has or may be entitled to arising from or out of this Agreement. All outstanding Transactions and obligations to make payment

in connection therewith or under this Agreement or any other agreement between the Parties may be offset against each other, set off or recouped therefrom.

4.5 Term of Agreement. This Agreement shall commence on the Effective Date and, subject to the other provisions of this Agreement, shall remain in effect for an initial period (the "Initial Period") of one year and thereafter shall automatically renew from month to month (each such period a "Renewal Period") until terminated by either Party upon thirty (30) days written notice prior to the end of the Initial Period or any Renewal Period, as applicable. Except as otherwise provided in Section 8.2, no termination as described in this Section 4.5 shall be effective as to any ongoing Transaction hereunder until both Parties have fulfilled all their obligations hereunder with respect to such Transaction.

4.6 Assignment and Succession. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, either Party may, without the need for consent from the other Party (and without relieving itself from liability hereunder), (a) transfer or assign this Agreement to an affiliate of such Party provided that the assignee and assignee's guarantor, if any, has equivalent financial or greater capability to that, respectively, of assignee and assignee's guarantor, if any, or (b) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of such Party; provided, however, that any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

## ARTICLE 5. LIMITATION OF LIABILITY AND FORCE MAJEURE

5.1 Force Majeure. In the event either Party is rendered unable, by an event of Force Majeure, to carry out wholly or in part its obligations under a Transaction and if such Party gives notice and full particulars of such event of Force Majeure to the other Party as soon as practicable after the occurrence of the event relied on, then, unless the terms of the Product specify otherwise, the obligations of the Party affected by such event of Force Majeure pursuant to such Transaction, other than the obligation to make payments then due or becoming due hereunder, shall be suspended, but only to the extent of such claiming Party's inability to perform under such Transaction caused by such Force Majeure, from the inception and throughout the period of continuance of any such inability so caused, but for no longer period. Such Force Majeure event shall, so far as practicable, be remedied with all reasonable dispatch by the claiming Party; provided, however, that no provision of this Agreement shall be interpreted to require Coral to deliver, or Counterparty to receive, Energy at points other than the Energy Delivery Point. The non-claiming Party shall not be required to perform or resume performance of its obligations to the claiming Party under such Transaction to the extent that, and for the period corresponding to the period in which, the obligations of the claiming Party under such Transaction are excused by Force Majeure.

5.2 Limitation of Liability. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED IN THIS AGREEMENT, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER DAMAGES OR REMEDIES HEREBY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED TO DIRECT DAMAGES ONLY AND ALL OTHER DAMAGES AND REMEDIES ARE WAIVED. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, SPECIAL, EXEMPLARY OR INDIRECT DAMAGES IN TORT, FOR CONTRACT OR OTHERWISE.

## ARTICLE 6. TAXES

6.1 Allocation of and Indemnity for Taxes. The Energy Payment paid hereunder includes full reimbursement for and Coral is liable for and shall pay, cause to be paid, or reimburse Counterparty if Counterparty shall have paid, all Taxes applicable to the Energy sold hereunder and arising prior to the Energy Delivery Point which are in effect and at the rates that are in effect on the date that a Transaction is entered into ("Coral Taxes"). In the event Counterparty is required to remit any Coral Taxes, the amount thereof shall be deducted from any sums becoming due to Coral hereunder. Coral shall indemnify, defend and hold Counterparty harmless from any liability against all of Coral's Taxes. The Energy Payment does not include reimbursement for and Counterparty is liable for and shall pay, cause to be paid or reimburse Coral if Coral shall have paid, all Taxes applicable to the Energy sold hereunder and arising at and after the Energy Delivery Point including Taxes imposed by a taxing authority with jurisdiction over the Counterparty which are in effect and at the rates that are in effect on the date that a Transaction is entered into ("Counterparty Taxes"). Counterparty shall indemnify, defend and hold Coral harmless from any liability against all of Counterparty's Taxes. The provisions of this Article shall survive the termination of this Agreement.

