

AUSLEY & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(904) 224-9115 FAX (904) 222-7560

April 25, 1997

ORIGINAL
FILE COPY

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Determination of appropriate cost allocation and regulatory treatment of total revenues associated with wholesale sales to Florida Municipal Agency and City of Lakeland by Tampa Electric Company; Docket No. 970171-EU


Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Tampa Electric Company are the original and fifteen (15) copies of the following:

- 1. Direct Testimony of John B. Ramil; - 04233-87
- 2. Direct Testimony and Exhibit of Karen A. Branick; and 04244-99
- 3. Direct Testimony and Appendix of Douglas R. Bohi. 04235-87

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

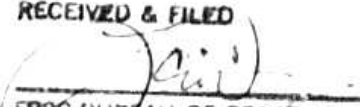
Sincerely,

Lee L. Willis

ATTN
AFA
APR
CAF
DM
JIF
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WAS
OTH

Boad LLW/bjm

1 Enclosures
Stas

cc: All Parties of Record

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

CERTIFICATE OF SERVICE
DOCKET NO. 970171-EU

I HEREBY CERTIFY that true and correct copies of Testimonies of John B. Ramil, Karen A. Branick and Douglas R. Bohi on behalf of Tampa Electric Company have been furnished by hand delivery(*) or U. S. Mail this 25th day of April, 1997 to the following:

Ms. Leslie Paugh*
Staff Counsel
Division of Legal Services
Florida Public Service
Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Mr. Gary Lawrence
City of Lakeland
501 East Lemon Street
Lakeland, FL 33801-5079

Vicki Gordon Kaufman*
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 South Gadsden Street
Tallahassee, FL 32301

Mr. Robert Williams
FMPA
7201 Lake Ellinor Drive
Orlando, FL 32809

John Roger Howe
Office of Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm. 812
Tallahassee, FL 32399-1400



ATTORNEY

ORIGINAL
FILE COPY

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

KAREN A. BRANICK

1
2
3
4
5
6 Q. Please state your name, address, employer and occupation.

7
8 A. My name is Karen A. Branick. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. My position
10 is Manager - Energy Issues in the Regulatory and Business
11 Strategy Department of Tampa Electric Company.

12
13 Q. Please provide a brief outline of your educational
14 background and business experience.

15
16 A. I received a Bachelor of Science Degree in Chemical
17 Engineering and Chemistry from the University of
18 Pittsburgh, Pittsburgh, Pennsylvania in 1986. In 1987, I
19 was employed as a chemist for Florida Power & Light Company
20 (FPL). In 1990, I became a performance engineer; in 1991
21 a lab supervisor; and in 1992 an operations supervisor for
22 FPL. My career in Tampa Electric Company began in 1992 in
23 the Production Department at Gannon Station. My
24 responsibilities included assurance of proper boiler
25 chemistry and chemical engineering support during normal

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

1 operations and maintenance outages of the units. I led
2 projects related to alternate fuel test burns and waste
3 water management.

4
5 In 1994, I transferred to the Bulk Power & Market
6 Development Department where I managed the customer
7 accounts of approximately 30 of Tampa Electric's large
8 industrial retail customers. My experience with wholesale
9 sales in this department includes the development of
10 proposals to serve long-term capacity and energy to
11 wholesale customers, and the evaluation of the net benefits
12 from these sales versus the incremental variable and fixed
13 costs associated with making the sales.

14
15 In October of 1996, I was promoted to Manager - Energy
16 Issues in the Regulatory and Business Strategy Department.
17 My present responsibilities include the areas of fuel
18 adjustment filings, capacity cost recovery filings and rate
19 design.

20
21 Q. What is the purpose of your testimony?

22
23 A. The purpose of my testimony is to describe in detail the
24 wholesale sales to the Florida Municipal Power Agency
25 (FMPA) and to the City of Lakeland (Lakeland), and to

1 support the analysis that shows these sales provide net
2 benefits to Tampa Electric's general body of rate payers.
3 I will show how I have applied the economic concepts
4 described by Dr. Bohi to the analysis of these sales, and
5 I will support the detailed implementation of Tampa
6 Electric's proposed treatment of the revenues associated
7 with the FMPA and Lakeland sales which is provided in the
8 testimony of Mr. Ramil.

9

10 Q. What exhibits are you sponsoring as part of your testimony
11 in this proceeding?

12

13 A. My Exhibit No. _____ (KAB-1), consisting of seven
14 documents. It consists of: a summary of contracted capacity
15 for these wholesale sales, the interchange contracts to the
16 Florida Municipal Power Agency and the City of Lakeland,
17 Cost vs. Benefit analyses of these sales and the proposed
18 treatment of the revenues and costs associated with these
19 sales.

20

21 Q. Ms. Branick, please describe the Tampa Electric wholesale
22 sale to FMPA.

23

24 A. Tampa Electric and FMPA entered into a Letter of Commitment
25 on October 2, 1996 for Tampa Electric to provide base load

1 long-term firm capacity and energy. The capacity and
2 energy sold is from the combined resources of Big Bend
3 Units 2 and 3, and its Gannon Units 5 and 6. Service under
4 this Letter of Commitment began on December 16, 1996 and
5 will continue through March 15, 2001. The amount of base
6 contracted capacity associated with this sale is 35
7 megawatts through December 15, 1997, and increases to 150
8 megawatts on December 16, 1999. Document No. 1 of my
9 Exhibit shows the base capacity to be served by Tampa
10 Electric during the term of the agreement. A copy of the
11 agreement is included as Document No. 2 of my Exhibit.

12
13 The base capacity is available to FMPA any time the
14 generating resources supplying this sale are available and
15 capable of producing the requested capacity. Tampa
16 Electric may supply supplemental capacity and energy to
17 FMPA from these generating resources by mutual, written
18 agreement of the parties. Supplemental service is an
19 option in this agreement to enable FMPA to increase the
20 capacity purchased from Tampa Electric for periods of time
21 when the base contracted capacity would not cover their
22 needs. The supplemental capacity would be served at an
23 equivalent reliability level of the base capacity, once
24 scheduled. To date, Tampa Electric has agreed to supply 20
25 MW of such supplemental capacity during the months of

1 January and February, and 35 MW during the months of June,
2 July, August and September in 1997.

3
4 Q. Ms. Branick, please describe the wholesale sale between
5 Tampa Electric and Lakeland.

6
7 A. Tampa Electric began service to Lakeland, on November 4,
8 1996 for 10 MW of peaking capacity. Subsequent to the
9 commencement of service, Lakeland determined that it
10 desired a greater degree of firmness than the agreement
11 originally afforded. The parties began discussions to
12 amend this agreement in February, 1997. As a result, a
13 new Letter of Agreement executed by Tampa Electric will be
14 recommended for approval before the City Council on May 5,
15 1997 by the City of Lakeland's Electric Department. Tampa
16 Electric will ask FERC for a November 4, 1996 effective
17 date when it files the new agreement. This new agreement
18 will replace the original agreement signed on November 4,
19 1996. Tampa Electric will now supply Lakeland with 10 MW of
20 firm peaking capacity and energy. The firm peaking
21 capacity and energy to Lakeland has the same service
22 priority as Tampa Electric's firm native load customers.
23 Document No. 1 of my Exhibit shows the capacity and annual
24 minimum energy levels for the term of the agreement.

25

1 Tampa Electric will also serve Lakeland up to 10 MW of
2 supplemental service if it projects it would not be
3 required to curtail native retail load and spinning reserve
4 requirements, commitments for unit and/or station power
5 sales, firm wholesale service commitments or other power
6 sales having equivalent priority that were scheduled prior
7 to this request. Tampa Electric may supply optional
8 supplemental service to Lakeland by mutual, written
9 agreement of the parties. This sale is supported by Tampa
10 Electric's system resources. A copy of the agreement is
11 included as Document No. 3 of my.

12
13 **SUMMARY OF BENEFITS**

14
15 **Q.** What are the benefits associated with the off-system sales
16 to FMPA and Lakeland?

17
18 **A.** The total incremental cost associated with the FMPA sale is
19 projected to be \$68.1 million present value. The total
20 revenues from the FMPA sale are projected to be \$77.2
21 million present value. Therefore the benefits from this
22 sale are equal to the difference between total revenues and
23 total incremental costs, or \$9.2 million. This cost versus
24 benefit analysis is detailed in Document No. 4 of my
25 Exhibit.

1 The total incremental cost associated with the Lakeland
2 sale is projected to be \$3.2 million present value and
3 total revenues are projected to be \$ 4.2 million dollars
4 present value. The benefits from this sale are therefore,
5 \$0.9 million present value. Document No. 5 of my Exhibit
6 details the costs versus benefit associated with the
7 Lakeland sale. These benefits versus costs analyses were
8 done considering only the base contracted amounts of
9 capacity and energy plus any committed supplemental
10 service. To the extent, additional supplemental service is
11 supplied, the benefits will increase as well.

12
13 **ECONOMIC ANALYSIS**

14
15 **Q.** How did you determine the benefits associated with the
16 wholesale sales to FMPA and Lakeland?

17
18 **A.** The economic analysis was performed using production
19 simulation models, to quantify the differential revenue
20 requirements with and without the sales. The difference in
21 total projected total revenue requirements include system
22 fuel, operating and maintenance and capital revenue
23 requirements when the sale is included minus the total
24 revenue requirement without the sale defined as the
25 incremental costs associated with making each sale

1 individually.

