

The agreements are included to provide general information on California Department of Water Resources's ("CDWR") contracts to interested parties. They represent the terms generally acceptable to CDWR and similar to those in past agreements; however, in the future particular circumstances may necessitate diversion from these terms and negotiation of new terms.

### **Standard California Department of Water Resources Terms and Conditions for ISDA Agreements**

1. Form for Transactions: International Swaps and Derivatives Association, Inc. (ISDA) 2002 Master Agreement.

2. Credit Support Annex: Form is to be International Swaps and Derivatives Association, Inc. 1994 Credit Support Annex. Terms of Paragraph 13, including but not limited to credit terms, to be satisfactory to CDWR in its sole discretion. Any credit terms applicable to CDWR that are tied to published credit ratings must be tied solely to the credit rating applicable to CDWR's bonds issued pursuant to Section 80130 of the California Water Code.

3. Schedule to the 2002 Master Agreement: The following terms are to be incorporated as part of Part 5 of the Schedule to the 2002 Master Agreement (the "Schedule"):

a) Section 3(a)(ii) is amended to read in its entirety:

Powers. It has the power (in the case of CDWR, pursuant to the Authorizing Law) to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement to which it is a party and has taken all necessary action and made all necessary determinations and finds to authorize such execution, delivery and performance;

b) Section 3(c) is amended to read in its entirety as follows:

Absence of Litigation. There is not pending or, to its knowledge, credibly threatened against it or any of its applicable Specified Entities any action, suit or proceedings at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that, in its reasonable opinion or belief, is likely to succeed on its merits and affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

c) Section 3 is amended by adding the following subsection, which shall only apply to CDWR:

(h) Non-Speculation. This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), on the part of CDWR, entered into for purposes of managing its natural gas price exposure and not for purposes of speculation or other purposes not specifically authorized by law.

d) Section 13(a), Governing Law, is amended to read:

This Agreement will be governed by and construed in accordance with the laws of the State of California.

e) Section 13(b)(i), Jurisdiction, is amended to read:

submits to the exclusive jurisdiction of the courts of the State of California.

f) Section 13(d), Waiver of Immunities, is amended to read:

[Counterparty] irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction or order for specific performance or recovery of property; (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings. California law authorizes suits based on contract against the State or its agencies (including, without limitation CDWR), and, to the extent permitted by law, CDWR agrees that it will not assert any immunity it may have as a state agency against such lawsuits filed in state court.

g) Limited Recourse: the Schedule shall include the following provision:

Limited Recourse. The obligation of CDWR to make payments hereunder shall be limited solely to the Department of Water Resources Electric Power Fund established by Section 80200 of the California Water Code (the "Fund") and shall be payable from the revenues of the Fund subject to any priorities and limitations established with respect to the Fund's operating expenses in any indenture providing for the issuance of bonds issued by CDWR under Section 80130 *et seq.* of the California Water Code or any agreement entered into by CDWR with the California Public Utilities Commission pursuant to Section 80110 of the California Water Code. Notwithstanding anything to the contrary herein, no liens or pledges or assignments of the Fund are granted hereunder. Any liability of CDWR arising in connection with this Agreement or any claim based thereon or with respect thereto, including, but not limited to, any termination payment arising as the result of any breach or Event of Default under this Agreement, and any other payment obligation or liability of or judgment against CDWR hereunder, shall be satisfied

solely from the Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS AGREEMENT. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make payments or satisfy any obligation arising under this Agreement. Notwithstanding anything to the contrary in this Agreement (and, without limitation, Section 1(b) of this Agreement) or in any Transaction or Confirmation, in the event of any inconsistency between this Section and any provision in this Agreement or in any Transaction or Confirmation, this Section shall control.

h) Severability: the Schedule shall include the following provision:

Severability. If any term, provision, covenant, or condition of this Agreement, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable (in whole or in part) for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid or unenforceable portion eliminated, so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Agreement and the deletion of such portion of this Agreement will not substantially impair the respective benefits or expectations of the parties to this Agreement; provided, however, that this Agreement shall be deemed to be invalid and unenforceable if, without limitation, the provisions of limited recourse provisions, California Public Contracts Code provisions, any provision of Section 13, as amended shall be so held to be invalid or unenforceable.

i) Statutory Determinations: the Schedule shall include the following provision:

Government Code and Public Contracts Code Inapplicable to Transactions. Pursuant to Section 80014(b) of the California Water Code, CDWR has determined that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the California Water Code to make provisions of the California Government Code and the California Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements, applicable to this Contract and that such provisions and requirements are therefore not applicable to or incorporated in this Contract.

j) Additional Defined Terms: Section 14 of the 2002 Master Agreement is amended to add the following definition in the appropriate alphabetical order:

"Authorizing Law" means AB 1X (Chapter 4 of the Statutes of 2001, First extraordinary session), as amended by AB 1X 31 (Chapter 9 of the Statutes of 2001, First Extraordinary Session) Section 80000 *et seq.* of the California Water Code.

#### 4. Potential Additional Provisions:

- Events of Default and Termination Events:
  - Section 5(a)(iii) of this Agreement is amended to provide for **GUARANTOR IN EVENT OF DEFAULT** (if applicable).
  - Section 5(a)(v) of this Agreement is amended to provide for **ANY SPECIFIED ENTITIES THAT CDWR HAS AGREEMENTS WITH**. (If Counterparty is reliant upon one or more Specified Entities for part of obligation, section may apply.)
  - Section 5(a)(vi) of this Agreement is amended to provide for **CROSS ACCELERATION AND CROSS DEFAULT FOR ADDITIONAL SPECIFIED ENTITIES**. (Section may apply depending on circumstances of Counterparty.)
  - Section 5(b)(v) of this Agreement is amended to provide for Credit Event Upon Merger/Additional Termination Event for **CREDIT DOWNGRADE** (if appropriate).
- Early Termination; Close-Out Netting:
  - Section 6(f) of this Agreement is amended to provide for **EXPANSION OF SET-OFF TO INCLUDE AFFILIATES** (if applicable).
- Definitions:
  - Pursuant to Part 1(c) of the Schedule, the terms “Specified Indebtedness” and “Specified Transaction” of Section 14 of the 2002 Master Agreement are amended (if applicable).