## ARTICLE 7. EVENTS OF DEFAULTS AND REMEDIES

7.1 Event of Default. "Event of Default" shall mean, with respect to a Party:

- (a) the failure by such Party to make, when due, any payment required under this Agreement (including, but not limited to, payments due pursuant to Article 2 hereunder) if such failure is not remedied within five (5) Business Days after written notice of such failure is received by such Party; provided, that the payment is not the subject of a good faith dispute as described in the billing and payment provisions under Article 4 hereof; or
- (b) the failure by such Party to perform any material covenant or agreement by such Party set forth in this Agreement (other than as described in Section 7.1(a) above or its obligations to deliver or receive Energy, a remedy for which is provided in Article 2 hereunder), and such failure has a material adverse effect on the other Party's ability to perform its obligations or enforce its rights under this Agreement and is not cured within ten (10) Business Days after written notice is received by the such Party; or
- (c) such Party shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or have such petition filed against it and such proceeding remains undismissed for thirty (30) days; (iii) otherwise become bankrupt or insolvent (however evidenced); or (iv) be unable to pay its debts as they fall due; or
- (d) any representation of such Party proves to have been incorrect in any material respect as of the date when made and which has a material adverse effect on the other Party, which is not cured within ten (10) Business Days after written notice thereof is received by such Party (or, if such cure cannot be completed within such time period, such longer period (not to exceed 45 days without the written consent of the other Party)) as is necessary to accomplish such cure without material adverse effect on the other Party; or
- (e) the occurrence of a Credit Event as defined in the Credit Annex attached hereto as Annex B.

7.2 Remedies for Event of Default.

- (a) If an Event of Default occurs with respect to a Party (the "Defaulting Party") at any time during the term of this Agreement, then the other Party (the "Non-Defaulting Party") may (i) upon two (2) Business Days written notice to the Defaulting Party, which notice shall be given no later than sixty (60) days after the discovery of the occurrence of the Event of Default, establish a date, which shall be no later than 10 Business Days after written notice has been given to the Defaulting Party (the "Early Termination Date"), on which any or all ongoing Transactions may be terminated, (ii) withhold any payments due in respect of this Agreement, and/or (iii) suspend performance hereunder and (iv) if Counterparty is the Defaulting Party, Coral may elect to turn Counterparty back to the UDC for service under the applicable UDC tariff at the commencement of the next applicable billing cycle. Upon the occurrence of any Event of Default listed in Section 7.1(c), then all Transactions shall automatically terminate, without notice, as if an Early Termination Date had been immediately declared. If the Non-Defaulting Party elects to terminate some or all of the Transactions a Termination Payment shall be calculated with respect to all Terminated Transactions pursuant to the provisions of Section 7.2(b) and (c).
- (b) Coral shall calculate, in a commercially reasonable manner, the amount of its damages, including Costs (each such amount is a "Settlement Amount"), for each such Terminated Transaction or group of Terminated Transactions as of the Early Termination Date (or, to the extent that in the reasonable opinion of Coral certain of such Terminated Transactions or group of Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, then each such Transaction or group of Terminated Transactions (individually, an "Excluded Transaction" and collectively, the "Excluded Transactions") shall be terminated as soon thereafter as reasonably practicable), and upon termination shall be deemed to be a Terminated Transaction or group of Terminated Transactions. The Settlement Amount shall be determined by calculating, in a commercially reasonable manner, the amount that would be incurred or realized to replace or to provide the economic equivalent of the remaining payments or deliveries in respect of that Terminated Transaction or group of Terminated Transactions. Coral (or its agent) may determine the Settlement Amount by reference to information either available to it internally or supplied by one or more third parties including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets. Third parties supplying such information may include, without limitation, dealers in the relevant markets, end-users of the relevant Product, information vendors and other sources of market information. Notwithstanding the foregoing, Coral's determination of the Settlement Amount shall be comparable to that which would have been obtained by comparing the value of the remaining term, transaction quantities, and transaction prices under each Terminated Transaction or group of Terminated Transactions had it not been terminated to the equivalent quantities and relevant market prices for the remaining term which are reasonably expected to be available in the market under a replacement contract for each Terminated Transaction or group of Terminated Transactions. Notwithstanding the foregoing, the Non-Defaulting Party shall not be required to enter into a replacement contract in order to determine the Settlement Amount for a Terminated Transaction.