2

3 Q. What expenses are included in your incremental cost
4 analysis?

5

6 A. As Dr. Bohi testifies, total incremental costs include
7 variable costs and may or may not include incremental
8 capacity costs. The potential incremental variable costs
9 associated with these off-system sales are fuel, SO₂
10 allowances, and operation and maintenance expense. The
11 incremental capacity costs if any are expansion plan
12 impacts.

13

14 **INCREMENTAL VARIABLE COSTS**

15

16 Q. What method did you use to compute the incremental fuel
17 costs used in your cost versus benefit analysis for the
18 FMPA and Lakeland sales?

19

20 A. The incremental fuel cost is equal to the differential fuel
21 expense between the two production simulation analyses
22 runs, one with the off-system sale and one without. In
23 each case the simulation minimizes the fuel expense by
24 economically dispatching the lowest variable cost units
25 first. The incremental fuel cost is comprised of

1 additional generation from the coal units, oil at Hookers
2 Point station, natural gas at Hardee Power station, oil at
3 the combustion turbines or off-system purchases. The
4 incremental fuel expense was computed first for the FMPA
5 sale.

6
7 The incremental fuel expense for the Lakeland sale was
8 derived in the same manner. However, the analysis for the
9 Lakeland sale was performed with the inclusion of the FMPA
10 sale in the simulation runs.

11
12 Q. What method did you use to compute the incremental SO₂
13 allowance for each sale?

14
15 A. The incremental generation by unit was derived by taking
16 the difference in generation between the two previously
17 defined production simulation analysis. An initial
18 replacement cost for SO₂ allowances was assumed to be
19 \$99.45 per ton of SO₂ emitted per unit and was computed
20 according to the sulfur content of the coal used in the
21 unit and the heat content of the coal for each unit. The
22 total incremental SO₂ allowance cost for the incremental SO₂
23 emissions for each unit was summed to get the total
24 incremental SO₂ allowance cost for the sale. This method
25 was used for both the FMPA sale and the Lakeland sale.

1 Q. Please describe the method used to compute variable
2 operation and maintenance cost for each sale.

3
4 A. The current variable operation and maintenance rate paid to
5 qualifying facilities as part of the as-available
6 cogeneration payments was used to compute the costs for
7 these sales in 1997. This value was then escalated at 3%
8 per year. The total megawatt hours generated for each sale
9 was multiplied by this variable operation and maintenance
10 rate for each year yielding an estimate of the variable
11 operation and maintenance expense. This methodology was
12 used for both sales.

13

14 **INCREMENTAL CAPACITY COSTS**

15

16 Q. Please describe the methodology used to quantify the
17 incremental capacity costs included in your analysis of the
18 FMPA sale.

19

20 A. The methodology used to quantify the incremental capacity
21 costs is to take the difference in the capital and fixed
22 operation and maintenance revenue requirements between two
23 optimized generation expansion plans. The first run as a
24 base case, which assumes the sale is not made, and the
25 second run does include the new sale.

1 For the sale to FMPA, there was no change to the expansion
2 plan due to the addition of FMPA. Intuitively, this makes
3 sense because the FMPA sale ends in March 2001 while Tampa
4 Electric's next generation unit is planned for January
5 2003. This is demonstrated in Tampa Electric's Ten Year
6 Site Plan filed on April 1, 1997 with the Commission. With
7 no change in the expansion plan, there is no differential
8 revenue requirement. Therefore, there are no incremental
9 capacity costs associated with the sale to FMPA.

10
11 Q. How is the incremental capacity cost for the sale to
12 Lakeland determined?

13
14 A. Lakeland is analyzed with the same methodology as the FMPA
15 sale except the FMPA sale is included in the base case
16 because the FMPA, sale was made prior to the new Lakeland
17 sale.

18 The Lakeland sale terminates in September 2006 This is
19 after the planned addition of combustion turbines in 2003
20 and 2004. Analysis of two cases, a base case without the
21 Lakeland sale and another with the 10 megawatt sale
22 included for the entire term, 1996-2006, showed no change
23 to the base case expansion plan. Thus, like the FMPA
24 sales, no incremental capacity costs would be expected
25 using this methodology and assumptions. Because the

1 Lakeland sale does span a period of time during which the
2 company expects to add new capacity, a much more
3 conservative approach to the projection of the incremental
4 costs during this time period would be to assume that
5 enough new load occurs to move the expansion plan and then
6 prorate this impact to the Lakeland sale. If a prorated
7 allocation of the revenue requirements of the new units
8 required is assigned as the incremental fixed cost of this
9 sale, this would result in \$0.8 million present value in
10 fixed costs for accelerated of the expansion plan. So
11 depending on the methodology employed, the incremental
12 capacity costs associated with this sale are between \$0 and
13 \$0.8 million.

14
15 Q. Are there any unique provisions of the Lakeland agreement
16 that would impact the incremental fixed cost in the
17 Lakeland analysis.

18
19 A. Yes, there are. The Lakeland agreement provides Tampa
20 Electric with the opportunity to terminate the contract no
21 earlier than December 31, 2002 by providing Lakeland with
22 a one-year notice. While it is not Tampa Electric's plan
23 to exercise this option, should incremental fixed or
24 variable costs rise above the current projected values,
25 Tampa Electric could terminate the sale prior to the

1 addition of the planned generation expansion in 2003.

2
3 Q. Are there risks that the incremental costs may vary above
4 what you have projected?

5
6 A. Yes. Incremental costs could be higher or lower than
7 projected. Tampa Electric is constantly striving to reduce
8 fuel costs, improve unit efficiencies and maximize unit
9 capacities. The effect of these efforts has the potential
10 to lower actual incremental cost which will increase the
11 overall benefit of these sales.

12
13 Beyond that, should incremental costs exceed the levels
14 projected, ratepayers are protected. Tampa Electric's
15 proposal for the treatment of the sales credits all
16 variable fuel and SO₂ allowance costs to the corresponding
17 retail clauses. Therefore, retail customers will be no
18 worse off than had Tampa Electric never made the sale.

19
20 **PROPOSAL IMPLEMENTATION**

21
22 Q. Please describe how the proposal presented by Mr. Ramil
23 will be implemented by Tampa Electric.

24
25 A. Below is a description of the implementation of the

proposal by component.

SYSTEM INCREMENTAL FUEL

The commission has approved the as-available avoided generation energy rate computation for paying qualifying facilities for the "incremental" generation cost on Tampa Electric's system. This factor derived by a commission approved methodology would be used to compute the system incremental fuel cost on an actual basis. This hourly incremental fuel rate, adjusted for losses, would be multiplied by the hourly average demand for each sale yielding an hourly incremental fuel cost. These hourly incremental fuel costs will be summed to get the monthly incremental fuel expense associated with each sale.

INCREMENTAL SO₂ ALLOWANCES

Each compliance unit will be assigned an "adder" rate which is equal to the replacement cost of SO₂ allowances based on the current market. This adder will be on a dollar per megawatt hour basis on the sulfur content, heat content and unit heat rate for each compliance unit. The incremental generation for each compliance unit will be estimated as part of the computation of the incremental fuel expense.

1 The incremental generation for each compliance unit will be
2 multiplied by the SO₂ allowance replacement cost adder to
3 derive the total incremental SO₂ allowance costs recovered
4 through the Environmental Cost Recovery Clause.
5

6 **VARIABLE OPERATION AND MAINTENANCE**

7
8 The as-available cogeneration energy rate also contains a
9 variable operation & maintenance rate derived annually
10 according to an EPRI Technical Advisory Group methodology.
11 The Commission approved this methodology as part of
12 approving Tampa Electric's cogeneration tariffs. This
13 factor would be applied by multiplying by the megawatt
14 hours sold for each sale, adjusted for losses.
15

16 **TRANSMISSION CHARGES**

17
18 The transmission charges associated with the sale will be
19 computed per the appropriate Tampa Electric Open Access
20 Transmission tariff in effect at the time of the sale.
21

22 **NET NONFUEL REVENUES**

23
24 On a monthly basis, we will start with the total revenues
25 collected from the sale. The monthly incremental fuel

1 expense will be deducted from the total revenues and
2 credited to the retail Fuel and Purchased Power Cost
3 Recovery Clause. Similarly, the SO₂ allowance cost will be
4 deducted from the total revenues and credited to the retail
5 Environmental Cost Recovery Clause. The transmission
6 charges and variable operation and maintenance costs will
7 be deducted from the total revenues and credited to Tampa
8 Electric's operating revenues.

9
10 The remaining revenues after deducting the items listed
11 above, will be shared equally between the retail Fuel and
12 Purchased Power Cost Recovery Clause and Tampa Electric's
13 operating revenues. Documents 6 and 7 of my exhibit
14 illustrates the projected allocation of revenues of the
15 sale to FMPA and the sale to Lakeland, respectively.
16

17 Q. How would the benefits from these sales affect the
18 residential bill for a customer consuming 1,000 kilowatt
19 hours per month for the period October, 1997 through March,
20 1998 under this proposed regulatory treatment?
21

22 A. I calculate that a customer's bill for 1,000 kilowatt hours
23 of residential usage including true-up effects would be
24 approximately sixty cents lower during that period with
25 these sales than it would have been had the sales not been

1 made. And, of course, retail customers will benefit
2 additionally by the long term offset to fixed costs that
3 these sales will provide.