- (c) Each Settlement Amount shall be netted against each other and if the result of such netting is a positive number, the net amount shall be the "Termination Payment". If the netting of the Settlement Amounts does not result in a positive amount due to the Non-Defaulting Party, the Termination Payment shall be zero and the Defaulting Party shall not receive any Termination Payment. Coral shall give Counterparty written notice of the amount of the Termination Payment, inclusive of a statement showing its determination. The Termination Payment shall be paid within ten (10) Business Days of the Defaulting Party's receipt of such notice. At the time for payment of any amount due under this Section 7.2, each Party shall pay to the other Party all additional amounts payable by it pursuant to the Terminated Transactions, but all such amounts shall be netted and aggregated with any Termination Payment payable hereunder. The Termination Payment shall bear interest at the Interest Rate from the date upon which notice is effective until paid.

## ARTICLE 8. MISCELLANEOUS

8.1 Authorizations. Each Party represents and warrants to the other that as of the Effective Date such party has all requisite corporate authorizations and Regulatory Approval necessary or proper to consummate this Agreement and the Transactions contemplated hereunder.

8.2 Changes in Law and Regulation. In the event either Party is regulated by a federal, state or local regulatory body, and such body disallows all or any portion of any costs incurred or yet to be incurred by such Party under any provision of this Agreement, such action shall not operate to excuse such Party from performance of any obligation hereunder nor shall such action give rise to any right of such Party to any refund or retroactive adjustment of the Energy Payment. Notwithstanding the foregoing, if a Party's activities hereunder become subject to a change in regulation or a change in law of any kind whatsoever (other than a change in law implemented, requested or actively supported by either Party or its affiliates) and such change renders this Agreement or any Transaction illegal or unenforceable (including, but not limited to Counterparty's ability to pay the Contract Price to Coral due to any price cap, price mitigation efforts or other similar restrictions) then the Party affected by such change in law or regulation, shall at such time have the right to terminate all, but not less than all, affected Transactions or this Agreement, as appropriate, and determine a Settlement Amount for each terminated Transaction. In the event of a suspension or termination of direct access, the provisions of Section 3.1 shall control over the provisions of this Section 8.2.

8.3 Notices. Except as otherwise set forth herein, any notice, request, demand, statement, or payment provided for in this Agreement shall be made in writing as specified below; provided, however, that notices of interruption and communications to any Transmitting Entity(ies) may be provided verbally, effective immediately and, upon request, confirmed in writing. A notice sent by facsimile transmission sent prior to 3:00 PM PPT and confirmed by the transmitting Party's facsimile machine shall be deemed received by the close of the Business Day on the day such notice was transmitted or such earlier time as confirmed by the receiving Party. Notice by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party unless it confirms a prior verbal communication in which case any such notice shall be deemed received on the day sent. The addresses of the Parties are as follows:



**CORAL POWER:**

**CORRESPONDENCE & CONFIRMATION LETTERS**

Coral Power, L.L.C.  
4445 East Gate Mall, Suite 100  
San Diego, California 92121  
Attn: Energy Contract Administrator  
Phone: (858) 320-1500  
Fax: (713) 767-5414

**ELECTRONIC PAYMENTS**

Coral Power, L.L.C.  
JP Morgan Chase Bank  
ABA Routing #021000021  
Account # 323863841

**INVOICES / WIRE TRANSFERS**

Coral Power, L.L.C.  
909 Fannin, Plaza Level 1  
Houston, Texas 77010  
Attn: Sonya Francois, Manager  
Energy Accounting  
Phone: (713) 230-3895  
Fax: (713) 265-3895

**COUNTERPARTY:**

**CORRESPONDENCE & CONFIRMATION LETTERS**

City of Chula Vista  
276 Fourth Avenue,  
Chula Vista , CA 91910  
Attention: Willie Gators  
Phone: 619-409-5918  
Fax: 619-409-5884

**ELECTRONIC PAYMENTS**

Bank Name: \_\_\_\_\_  
ABA Routing#: \_\_\_\_\_  
Account Title: \_\_\_\_\_  
Account #: \_\_\_\_\_

**INVOICES / WIRE TRANSFERS**

City of Chula Vista  
276 Fourth Avenue  
Chula Vista , CA 91910  
Attention: Willie Gators  
Phone: 619-409-5918  
Fax: 619-409-5884

or to such other address as Counterparty or Coral shall from time to time designate by notice in accordance with this section.

8.4 **Entirety.** This Agreement, the Annexes and all Confirmation Letters constitute the entire agreement between the Parties hereto. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed, including, but not limited to any purchasing requirements of Counterparty (whether statutory or otherwise). No amendment, modification or change herein shall be enforceable, except as specifically provided for in this Agreement, unless reduced to writing and executed by both Parties.

**8.5 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF CALIFORNIA, WITHOUT REGARD TO CALIFORNIA LAWS REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE.**

**8.6 Non-Waiver.** No waiver or consent by either Party express or implied, of any one or more defaults by the other in the performance of any of the provisions of this Agreement shall be construed or operate as a consent or waiver of any other default or defaults whether of a like kind or different nature.

**8.7 Severability.** Any provision, article or section declared or rendered unlawful by a court of law or regulatory agency with jurisdiction over the Parties, or deemed unlawful because of a statutory change, will not otherwise affect the lawful obligations that arise under this Agreement.

**8.8 Headings.** The headings used for the Articles herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement.

**8.9 Confidentiality.** Neither Party shall disclose the terms of any Transaction to a third party (other than such Party's and its affiliates' employees, lenders, consultants, counsel or accountants) except in order to comply with any applicable law, order, regulation or exchange rule; provided, each Party shall notify the other Party of any proceeding of which it is aware which may result in disclosure and 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; provided, all monetary damages shall be limited to actual direct damages and a breach of this section shall not give rise to a right to suspend or terminate any ongoing Transaction under this Agreement. This provision shall survive the termination of this Agreement for a period of one (1) year.

**8.9 Survival.** All indemnity and confidentiality obligations set forth herein shall survive the expiration or termination of this Agreement in accordance with their terms.

**8.10 Counterparts.** This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

**8.11 Mobile Sierra Provision.** Absent the agreement of all Parties to the proposed change, the standard of review for changes to any portion of this Agreement or any Transaction entered into hereunder proposed by a Party, a non-party or the Federal Energy Regulatory Commission acting suo sponte shall be the "public interest" standard of review set forth in United Gas Pipeline 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) (the "Mobile-Sierra" doctrine).

**8.12 No Challenge; Defense of Agreement.** Neither Party will exercise any of its respective rights under Section 205 or Section 206 of the Federal Power Acts to challenge or seek to modify any of the rates or other terms and conditions of this Agreement or any Transaction.

**8.13 Utility Disclaimer.** (a) Each Party agrees that the other Party is not a "utility" as such term is used in 11 U.S.C. Section 366, (b) each Party agrees to waive and not to assert the applicability of the provisions of 11 U.S.C. Section 366 in any bankruptcy proceeding involving such Party and (c) further agrees that the other Party is not a provider of the last resort or a UDC.

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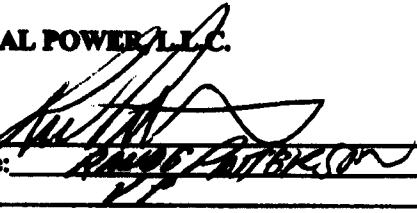
IN WITNESS WHEREOF, the Parties hereto have executed this Agreement to be effective as of the Effective Date.


"Coral"

"Counterparty"

CORAL POWER L.L.C.

CITY OF CHULA VISTA

By:   
Name: DAVID D. ROWLANDS, JR.  
Title: \_\_\_\_\_

By:   
Name David D. Rowlands, Jr.  
Title: City Manager

Attachments: Annex A, Definitions  
Annex B, Credit Annex  
Annex C, Confirmation Letter

## ANNEX "A"

### DEFINITIONS

"Agreement" means collectively this Energy Agreement, the Credit Annex attached hereto as Annex B and all Transactions entered into hereunder.

"Business Day" means any day on which Federal Reserve member banks in New York City are open for business.

"Confirmation Letter" means a written notice executed by both Parties which sets forth the specific terms of a Transaction substantially in the form set forth in Annex C attached hereto or as otherwise agreed to by the Parties.

"Contract Price" means the agreed price per megawatt-hour for the purchase and sale of Energy in a Transaction.