4
5 Q. Does this conclude your testimony?

6
7 A. Yes, it does.

8
9
10
11
12
13

TAMPA ELECTRIC COMPANY
DOCKET NO. 970171-EU
WITNESS: BRANICK
EXHIBIT NO. _____
(KAB-1)

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
TAMPA ELECTRIC COMPANY
DOCKET NO. 970171-EU
EXHIBIT
OF
KAREN A. BRANICK

DOCUMENT NUMBER-DATE
04234 APR 25 6
FPSC-RECORDS/REPORTING

TAMPA ELECTRIC COMPANY

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Contracted Capacity for Florida Municipal Power Agency

Purchase Periods	Sales Periods	Purchase Quantities
12/16/96 - 12/15/97	1	35 MW
12/16/97 - 12/15/98	2	85 MW
12/16/98 - 12/15/99	3	105 MW
12/16/99 - 03/15/01	4	150 MW

Contracted Capacity and Energy for the City of Lakeland
(10 MW Contracted Capacity For The Term Of The Contract)

Purchase Periods	Sales Periods	Annual Minimum Energy
1997	1	5,880 MWh
1998 - 2005	2 - 8	8,760 MWh
09/30/06	9	6,570 MWh



October 2, 1996

Mr. Robert C. Williams
Director of Engineering
Florida Municipal Power Agency
7201 Lake Ellenor Drive
Orlando, Florida 32809-5769

Dear Mr. Williams:

This letter will confirm the commitment of TAMPA ELECTRIC COMPANY (TAMPA ELECTRIC) to provide long-term interchange service to the FLORIDA MUNICIPAL POWER AGENCY (FMPA) in accordance with the terms of the Agreement for Interchange Service between FMPA and TAMPA ELECTRIC dated April 1, 1986, as such may be amended from time to time (hereinafter, the "Agreement"), as supplemented by Service Schedule D (Long-Term Interchange Service) dated December 20, 1988, as such may be amended from time to time (hereinafter, the "Service Schedule"), and this Letter of Commitment. TAMPA ELECTRIC and FMPA are also identified hereinafter, individually, as a "Party," and jointly, as the "Parties". This letter will also confirm the commitment of FMPA to purchase, receive, and utilize the Schedule D service.

The specific terms and conditions of this commitment are as follows:

SECTION 1 - Definitions. For the purposes of this Letter of Commitment, the terms identified in the following subsections of this Section 1 shall be defined as set forth in those subsections. Except where the context otherwise requires, definitions and other terms expressed in the singular will include the plural and vice versa.

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SECTION 1.1 - "Contracted Capacity" means the following maximum amounts of capacity to be used as the billing determinant for the Monthly Contracted Reservation Charge described in Section 9. The amount of Contracted Capacity included in the Scheduled Capacity pursuant to the provisions of Section 13 shall be the amount of such capacity delivered to the Point(s) of Delivery:

- (a) thirty-five megawatts (35 MW) beginning on the Effective Date, as defined in Section 5, and continuing through December 15, 1997 ("Sale Period 1");
- (b) sixty megawatts (60 MW) beginning on December 16, 1997 and continuing through December 15, 1998 ("Sale Period 2");
- (c) seventy megawatts (70 MW) beginning on December 16, 1998 and continuing through December 15, 1999 ("Sale Period 3"); and
- (d) eighty megawatts (80 MW) beginning on December 16, 1999 and continuing through March 15, 2001 ("Sale Period 4").

For purposes of this Letter of Commitment, Sale Period 1, Sale Period 2, Sale Period 3 and Sale Period 4 are also identified hereinafter, individually, as a "Sale Period," and collectively, as the "Sale Periods." The above maximum amounts of Contracted Capacity may be modified in accordance with the provisions of Sections 6 and 7.

SECTION 1.2 - "Contracted Energy" means the energy associated with Contracted Capacity.

SECTION 1.3 - "Eastern Prevailing Time" means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Time. For the purposes of abbreviation within this Letter of

Commitment, the terms "Eastern Prevailing Time" and "EPT" shall have the same meaning.

SECTION 1.4 - "Event of Force Majeure" has the meaning attributed to it in Section 16.

SECTION 1.5 - "Federal Power Act" means the Federal Power Act, 16 USC § 791a at seq., as it is now or may be amended in the future, or any successor legislation.

SECTION 1.6 - "FERC" means the Federal Energy Regulatory Commission or any successor federal agency having jurisdiction over TAMPA ELECTRIC's transmission services and this Letter of Commitment.

SECTION 1.7 - "Generating Resources" means TAMPA ELECTRIC's Big Bend Station coal-fired generating unit Nos. 2 and 3, and TAMPA ELECTRIC's Francis J. Gannon coal-fired generating unit Nos. 5 and 6.

SECTION 1.8 - "Operating Representative" has the meaning attributed to it in Section 14.

SECTION 1.9 - "Point(s) of Delivery" means TAMPA ELECTRIC's transmission system interconnection point(s) with Florida Power Corporation ("FPC"), Florida Power & Light Company ("FPL"), the City of Lakeland, and/or the Orlando Utilities Commission (at TAMPA ELECTRIC's Lake Agnes Switching Station only), as requested by FMPA in writing, to which Total Capacity is scheduled pursuant to the provisions of Section 13.

SECTION 1.10 - "Prudent Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability requirements, and safety standards. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to comprise practices, methods or acts acceptable to the industry and/or to regulators of the industry. Prudent Utility Practice includes the practices, methods, criteria, or acts articulated in the operating manuals, guides, guidelines, etc. of the North American Electric Reliability Council ("NERC"), Florida Reliability Coordinating Council ("FRCC") and the Florida Electric Power Coordinating Group, Inc. ("FCG"), and any successor organizations to the NERC, FRCC, or FCG.

SECTION 1.11 - "Supplemental Capacity" means an amount of capacity in addition to the Contracted Capacity: (a) made available at TAMPA ELECTRIC's sole discretion; (b) mutually agreed upon in writing by the Parties; and (c) scheduled to the Point(s) of Delivery pursuant to the provisions of Section 13; or (d) reserved for a specified period of time for possible delivery to the Point(s) of Delivery.

SECTION 1.12 - "Supplemental Energy" means the energy associated with Supplemental Capacity.

SECTION 1.13 - "Total Capacity" means all of the capacity (i.e., Contracted Capacity and Supplemental Capacity, if any) made available by TAMPA ELECTRIC to FMPA under this Letter of Commitment at any given time.

SECTION 1.14 - "Total Energy" means the energy associated with Total Capacity.

SECTION 2 - Character and Availability of Services. TAMPA ELECTRIC shall provide capacity and energy to FMPA from the four (4) generating units that comprise the Generating Resources, in accordance with Prudent Utility Practice and the following provisions of this Section 2.

Contracted Capacity and Contracted Energy shall be served from all or any combination of the four (4) generating units that comprise the Generating Resources as long as sufficient capacity and energy is available from those resources that is not subject to existing prior commitments of Big Bend Station and Francis J. Gannon Station coal-fired resources that include the Generating Resource(s). Exhibit A, attached hereto and incorporated herein by reference, identifies TAMPA ELECTRIC's existing prior commitments of Big Bend Station and Francis J. Gannon Station coal-fired resources.

Supplemental Capacity and Supplemental Energy shall be served from all or any combination of the four (4) generating units that comprise the Generating Resources at TAMPA ELECTRIC's sole discretion.

FMPA's commitment to purchase, receive, and utilize capacity and energy under this Letter of Commitment is contingent upon satisfaction of the following conditions on or before December 16,

1996: (1) FPC must determine that its own transmission facilities have adequate capacity to transmit FMPA's purchase of capacity and energy under the terms and conditions of this Letter of Commitment from the Point(s) of Delivery with FPC to the facilities and/or load centers of FMPA; and/or (2) FPL must approve FMPA's purchase of capacity and energy under the terms of this Letter of Commitment for the purpose of providing transmission service. If the above condition(s) is (are) not satisfied as stated, or if necessary transmission service by FPC and/or FPL is made available in response to FMPA's initial request for service only on conditions that are not acceptable to FMPA, or if FMPA does not make other arrangements for the utilization of capacity and energy supplied hereunder, then this Letter of Commitment shall be deemed null and void. In the event that this Letter of Commitment is thus deemed null and void, FMPA shall have no obligation to make payment to TAMPA ELECTRIC under this Letter of Commitment. FMPA shall promptly notify TAMPA ELECTRIC in writing that FPL and/or FPC transmission service has been obtained for FMPA's purchase of capacity and energy under the terms of this Letter of Commitment, or that such transmission service has not been made available or has been made available only on conditions that are not acceptable to FMPA.

SECTION 3 - TAMPA ELECTRIC Transmission Services and Ancillary Services. TAMPA ELECTRIC shall provide itself transmission services and ancillary services on its system in connection with the sale of Contracted Capacity, Contracted Energy, Supplemental Capacity and Supplemental Energy, as applicable, under this Letter of Commitment pursuant to the rates, terms and conditions of its transmission service tariff on file with the FERC.

TAMPA ELECTRIC shall provide itself firm transmission service and ancillary services in connection with the sale of Contracted Capacity and Contracted Energy under this Letter of Commitment.