"Contract Quantity" means that quantity of Energy which Coral agrees to sell to Counterparty, and which Counterparty agrees to purchase from Coral, in a Transaction.

"Costs" means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Transaction which has been terminated pursuant to Section 7.2; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.

"Energy" means electric energy which shall be three-phase sixty cycle alternating current expressed in megawatt hours excluding operating reserves.

"Energy Delivery Point" shall have the meaning set forth in a Confirmation Letter. In the event that the Energy Delivery Point is split into multiple zones or otherwise redefined, deliveries will be made at the production zone(s) or

node(s) from which Coral is supplying the Energy for the applicable Transaction.

"Energy Payment" means, for each Transaction entered into hereunder, the sum of the Contract Price multiplied by the quantity of Energy, not to exceed the Contract Quantity, delivered by Coral to the Energy Delivery Point.

"Event of Default" shall have the meaning set forth in Section 7.1 hereof.

"Firm" is a Product pursuant to which the Energy receipt and delivery obligations of Counterparty and Coral, as appropriate, are intended to be fully performed during the Period of Delivery and non-performance shall only be excused on account of an event of Force Majeure.

"Force Majeure" means an event or circumstance, of the nature set forth in the immediately succeeding sentence, which prevents one Party from performing its obligations under one or more Transactions, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control or the result of, the negligence, gross negligence or willful misconduct of the Party claiming Force Majeure and which, by the exercise of due diligence, such Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall be limited to the interruption of electric transmission service, but only to the extent that the Party claiming Force Majeure scheduled firm transmission for the Energy to be delivered to, or received at, the Energy Delivery Point and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the tariff of the applicable Transmitting Entity. Force Majeure shall not be based on (i) the loss of Counterparty's markets (including, but not limited to, any shutdown or slowdown in Counterparty's facilities or operations); (ii) Counterparty's inability economically to use or resell the Energy

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purchased hereunder; (iii) the loss or failure of Coral's supply; (iv) Coral's ability to sell the Energy at a price greater than the Contract Price; or (v) as to Counterparty, the suspension or termination of direct access by the State of California.

**"Interest Rate"** means the lesser of (i) Prime Rate plus two percent (2%) or (ii) the maximum lawful rate permitted by applicable law.

**"Interruptible"** is a Product pursuant to which the Energy receipt and delivery obligations of Counterparty and Coral, as appropriate, may be interrupted by either Party for any reason.

**"Period of Delivery"** means the period of time measured from the date and hour deliveries are to commence under a Transaction through the date and hour deliveries are to terminate under a Transaction.

**"PPT"** means Pacific Prevailing Time.

**"Prime Rate"** means for any date, the per annum rate of interest as reported in the "Money Rates" column of *The Wall Street Journal* on the last Business Day of the preceding calendar month, as the same may change from time to time.

**"Product"** means the conditions under which the Parties agree to purchase and sell Energy in a Transaction. The Product shall be Firm or Interruptible or as otherwise set forth in a Confirmation Letter. Unless otherwise agreed by the Parties, the Product for all Transactions shall be Firm.

**"Regulatory Approvals"** means, for any Transaction, all applicable state and federal regulatory authorizations, consents, or approvals (other than any authorizations, consents or approvals of Counterparty or its affiliates) required for the Transaction to occur.

**"Replacement Price"** means the price at which Counterparty, acting in a commercially reasonable manner, purchases at the Energy Delivery Point, any Energy not delivered by Coral as required in a Transaction plus additional transmission charges, if any,

reasonably incurred by Counterparty to deliver the replacement Energy to the Energy Delivery Point. In the event Counterparty, acting in a commercially reasonable manner, is unable to purchase replacement Energy for the non-delivered Energy, the "Replacement Price" shall be the market price, at the Energy Delivery Point, for such Energy as determined by Counterparty in a commercially reasonable manner.

**"Sales Price"** means the price at which Coral, acting in a commercially reasonable manner, resells at the Energy Delivery Point, any Energy not received by Counterparty as required pursuant to a Transaction plus additional transmission charges, if any, reasonably incurred by Coral in delivering such Energy to third party purchasers. In the event Coral, acting in a commercially reasonable manner, is unable to resell the non-received Energy, the "Sales Price" shall be the market price, at the Energy Delivery Point, for such Energy as determined by Coral in a commercially reasonable manner.

**"Taxes"** means all ad valorem, property, occupation, utility, generation, gross receipts, sales, use, excise and other taxes, governmental charges, licenses, permits and assessments, other than taxes based on net income or net worth.

**"Terminated Transaction"** means a Transaction which is terminated pursuant to the provisions of Section 7.2.

**"Termination Payment"** shall have the meaning set forth in Section 7.2(c).

**"Transaction"** means a specifically agreed to purchase or sale of Energy to be performed and documented in accordance with Article 2.

**"Transmitting Entity"** means the entity or entities transmitting Energy (excluding Coral and Counterparty) to or from the Energy Delivery Point(s) in an individual Transaction.

## ANNEX B

### CREDIT ANNEX

1. **Credit Terms.** Defined terms used in this Credit Support Annex (this "Annex") and not defined in the Energy Agreement shall have the meaning set forth in Paragraph 6 hereto.

(a) **Security Threshold.** As used in this Annex, "Security Threshold" means with respect to either Party on any date of determination, the lowest of: (x) US \$1,000,000 or (y) zero if a Material Adverse Change or an Event of Default has occurred and is continuing with respect to that Party or its Credit Support Provider, if any.

(b) **Material Adverse Change.** As used herein, "Material Adverse Change" means (x) in the reasonable opinion of one Party, that (i) a material adverse change has occurred in the business, financial condition or operations of the other Party or its Credit Support Provider, if any; or (ii) the ability of the other Party or its Credit Support Provider, if any, to meet its obligations under this Energy Agreement and/or a guarantee provided hereunder has become materially impaired; (y) maintains a Credit Rating of at least BBB by S&P or Baa2 by Moody's; and/or (z) a default has occurred with respect to indebtedness for borrowed money of the other Party or its Credit Support Provider, if any, that has resulted in an acceleration of such indebtedness in an aggregate amount in excess of US \$10,000,000.00; provided, however, with respect to Coral, a Material Adverse Change shall not be deemed to have occurred so long as its parent, Coral Energy Holding, L.P., maintains a Credit Rating of at least BBB- by S&P or Baa3 by Moody's.

2. **Credit Requirements.** If at any time, and from time to time, during the term of this Energy Agreement, the Contract Exposure for a Party (the "Providing Party") exceeds such Party's Security Threshold, then the other Party (the "Requesting Party") may request that the Providing Party provide Performance Assurance in an amount equal to the amount by which its Contract Exposure exceeds its Security Threshold. On any Business Day (but no more frequently than weekly with respect to letters of credit and daily with respect to cash), the Providing Party, at its sole cost, may request that the amount of Performance Assurance be reduced based upon a decrease in the Contract Exposure as calculated on such Business Day. Any Performance Assurance being provided or returned shall be delivered within two (2) Business Days of the date of such request. The amount of Performance Assurance being provided by the Providing Party shall be rounded upwards to the next multiple of U.S.\$100,000 and the amount of Performance Assurance being returned by the Requesting Party shall be rounded down to the next multiple of U.S.\$100,000. Coral shall not be required to provide Performance Assurance as long as its parent, Coral Energy Holding, L.P., maintains a Credit Rating of at least BBB- by S&P or Baa3 by Moody's.

3. **Grant of Security Interest; Remedies.** To secure its obligations under this Energy Agreement, and to the extent it delivers Performance Assurance hereunder as the Providing Party, each Party hereby grants to the Requesting Party, as secured party, a present and continuing security interest in, lien on, and right of setoff against, all Performance Assurance in the form of cash, and any and all proceeds resulting therefrom, held by or on behalf of the Requesting Party. The Providing Party agrees to take such further action as the Requesting Party may reasonably require in order to perfect, maintain and protect the Requesting Party's security interest in such collateral. Upon the occurrence and continuance of a Event of Default with respect to the Providing Party, then, unless the Providing Party has satisfied in full all of its payment and performance obligations under this Energy Agreement that are then due, the Requesting Party may (i) exercise any of the rights and remedies of a secured party under applicable law with respect to all Performance Assurance; (ii) exercise its right of setoff against any and all Performance Assurance; (iii) draw on any Letter of Credit issued for its benefit, and (iv) liquidate all Performance Assurance then held by the Requesting Party free from any claim or right of any nature whatsoever of the Providing Party. The Requesting Party shall either (x) apply the proceeds of the Performance Assurance realized