The charges for such firm transmission and ancillary services shall be included in the reservation charges stated in Section 9.

Unless FMPA has arranged to pay monthly reservation charges for Supplemental Capacity under the provisions of Section 9(a) or 9(c), at the time that FMPA notifies TAMPA ELECTRIC of the amount of Supplemental Capacity that it wishes to schedule pursuant to the provisions of Section 13, FMPA shall specify to TAMPA ELECTRIC whether it wants TAMPA ELECTRIC to provide itself daily firm, daily non-firm, or hourly non-firm transmission service and ancillary services in conjunction with providing the Supplemental Capacity and associated Supplemental Energy. Subject to the availability of the necessary transmission capacity on its system, TAMPA ELECTRIC shall provide itself the specified transmission service and ancillary services in connection with the sale of such Supplemental Capacity and Supplemental Energy. The charges for such firm or non-firm transmission and ancillary services, as applicable, shall be included in the reservation charges stated in Section 9.

SECTION 4 - Responsibility for Third-Party Transmission Service, Charges and Losses. During the Term of this Letter of Commitment, FMPA shall be solely responsible for obtaining any services for the transmission of Total Capacity and/or Total Energy through the facilities of FPC and/or FPL that are necessary to effect delivery of such capacity and/or energy from the Point(s) of Delivery to the facilities and/or load centers of FMPA. All costs associated with such service(s) shall be borne by FMPA. Nothing in this Letter of Commitment shall be interpreted as a guarantee by TAMPA ELECTRIC that transmission service through FPC and/or FPL will be available to effect delivery of capacity and/or energy beyond the Point(s) of Delivery.

SECTION 5 - Term. Subject to the provisions of Section 2 regarding the availability of transmission service from FPC and/or

FPL upon conditions acceptable to FMPA, the term of this Letter of Commitment shall commence on December 16, 1996, or on such other date as the FERC makes it effective ("Effective Date"), and shall continue through March 15, 2001 ("Term"), unless extended by mutual written agreement of the Parties, or unless terminated through the provisions set forth in Section 8 or Section 20, provided, that the commencement date for TAMPA ELECTRIC's obligation to provide capacity and energy and FMPA's obligation to pay charges under this Letter of Commitment ("Payment Commencement Date") shall be the later of: (a) December 16, 1996; (b) the Effective Date; or (c) one business day after FMPA receives notification from TAMPA ELECTRIC of the date of the FERC order accepting this Letter of Commitment for filing; provided further, that if the Payment Commencement Date is a date other than the first day of a calendar month, then the applicable reservation charges set forth in Section 9 shall be appropriately prorated; and provided further, that if either Party gives written notice to the other Party, no earlier than December 17, 1996 and no later than March 18, 1997, of its intent to nullify this Letter of Commitment in the event a FERC order accepting it for filing is not issued by April 1, 1997, and no such order is issued by that date, then this Letter of Commitment shall be deemed null and void as of April 1, 1997. Nullification of this Letter of Commitment in accordance with this Section 5 shall not give rise to any claim for damages or other relief under any theory of liability whatsoever.

SECTION 6 - Purchase Commitment Increases. Subsequent to the Effective Date of this Letter of Commitment, FMPA may, upon written notice to TAMPA ELECTRIC, request increases in the maximum amount of Contracted Capacity established in Subsection 1.1. Unless otherwise mutually agreed upon, in writing, by the Parties, any such request shall be provided to TAMPA ELECTRIC no less than sixty (60) days prior to the proposed effective date of the increase. Within forty-five (45) days of TAMPA ELECTRIC's receipt of FMPA's

request, TAMPA ELECTRIC shall notify FMPA to what extent, if any, TAMPA ELECTRIC, at its sole discretion, shall provide the requested increase in Contracted Capacity and/or Contracted Energy subject to the provisions of Section 2. Once confirmed in writing by the Parties, any such increase(s) shall be considered part of the maximum amount of Contracted Capacity established in Subsection 1.1.

SECTION 7 - Purchase Commitment Decreases. Subsequent to the Effective Date of this Letter of Commitment and in accordance with this Section 7, FMPA may request, once during Sale Period 1, Sale Period 2, and Sale Period 3, respectively, to decrease the maximum amount of Contracted Capacity, as established in Subsection 1.1 as of the Effective Date of this Letter of Commitment, or as amended pursuant to the provisions of Section 6, for the following Sale Period (i.e., Sale Period 2, Sale Period 3, and Sale Period 4), respectively. The amount of any Sale Period decrease shall be determined as described in this Section 7 and shall not exceed the following amounts of capacity:

- (a) twenty megawatts (20 MW) for Sale Period 2;
- (b) thirty megawatts (30 MW) for Sale Period 3; and
- (c) thirty megawatts (30 MW) for Sale Period 4.

The capacity reduction maximums described in Subsections 7(a), 7(b) and 7(c) may be modified by mutual written agreement of the Parties.

Exhibit B, attached hereto and incorporated herein by reference, contains FMPA's annual summer and winter native load peak demand forecast in effect as of the Effective Date of this Letter of Commitment ("Initial Demand Forecast"). If FMPA desires to reduce a maximum amount of Contracted Capacity as specified in Subsection 1.1, FMPA shall so notify TAMPA ELECTRIC in writing, on or before May 31 of the year of commencement of the Sale Period in

which a proposed reduction in the amount of Contracted Capacity is to be made effective, and shall provide with such notification FMPA's updated spring native load demand forecast ("Updated Spring Demand Forecast") applicable to the Sale Period in which the proposed reduction is to be made effective. In its notice to TAMPA ELECTRIC, FMPA shall demonstrate that, when compared to the higher of the summer peak demand or the winter peak demand shown in the Initial Demand Forecast, the higher of such peak demands shown in the Updated Spring Demand Forecast constitutes a reduction in FMPA's demand, in MW ("Demand Reduction"), for the Sale Period in which the proposed reduction in the amount of Contracted Capacity is to be made effective. TAMPA ELECTRIC shall agree to a proposed reduction in the amount of Contracted Capacity if such reduction is less than or equal to both: (1) the amount of the Demand Reduction; **and** (2) the applicable capacity reduction maximum described in Subsections 7(a), 7(b) or 7(c), respectively. Within fifteen (15) days of TAMPA ELECTRIC's receipt of FMPA's request to reduce the amount of Contracted Capacity, TAMPA ELECTRIC shall notify FMPA whether or not its request satisfies the conditions described in items 1 and 2 of this paragraph and, if so, that the amount of Contracted Capacity previously established in Subsection 1.1 for the respective Sale Period shall be considered to have been reduced by the amount of the proposed capacity reduction. Such reduced amount of Contracted Capacity shall be considered the maximum amount of Contracted Capacity for that Sale Period under Subsection 1.1.

SECTION 8 - Energy Charge. The following charges, which have been adjusted for losses through TAMPA ELECTRIC's system, shall apply to each megawatt-hour ("MWh") of Total Energy delivered to the Point(s) of Delivery:

- \$15.30 per MWh for Sale Period 1;
- \$15.63 per MWh for Sale Period 2;

\$16.06 per MWh for Sale Period 3; and
\$19.55 per MWh for Sale Period 4 ("Energy Charge").

Prior to August 1, 1998, upon written request by FMPA, TAMPA ELECTRIC may agree to a revised Energy Charge applicable to Sale Period 4 of: (a) \$17.00/MWh ("Target Energy Charge"); or (b) a negotiated amount that is greater than \$17.00/MWh but less than \$19.55 ("Alternate Energy Charge"), subject to such revised charge being accepted for filing and made effective by the FERC in accordance with the provisions of Section 22. If, in response to FMPA's request: (1) TAMPA ELECTRIC does not agree to provide the Target Energy Charge; or (2) the Parties do not mutually agree upon an Alternate Energy Charge; or (3) a mutually agreed upon Alternate Energy Charge, or the Target Energy Charge, is not accepted for filing and made effective by the FERC in accordance with the provisions of Section 22, FMPA shall have the right to terminate this Letter of Commitment on December 15, 1999, by providing written notice to TAMPA ELECTRIC no later than December 15, 1998.

SECTION 9 - Reservation Charges. A reservation charge of \$5.61 per kilowatt per month shall apply to the maximum amount of Contracted Capacity for such calendar month expressed in kilowatts ("kW") ("Monthly Contracted Reservation Charge").

The reservation charges for Supplemental Capacity are described in Subsections 9(a), 9(b), 9(c), 9(d), and 9(e) below.

- (a) For monthly purchases of Supplemental Capacity in conjunction with monthly firm transmission service and ancillary services provided by TAMPA ELECTRIC, a negotiable monthly reservation charge less than or equal to \$5.61 per kilowatt per month but greater than or equal to \$1.37 per kilowatt per month, shall be applied to the amount of Supplemental Capacity, in kW, reserved for such calendar month pursuant to the provisions of Subsection 1.11.