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upon exercise of such rights or remedies to reduce the Providing Party's obligations under this Energy Agreement, in such order as it elects, and the Providing Party shall remain liable for any amounts owing to the Requesting Party after such application, subject to the Requesting Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full, or (y) hold such proceeds as collateral security for the Providing Party's obligations under this Energy Agreement.

4. **Credit Events Of Default.** The following events ("Credit Events") shall be additional Events of Default under Section 7.1(e) of the Energy Agreement and the Non-Defaulting Party shall have the right to exercise any of the remedies provided for under Section 7.2 upon the occurrence of a Credit Event as provided herein:

(i) the failure by the Providing Party to establish, maintain, extend or increase Performance Assurance when required pursuant to this Annex; or

(ii) the failure of Counterparty's Credit Support Provider, if any, to perform any covenant set forth in any guaranty agreement delivered pursuant to this Annex, or the occurrence of any event set forth in Section 7.1(c) of this Energy Agreement with respect to Counterparty's Credit Support Provider; or

(iii) the failure of Counterparty or its Credit Support Provider, if any, to timely provide financial information as required in this Annex and such failure is not remedied within thirty (30) days after written notice of such failure is given to the Defaulting Party.

5. **Financial Information.** Upon request by Coral, Counterparty or its Credit Support Provider, if any, shall deliver to Coral (i) within 120 days following the end of its fiscal year, a copy of the audited consolidated financial statements for such fiscal year certified by independent certified public accountants and (ii) within 45 days after the end of each of the first three fiscal quarters of its fiscal year, a copy of the quarterly unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles or such other principles then in effect.

6. **Definitions.** With respect to this Annex the following definitions shall apply.

"Contract Exposure" means an amount equal to (x) the Termination Payment that would be payable from the Providing Party to the Requesting Party, as if an Early Termination Date had been declared pursuant to Section 7.2(a) (notwithstanding whether or not an Event of Default has occurred) and all Transactions had been terminated; (y) plus the net amount of all other payments owed but not yet paid between the Parties, whether or not such amounts are then due, for performance already provided pursuant to any and all Transactions conducted under this Energy Agreement; (z) less the amount of any Performance Assurance then held by the Requesting Party.

"Credit Rating" means (x) with respect to a Party or its Credit Support Provider, if any, the lower of its long-term senior unsecured debt rating (not supported by third party credit enhancement) or its issuer rating by the specified rating agency, and (y) with respect to a financial institution, the lower of its long-term senior unsecured debt rating (not supported by third party credit enhancement) or its deposit rating by the specified rating agency.

"Credit Support Provider" means a third party providing a guaranty for a Party pursuant to this Annex. With respect to Coral, its Credit Support Provider shall be Coral Energy Holding, L.P.

"Letter of Credit" means one or more irrevocable, standby letters of credit from a Qualified Institution in a form reasonably acceptable to Coral.

"Moody's" means Moody's Investors Service, Inc., or its successor.

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**"Performance Assurance"** means collateral in the form of cash, Letters of Credit, or other security acceptable to the Requesting Party. If the collateral is in the form of cash, interest shall accrue to the Providing Party. Notwithstanding the foregoing, any requirement for Coral to provide Performance Assurance shall be satisfied by a guarantee from Coral Energy Holding, L.P., and the value of such Performance Assurance shall be equal to the dollar limit contained in such guarantee.

**"Qualified Institution"** means a major U.S. commercial bank having a Credit Rating of at least "A-" from Standard and Poor's or "A3" from Moody's.

**"S&P"** means Standard & Poor's Ratings Services (a division of McGraw-Hill, Inc.) or its successor.

7. **Successors.** In the event of an assignment of this Agreement by Counterparty as provided herein, the provisions of this Annex shall not be applicable to any such assignee. In such event an assignee will be required to meet the reasonable credit requirements of Coral for the extension of unsecured credit before further deliveries of Energy are made.

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