- (b) For daily purchases of Supplemental Capacity in conjunction with daily firm transmission service and ancillary services provided by TAMPA ELECTRIC, a negotiable daily reservation charge less than or equal to \$186.33 per megawatt per day, but greater than or equal to \$45.00 per megawatt per day, shall be applied to the amount of Supplemental Capacity, in MW, reserved for such calendar day pursuant to the provisions of Section 13.
- (c) For monthly purchases of Supplemental Capacity in conjunction with monthly non-firm transmission service and ancillary services provided by TAMPA ELECTRIC, a negotiable monthly reservation charge less than or equal to \$5.40 per kilowatt per month but greater than or equal to \$1.16 per kilowatt per month, shall be applied to the amount of Supplemental Capacity, in kW, reserved for such calendar month pursuant to the provisions of Subsection 1.11.
- (d) For daily purchases of Supplemental Capacity in conjunction with daily non-firm transmission service and ancillary services provided by TAMPA ELECTRIC, a negotiable daily reservation charge less than or equal to \$179.33 per megawatt per day, but greater than or equal to \$38.00 per megawatt per day, shall be applied to the amount of Supplemental Capacity, in MW, reserved for such calendar day pursuant to the provisions of Section 13.
- (e) For hourly purchases of Supplemental Capacity (i.e., Supplemental Capacity scheduled for less than one (1) calendar day) in conjunction with hourly non-firm transmission service and ancillary services provided by TAMPA ELECTRIC, a negotiable hourly reservation charge less than or equal to \$7.393 per megawatt per hour but greater than or equal to \$1.585 per megawatt per hour ("Hourly Reservation Charge"),

shall be applied to the amount of Supplemental Capacity, in MW, scheduled for each clock hour pursuant to the provisions of Section 13. The Hourly Reservation Charge may vary for each clock hour that Supplemental Capacity is scheduled.

SECTION 10 - Prepayment of Monthly Contracted Reservation

Charge. At any time during the Term, FMPA may prepay TAMPA ELECTRIC the Monthly Contracted Reservation Charge, or any portion thereof, described in Section 9, applicable to the calendar months remaining in the Term and to the Contracted Capacity amounts for such remaining calendar months, as established in Subsection 1.1 as of the Effective Date of this Letter of Commitment. Such prepayment shall be calculated as the present value of such monthly payments discounted at the average of the one (1) month commercial paper rate published in the Federal Reserve Statistical Release (G.13), "Selected Interest Rates," during the calendar month immediately preceding the calendar month in which the prepayment is made ("Discount Rate").

For any additional amount(s) of Contracted Capacity mutually agreed upon by the Parties pursuant to the provisions of Section 6, FMPA may prepay TAMPA ELECTRIC the Monthly Contracted Reservation Charge, or any portion thereof, described in Section 9, applicable to the calendar months remaining in the Term and to the additional Contracted Capacity amounts for such remaining calendar months. Such additional prepayment shall be calculated as the present value of such monthly payments discounted at the Discount Rate.

In the event that a decrease in the amount of Contracted Capacity, as established in Subsection 1.1 as of the Effective Date of this Letter of Commitment or as amended pursuant to the provisions of Section 6, is mutually agreed upon by the Parties pursuant to the provisions of Section 7, TAMPA ELECTRIC shall

refund any prepayments, including interest, associated with the amount by which the Contracted Capacity is reduced. The refund amount shall include interest accruing from the date of the original prepayment up to, but not including, the date of refund, calculated at the same Discount Rate that was used in the original prepayment calculation.

SECTION 11 - Schedule Reduction Charges. The following charges shall apply to decreases in the Scheduled Capacity as described in Section 13 ("Hourly Schedule Reduction Charges"):

- \$1.39 per MWh for Sale Period 1;
- \$1.42 per MWh for Sale Period 2;
- \$1.46 per MWh for Sale Period 3; and
- \$1.78 per MWh for Sale Period 4.

SECTION 12 - Payment. Each month, FMPA shall pay TAMPA ELECTRIC for Contracted Capacity, Contracted Energy, Supplemental Capacity, and Supplemental Energy, as applicable, the sum of:

- (a) the Energy Charge, if any, as described in Section 8; plus
- (b) the applicable Reservation Charges, as described in Section 9, less any prepayments made pursuant to Section 10; plus
- (c) the Hourly Schedule Reduction Charges, if any, as described in Section 11.

SECTION 13 - Scheduling of Total Capacity and Total Energy. Beginning with one day prior to the Payment Commencement Date and each day thereafter during the Term and any extension(s) thereof, FMPA's Operating Representative shall notify TAMPA ELECTRIC's Operating Representative, by no later than 10:00 A.M. EPT, of: (a) the amounts of Total Capacity (i.e., Contracted Capacity and Supplemental Capacity), if any, that FMPA requests to schedule to the Point(s) of Delivery during each clock hour of the following

day; and (b) where applicable the nature of the transmission service and ancillary services that FMPA requests TAMPA ELECTRIC to provide itself in conjunction with providing Supplemental Capacity in accordance with Section 3. FMPA may schedule zero MW (0 MW) of Contracted Capacity for any calendar day, or portion of such day during the Term and any extension(s) thereof. When, and if, FMPA schedules Contracted Capacity in excess of zero MW (0 MW), FMPA shall schedule, in varying amounts, if desired, up to the maximum amount of Contracted Capacity for a minimum of sixteen (16) consecutive clock hours in any day, unless mutually agreed to otherwise in writing.

In accordance with the provisions of Section 2, TAMPA ELECTRIC's Operating Representative shall, by 11:00 A.M. EPT of the same day, confirm: (a) the requested amounts of Contracted Capacity; and (b) the availability of requested amounts of Supplemental Capacity, or portions thereof, if any, (including related transmission and ancillary services as specified by FMPA in accordance with Section 3) for those clock hours during which FMPA requested Supplemental Capacity.

By 12:00 Noon EPT of the same day, FMPA shall either: (a) commit to purchase the amounts of Contracted Capacity and Supplemental Capacity, if any, previously requested, if available, by taking no further action; or (b) revise the requested amounts of Contracted Capacity and Supplemental Capacity, if any, that it commits to purchase, consistent with the availability thereof. The committed amounts of Contracted Capacity and Supplemental Capacity, if any, as determined above shall be referred to as the "Scheduled Capacity".

FMPA may decrease the Contracted Capacity and/or Supplemental Capacity components of Scheduled Capacity: (1) at least one (1)

hour before the hour that any such change is to take place; or (2) at TAMPA ELECTRIC's sole discretion, up to twenty (20) minutes before the hour that any such change is to take place. The Hourly Schedule Reduction Charges described in Section 11 shall apply to the decreases in the Contracted Capacity and/or Supplemental Capacity components of Scheduled Capacity.

FMPA may increase the Contracted Capacity component of Scheduled Capacity at least one (1) hour before the hour that any such change is to take place, unless mutually agreed to otherwise by the Operating Representatives of the Parties. The amount of Contracted Capacity that has been scheduled may be increased up to the applicable maximum amount of Contracted Capacity defined in Subsection 1.1, provided that such additional capacity is available as determined by TAMPA ELECTRIC. FMPA may increase the Supplemental Capacity component of Scheduled Capacity at least one (1) hour before the hour that any such change is to take place provided that non-firm transmission service and ancillary services are available to effect delivery of such additional capacity to the Point(s) of Delivery. The amount of Supplemental Capacity that has been scheduled may be increased by purchasing additional Supplemental Capacity.

Unless mutually agreed otherwise by the Operating Representatives of each Party, changes in the Scheduled Capacity shall begin and end on the hour. Each Party shall make reasonable efforts to minimize departures from the Scheduled Capacity and shall immediately notify the other Party of any necessary change to the Scheduled Capacity.

SECTION 14 - Operating Representatives. The Operating Representatives shall be authorized to enter into all types of Total Capacity and/or Total Energy transactions contemplated in this Letter of Commitment on behalf of their respective Parties and

to coordinate the day-to-day operation of their respective facilities, in order to carry out the terms of this Letter of Commitment. As soon as practicable after scheduled maintenance plan(s) for the Generating Resources are modified, Tampa Electric's Operating Representative shall communicate such change in plan(s) to FMPA's Operating Representative. The Operating Representatives of the Parties shall attempt to minimize the impact of such change in maintenance plans to FMPA. The Operating Representatives shall be authorized to confirm/document, schedule/reschedule, curtail, and/or interrupt Total Capacity and/or Total Energy transactions on behalf of their respective Parties under this Letter of Commitment. The designated Operating Representatives for TAMPA ELECTRIC and FMPA are as set out below:

TAMPA ELECTRIC

For Contract Administration:

Title: Director, Bulk Power and Market Development
Address: Tampa Electric Company
P.O. Box 111
Tampa, FL 33601-0111
Telephone: (813) 228-4841
Facsimile: (813) 228-1640

For Scheduling Commitments:

Title: Manager, Bulk Power Operations; or Wholesale Power Marketer; or Engineer, Bulk Power Operations
Address: Tampa Electric Company
P.O. Box 111
Tampa, FL 33601-0111
Telephone: (813) 225-5178
Facsimile: (813) 225-5127

FMPA

For Contract Administration:

Title: General Manager
Address: Florida Municipal Power Agency
7201 Lake Ellenor Drive
Orlando, Florida 32809-5769
Telephone: (407) 859-7310
Facsimile: (407) 856-6553

For Scheduling Commitments:

Title: Florida Municipal Power Pool
Generation/Interchange Coordinator
Address: c/o System Operations and Planning
Orlando Utilities Commission
P.O. Box 3192
Orlando, FL 32802
Telephone: (407) 384-4125
Facsimile: (407) 384-4089

Each party shall notify the other in writing of any change in the information provided above.

SECTION 15 - Limitation of Liability. In any action arising out of or related to the performance or non-performance of this Letter of Commitment, whether sounding in breach of contract, warranty, tort, strict liability, or otherwise, neither Party shall be liable to the other for any consequential, indirect, punitive, exemplary or other special damages. The Parties hereto agree to use reasonable commercial efforts to mitigate any direct damages.

SECTION 16 - Force Majeure. In case either Party hereto should be delayed in or prevented from performing or carrying out any of the agreements, covenants, and obligations (other than the obligation to pay money) made by and imposed upon said Party by this Letter of Commitment by reason of any cause, whether or not foreseeable, beyond such Party's reasonable control, including, without limitation, any strike, stoppage in labor, failure of contractors or suppliers of materials to perform, riot, fire, flood, ice, uncommonly severe weather conditions for the affected geographical area, invasion, civil war, commotion, insurrection, military or usurped governmental power, order of any court granted in any bona fide adverse legal proceedings or action, order of any civil or military authority either de facto or de jure, explosion, act of God or the public enemies, failure or malfunction of system facilities, or unscheduled outage of generating units (collectively, "Event of Force Majeure"); then and in such case or

cases, each Party shall be excused from performance under this Letter of Commitment and shall not be liable to the other Party for or on account of any loss, damage, injury, or expense (including consequential damages and cost of replacement power) resulting from or arising out of such delay or prevention; provided, however, that the Party suffering such delay or prevention shall notify the other Party hereunder of the Event of Force Majeure and shall use due and practicable diligence consistent with Prudent Utility Practice to prevent, avoid, mitigate, and remove the cause or causes thereof; and provided, further, that neither Party hereto shall be required by the foregoing provisions to settle a strike except when, according to its own best judgment, such a settlement seems advisable. The effect of force majeure upon TAMPA ELECTRIC's ability to provide itself transmission services and ancillary services in connection with the sale of power under this Letter of Commitment shall be governed by the provisions of its transmission service tariff on file with the FERC.

SECTION 17 - Counterparts. This Letter of Commitment may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 18 - No Dedication of the System. Any undertaking by TAMPA ELECTRIC to FMPA under any provisions of this Letter of Commitment shall not be construed to constitute the dedication of TAMPA ELECTRIC's system, or any portion thereof, to the public or to FMPA. TAMPA ELECTRIC's provision of capacity and/or energy under this Letter of Commitment does not constitute a sale, lease, rental, transfer, or conveyance of an ownership interest in or to any facilities of any kind. All obligations of the Parties shall cease upon termination of this Letter of Commitment except as necessary to complete billing and payment for sales of capacity and

energy under this Letter of Commitment or as otherwise expressly provided herein.

SECTION 19 - Binding Effect. All provisions contained in this Letter of Commitment shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of the Parties to the same extent as if each such successor and permitted assign were named as a Party hereto.

SECTION 20 - Provisions Governing Acceptance of Letter of Commitment. TAMPA ELECTRIC and FMPA recognize that this Letter of Commitment is required to be filed with the FERC pursuant to applicable provisions of the Federal Power Act and regulations promulgated thereunder as such are amended from time to time. In the event this Letter of Commitment is changed or modified by the FERC, either party, if adversely affected in its sole judgment, shall have the right to negotiate with the other Party for the necessary relief to alleviate said adverse effect(s) caused by the change(s) or modification(s) so imposed. If either TAMPA ELECTRIC or FMPA is unable to obtain what it considers to be the necessary relief, after a reasonable period of negotiations, then either Party shall have the right to terminate this Letter of Commitment by providing written notice to the other Party. Termination in accordance with this Section 20 shall not give rise to any claim for damages or other relief under any theory of liability whatsoever, nor shall termination eliminate or modify the obligation to pay for any services rendered prior to such termination.

SECTION 21 - Amendments and Rate Changes. Nothing in this Letter of Commitment shall be construed as affecting in any way the right of TAMPA ELECTRIC to unilaterally make application to the FERC for a change in any rates, terms, or conditions under this Letter of Commitment pursuant to Section 205 of the Federal Power Act and the FERC's Rules and Regulations promulgated under the

Federal Power Act; provided, however, that, no such filing (unless agreed to by FMPA in writing) shall be made: (a) to become effective prior to March 15, 2001; and (b) without providing at least sixty (60) days prior written notice of such filing and a statement of such proposed change to FMPA. Any such change shall become effective if and when permitted under Section 205 of the Federal Power Act or other applicable statute. Nothing in this Letter of Commitment shall be construed as affecting in any way the right of FMPA to make application under Section 206 of the Federal Power Act or to oppose or protest any filing made by TAMPA ELECTRIC under Section 205 of the Federal Power Act; provided, however, that FMPA shall neither make nor support an application under Section 206 that would cause the rates, terms, or conditions under this Letter of Commitment to be changed with an effective date prior to March 15, 2001.

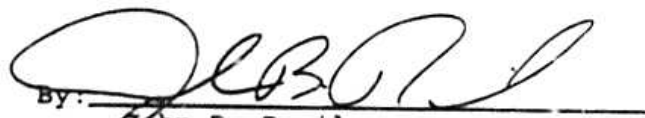
SECTION 22 - Amendment. Except as provided in Section 21 herein, this Letter of Commitment may be modified or amended only by written agreement executed by both Parties with the same formalities and in the same manner as this Letter of Commitment and accepted for filing and made effective by the FERC.

SECTION 23 - Entire Agreement. TAMPA ELECTRIC and FMPA agree that this Letter of Commitment sets forth and reflects specific business considerations mutually agreed upon by the Parties and shall not establish any precedent for any other service not referred to herein. This Letter of Commitment, together with the Agreement, as supplemented by the Service Schedule, reflects the entire understanding of TAMPA ELECTRIC and FMPA with respect to this commitment. In the event of any inconsistency or conflict between the terms and conditions of this Letter of Commitment and the terms and conditions of the Service Schedule or the Agreement, the terms and conditions of this Letter of Commitment shall control. No modification or amendment to the Agreement or Service Schedule shall apply to this Letter of Commitment without mutual written agreement of the Parties.


ATTEST:

By: 
Roger H. Kessel
Secretary

TAMPA ELECTRIC COMPANY

By: 
John B. Ramil
Vice President
Energy Services and Planning

ATTEST:

By: 
Robert C. Williams
Director of Engineering

FLORIDA MUNICIPAL POWER AGENCY

By: 
John C. L'Engle
General Manager

EXHIBIT A

TAMPA ELECTRIC's existing prior commitments involving Big Bend Station coal-fired generating unit Nos. 2 and 3, and Francis J. Gannon Station coal-fired generating unit Nos. 5 and 6 are listed in the following table.

WHOLESALE POWER CUSTOMER	1997 COMMITMENT (MW)	1998 COMMITMENT (MW)	1999 COMMITMENT (MW)	2000 COMMITMENT (MW)	2001 COMMITMENT (MW)
NSB	11	12	13	14 ¹	0
NSB ²	5	5	5	0	0
FTM	5	5	0	0	0
WAU	5	5	0	0	0
RCID	30	20	15	0	0
TOTAL	56	47	33	14¹	0

Notes: NSB means the Utilities Commission, City of New Smyrna Beach, Florida; FTM means the City of Fort Meade, Florida; WAU means the City of Wauchula, Florida; and RCID means the Reedy Creek Improvement District, a political subdivision of the State of Florida.

Notes: Francis J. Gannon Station Unit Nos. 5 and 6 are not currently committed to any wholesale unit and/or station power sales within the Term (i.e., the Sale Periods). Of the wholesale power commitments listed in the table, only the NSB sales are unit power sales served from Big Bend Station Unit Nos. 2 and 3. The remaining wholesale power sales are Big Bend Station power sales (i.e., service is provided to those sales from all or any combination of the four (4) coal-fired generating units at Big Bend Station). At any time during the Term, however, the service for the station power sales may be supplied from Big Bend Station Unit Nos. 2 and/or 3.

This commitment continues through February 29, 2000 ("Base Service"). The Base Service is provided in conjunction with the Summer Service described below and constitutes a single power sale.

5 MW to NSB are committed only during the months of June through September ("Summer Service").

EXHIBIT B

FLORIDA MUNICIPAL POWER AGENCY

1996 Demand Forecast

Year	Winter Peak Demand (MW)	Summer Peak Demand (MW)
1996	530	532
1997	544	964
1998	975	985
1999	998	1,007
2000	1,020	1,029



December 16, 1996

Mr. Richard L. Casey
System Planning Manager
Florida Municipal Power Agency
7201 Lake Ellenor Drive
Orlando, Florida 32809-5769

Dear Mr. Casey:

Thank you for your letter dated December 10, 1996. Florida Municipal Power Agency's ("FMPA's") request for additional capacity and energy is appreciated and is consistent with Tampa Electric Company's ("Tampa Electric's") desire to increase the amount of interchange service conducted with FMPA. We value our business relationship with FMPA and would like to explore and implement new commitments that will be of mutual benefit. The ability to respond to FMPA's request for supplemental service is a contractual flexibility that we believe is necessary to address the evolving requirements of our utilities and optimize benefits.

As per your request, Tampa Electric is pleased to confirm its commitment to supply supplemental capacity and energy in the following quantities and during the following purchase periods:

<u>Purchase Period</u>	<u>Purchase Quantities</u>
01/01/97 - 02/28/97	20 MW
06/01/97 - 09/30/97	35 MW

to the FMPA, in accordance with Sections 1.11, 1.12 and 13 of our letter of commitment dated October 2, 1996. The charges for supplemental capacity and energy shall be included in Tampa Electric's monthly invoices to FMPA. As agreed upon, the charge rate for monthly purchases of supplemental capacity plus monthly firm transmission service and ancillary services shall equal the maximum charge rate of \$5.61 per kilowatt per month (as described in Subsection 9.0(a) of the letter of commitment). Such rate will not be negotiable and will be applied to the amount of supplemental capacity, in kW, reserved for each calendar month during the purchase periods. The charge rate for supplemental energy, adjusted for losses through Tampa Electric's system, shall be \$15.30 per megawatt-hour ("MWh") (as described in Section 8 of the letter of commitment for sale period 1), applied to each MWh of supplemental energy delivered to the point(s) of delivery. The

Mr. Richard L. Casey
Florida Municipal Power Agency
December 16, 1996
Page 2

hourly schedule reduction charge rate of \$1.39 per MWh (as described in Section 11 of the letter of commitment for sale period 1) shall apply to decreases in the scheduled capacity (associated with supplemental capacity) as described in section 13 of the letter of commitment.

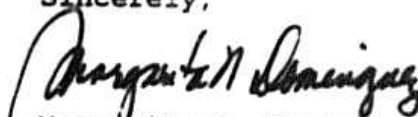
On December 10, 1996, as per your request, the Bulk Power and Market Development Department (Tampa Electric's merchant function) requested monthly firm transmission service and ancillary services through its system (from Tampa Electric's transmission service function) to effect delivery of the aforementioned purchase quantities of supplemental capacity and energy. The transmission service agreements for transmission service and ancillary services through Tampa Electric's system to effect delivery of supplemental service will be filed by Tampa Electric with the Federal Energy Regulatory Commission ("FERC"). Transmission service and ancillary services will be available for supplemental service during the aforementioned purchase periods.

As per your request, Tampa Electric will deliver the supplemental capacity and energy, for FMPA's account, to Florida Power Corporation ("FPC") at Tampa Electric's transmission system interconnections with FPC. In an earlier transmittal, you confirmed that the contracted capacity and energy should also be delivered, for FMPA's account, to FPC at Tampa Electric's transmission system interconnections with FPC. The transmission service agreements for transmission service and ancillary services through Tampa Electric's system to effect delivery of contracted capacity and energy will be filed by Tampa Electric with the FERC. Transmission service and ancillary services will be available for contracted capacity and energy.

If during the term of our letter of commitment, FMPA desires that some or all of the capacity and energy provided by Tampa Electric be delivered to Tampa Electric's transmission system interconnections with Florida Power & Light Company, please advise me or Jose Quintas as soon as possible. Bulk Power and Market Development will request modifications to the transmission service agreements to accommodate the changes requested by FMPA in accordance with the provisions of Tampa Electric's transmission service tariff on file with the FERC.

If you have any questions, please call me or Jose Quintas. Best wishes for the holidays and the new year!

Sincerely,



Margarita N. Dominguez
Director
Bulk Power and Market Development



February 13, 1997

Via Facsimile @ (407) 856 - 6563
and U.S. Mail

Mr. Richard L. Casey
System Planning Manager
Florida Municipal Power Agency
7201 Lake Ellenor Drive
Orlando, Florida 32809-5769

Dear Mr. Casey:

Thank you for your letters dated February 3 and 12, 1997. Florida Municipal Power Agency's ("FMPA's") requests for additional capacity and energy are appreciated. As you know, Tampa Electric Company ("Tampa Electric") has worked for many years to increase the amount of interchange service conducted with FMPA. As I stated in my December 16, 1996 letter, we value our business relationship with FMPA. We look forward to exploring opportunities and establishing mutually beneficial ventures.

January Request for Additional Contracted Capacity:

Tampa Electric is pleased to confirm your January request for additional contracted capacity and energy (documented via your February 3, 1997 letter) and with this letter confirms its commitment to supply additional contracted capacity and energy to FMPA in the following quantities and during the following sale periods:

<u>Purchase Periods</u>	<u>Sale Periods</u>	<u>Purchase Quantities</u>
12/16/97 - 12/15/98	2	25 MW
12/16/98 - 12/15/99	3	25 MW
12/16/99 - 03/15/01	4	50 MW

("January-requested contracted capacity") in accordance with sections 1.1 and 6 of our letter of commitment dated October 2, 1996 ("Letter of Commitment"). The charges for the January-requested contracted capacity and associated contracted energy shall be included in Tampa Electric's monthly invoices to FMPA during sale periods 2, 3, and 4, as applicable. The charge rate for the January-requested contracted capacity plus the firm transmission service shall equal the charge rate of \$5.61 per kilowatt per month (described in the first paragraph of section 9 of the Letter of Commitment). That rate will be applied to the amount of January-requested contracted capacity, in kW, reserved

Mr. Richard L. Casey
Florida Municipal Power Agency
February 13, 1997
Page 2

for each calendar month during the respective sale periods. The charge rates for the contracted energy associated with the January-requested contracted capacity, adjusted for losses through Tampa Electric's system, shall be the dollar per megawatt-hour ("\$/MWh") rates described in section 8 of the Letter of Commitment for sale periods 2, 3, and 4, as applicable. Such charge rates shall apply to each megawatt-hour of such contracted energy delivered to the point(s) of delivery. The hourly schedule reduction charge rates described in Section 11 of the Letter of Commitment for sale periods 2, 3, and 4 shall apply to decreases in the scheduled capacity associated with January-requested contracted capacity.

February Request for Additional Contracted Capacity:

Tampa Electric is also pleased to confirm your February request for additional contracted capacity and energy (documented via your February 12, 1997 letter) and with this letter confirms its commitment to supply additional contracted capacity and energy to FMPA in the following quantities and during the following sale periods:

<u>Purchase Periods</u>	<u>Sale Periods</u>	<u>Purchase Quantities</u>
12/16/98 - 12/15/99	3	10 MW
12/16/99 - 03/15/01	4	20 MW

("February-requested contracted capacity") in accordance with sections 1.1 and 6 of the Letter of Commitment. The charges for the February-requested contracted capacity and energy shall be included in Tampa Electric's monthly invoices to FMPA during sale periods 3 and 4, as applicable. The charge rate for the February-requested contracted capacity plus the firm transmission service shall equal the charge rate of \$5.61 per kilowatt per month (described in the first paragraph of section 9 of the Letter of Commitment). Such rate will be applied to the amount of February-requested, contracted capacity, in kW, reserved for each calendar month during the respective sale periods.

The charge rates for the contracted energy associated with the February-requested contracted capacity, delivered to the point(s) of delivery ("February-requested contracted energy"), shall be calculated using the rates described in section 8 of the Letter of Commitment as follows. The charge rate to be applied to each megawatt-hour of February-requested contracted energy, adjusted for losses through Tampa Electric's system, shall be the dollar per megawatt-hour ("\$/MWh") rates described in section 8 of the Letter

Mr. Richard L. Casey
Florida Municipal Power Agency
February 13, 1997
Page 3

of Commitment, for sale periods 3 and 4, respectively plus fifty cents per megawatt-hour (\$0.50/MWh). Therefore, the charges rates shall be \$16.56/MWh and \$20.05/MWh, for sale periods 3 and 4, respectively.

The first sentence of the last paragraph of section 8 of the Letter of Commitment describes the "Alternate Energy Charge" that may be utilized as a cap for the energy charge rate applicable to sale period 4. Solely with respect to the February-requested contracted energy, the aforementioned sentence shall be modified to read as follows:

Prior to August 1, 1998, upon written request by FMPA, TAMPA ELECTRIC may agree to a revised Energy Charge applicable to Sale Period 4 of: (a) \$17.00/MWh ("Target Energy Charge"); or (b) a negotiated amount that is greater than \$17.00/MWh but less than \$20.05 ("Alternate Additional Energy Charge"), subject to such revised charge being accepted for filing and made effective by the FERC in accordance with the provisions of Section 22.

The hourly schedule reduction charge rates described in section 11 of the Letter of Commitment for sale periods 3 and 4 shall apply to decreases in the scheduled capacity associated with February-requested contracted capacity.

All Contracted Capacity:

In response to FMPA's January and February requests for additional contracted capacity, Tampa Electric shall modify the amounts of capacity in subsections 1.1(b), 1.1(c) and 1.1(d) of subsection 1.1 of the Letter of Commitment to read as follows:

- (b) eighty five megawatts (85 MW) beginning on December 16, 1997 and continuing through December 15, 1998 ("Sale Period 2");
- (c) one hundred and five megawatts (105 MW) beginning on December 16, 1998 and continuing through December 15, 1999 ("Sale Period 3"); and
- (d) one hundred and fifty megawatts (150 MW) beginning on December 16, 1999 and continuing through March 15, 2001 ("Sale Period 4").

Mr. Richard L. Casey
Florida Municipal Power Agency
February 13, 1997
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The amount of any sale period decrease shall continue to be determined as described in section 7; however, as a result of the January and February requests for additional contracted capacity, Tampa Electric shall modify the amounts of capacity in subsections 7(a), 7(b) and 7(c) to read as follows:

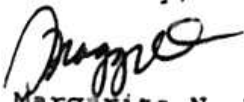
- (a) thirty megawatts (30 MW) for Sale Period 2;
- (b) forty megawatts (40 MW) for Sale Period 3; and
- (c) fifty megawatts (50 MW) for Sale Period 4.

The other provisions of section 7 will remain unchanged.

As per your request, Tampa Electric will deliver all of the contracted capacity and contracted energy (including the January and February-requested contracted capacity and contracted energy), for FMPA's account, to Florida Power Corporation ("FPC") at Tampa Electric's transmission system interconnections with FPC. If during the term of our Letter of Commitment, FMPA desires that some or all of the contracted capacity and contracted energy provided by Tampa Electric be delivered to Tampa Electric's transmission system interconnections with Florida Power & Light Company, the City of Lakeland, and/or the Orlando Utilities Commission (at TAMPA ELECTRIC's Lake Agnes Switching Station only) on a monthly firm basis, please advise me or Jose Quintas as soon as possible. At the appropriate time, Bulk Power and Market Development will request modifications to the transmission service agreements to provide transmission service and ancillary services for the additional contracted capacity and contracted energy requested by FMPA in accordance with the provisions of Tampa Electric's transmission service tariff on file with the Federal Energy Regulatory Commission ("FERC").

Within the following two weeks, Jose Quintas will prepare the required amendment(s) to the Letter of Commitment. A copy will be forwarded to you for review. As Jose Quintas has discussed with you, additional modifications to the Letter of Commitment may be required to comply with the latest directions from the FERC and other issues. If you have any questions, please call me or Jose Quintas.

Sincerely,



Margarita N. Dominguez
Director
Bulk Power and Market Development



April 23, 1997

Via Federal Express

Mr. Richard D. Snyder
Contracts Administrator
City of Lakeland
Department of Electric
& Water Utilities
501 E. Lemon Street
Lakeland, Florida 33801

Dear Mr. Snyder:

Enclosed are four (4) originals of the Letter of Commitment between Tampa Electric Company ("Tampa Electric") and the City of Lakeland, Florida ("Lakeland") that we discussed this morning. The Letter of Commitment reflects the modifications that we agreed upon. The originals have been executed by Tampa Electric.

Upon approval of the Letter of Commitment at your next council meeting on May 5, 1997 and after the originals are executed by Lakeland, please return one (1) fully executed original to me via U.S. mail or overnight courier service at the following address:

José B. Quintas
Bulk Power and Market Development Department
Tampa Electric Company
702 N. Franklin Street
Tampa, Florida 33602

Telephone Number: (813) 228 - 4132

and one (1) fully executed original to Peter C. Lesch using the Federal Express letter envelope enclosed with this letter. As you can see, the Federal Express air bill has been completed by Tampa Electric (including a Tampa Electric billing charge number) with the following address:

Peter C. Lesch
Gallagher, Boland and Meiburger
1000 Vermont Avenue, NW
Suite 1100
Washington, D.C. 20005

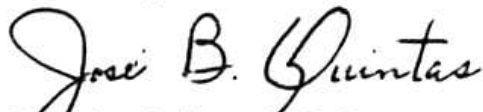
Telephone Number: (202) 289 - 7200

Mr. Richard D. Snyder
City of Lakeland
Department of Electric
& Water Utilities
April 23, 1997
Page 2

Mr. Lesch is prepared to file the Letter of Commitment with the Federal Energy Regulatory Commission ("FERC") upon receipt of one original from you. As we discussed earlier this week, the enclosed version of the Letter of Commitment completely replaces the version dated August 19, 1996 which is currently on file with the FERC and is recognized by the FERC staff as having a November 4, 1996 effective date. The filing will document and make clear to the FERC that the enclosed version of the Letter of Commitment will completely replace the August 19, 1996 version as of November 4, 1996. Please advise Lakeland's system operations and dispatch personnel, as well as those of the Florida Municipal Power Pool, that the August 19, 1996 version of the Letter of Commitment will be supplanted by the enclosed version.

Thank you for agreeing to forward one original to Mr. Lesch. It will help expedite Tampa Electric's filing with the FERC. I greatly appreciate your efforts in this regard.

Sincerely,



Jose B. Quintas, P.E.
Senior Consulting Engineer
Bulk Power and Market Development

Enclosures

c: M. N. Dominguez
Lakeland File



April 23, 1997

Mr. Robert G. Siegel
Managing Director
City of Lakeland, Florida
Department of Electric
and Water Utilities
501 East Lemon Street
Lakeland, Florida 33801-5050

Dear Mr. Siegel:

This letter will confirm the commitment of TAMPA ELECTRIC COMPANY ("TAMPA ELECTRIC") to provide long-term interchange service to the CITY OF LAKELAND, FLORIDA, a Florida municipal corporation ("LAKELAND"), in accordance with the terms of the Agreement for Interchange Service between LAKELAND and TAMPA ELECTRIC dated December 6, 1982, as such may be amended from time to time (hereinafter, the "Agreement"), as supplemented by Service Schedule D (Long-Term Interchange Service) dated August 19, 1996, as such may be amended from time to time (hereinafter, the "Service Schedule"), and this Letter of Commitment. TAMPA ELECTRIC and LAKELAND are also identified hereinafter individually, as a "Party" and collectively, as the "Parties".

The specific terms and conditions of this commitment are as follows:

SECTION 1 - Definitions. For the purposes of this Letter of Commitment, the terms identified in the following subsections of this Section 1 shall be defined as set forth in those subsections. Except where the context otherwise requires, definitions and other

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terms expressed in the singular will include the plural and vice versa.

SECTION 1.1 - "Base Contracted Capacity" means ten megawatts (10 MW) or other amount of capacity as mutually agreed upon by the Parties in writing.

SECTION 1.2 - "Base Contracted Energy" means the energy associated with Base Contracted Capacity. "Annual Minimum Energy" means the minimum amount of Base Contracted Energy that LAKELAND hereby agrees to purchase in a specified calendar year or part thereof during the Term, as defined in Section 4. Subject to increases in the amount of Base Contracted Capacity pursuant to Section 6 and/or early termination of this Letter of Commitment, as described in Section 4, the Annual Minimum Energy shall be as follows:

- (a) 0 MWh for calendar year 1996;
- (b) 5,520 MWh for calendar year 1997;
- (c) 8,760 MWh for calendar year 1998 through 2005; and
- (d) 6,552 MWh for the period January through September, 2006.

In the event that the amount of Base Contracted Capacity is increased pursuant to Section 6, the Annual Minimum Energy levels for the remainder of the Term shall be increased by an amount equal to ten percent (10%) of the Base Contracted Energy associated with the additional increment of Base Contracted Capacity, at a one hundred percent (100%) load factor. For example, if the Base Contracted Capacity is increased by one megawatt (1 MW) effective on July 1 of a given calendar year, the Annual Minimum Energy for that calendar year shall be increased by $(1 \text{ MW} \times 184 \text{ days/year} \times 24 \text{ hours/day} \times 0.1 =)$ 442 MWh, and a similar adjustment shall be made to the Annual Minimum Energy for any subsequent calendar year or part thereof in the Term.

SECTION 1.3 - "Contracted Capacity" means the sum of the Base Contracted Capacity and the Supplemental Contracted Capacity, as defined in Subsection 1.14.

SECTION 1.4 - "Contracted Energy" means the amount of energy associated with Contracted Capacity.

SECTION 1.5 - "Eastern Prevailing Time" means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Time. For the purposes of abbreviation within this Letter of Commitment, the terms "Eastern Prevailing Time" and "EPT" shall have the same meaning.

SECTION 1.6 - "Event of Force Majeure" has the meaning attributed to it in Section 14.

SECTION 1.7 - "Federal Power Act" means the Federal Power Act, 16 USC § 791a *et seq.*, as it is now or may be amended in the future, or any successor legislation.

SECTION 1.8 - "FERC" means the Federal Energy Regulatory Commission or any successor federal agency having jurisdiction over TAMPA ELECTRIC's transmission services and this Letter of Commitment.

SECTION 1.9 - "Non-Owned System Resources" means those generating resources contractually committed to TAMPA ELECTRIC but not owned by TAMPA ELECTRIC.

SECTION 1.10 - "Operating Representative" has the meaning attributed to it in Section 12.

SECTION 1.11 - "Optional Supplemental Capacity" means an amount of capacity in excess of Contracted Capacity that is requested by LAKELAND, or offered by TAMPA ELECTRIC, and mutually agreed upon.

SECTION 1.12 - "Optional Supplemental Energy" means the energy associated with Optional Supplemental Capacity.

SECTION 1.13 - "Prudent Utility Practice" means any of the practices, methods and acts (the "Practices") engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be limited to the optimum Practices to the exclusion of all others, but rather to be a spectrum of Practices acceptable to the industry and/or to regulators of the industry. Prudent Utility Practice includes the Practices adopted by the Florida Electric Power Coordinating Group, Inc. ("FCG") and/or the Florida Reliability Coordinating Council ("FRCC"), and any successor organization(s) to the FCG or the FRCC.

SECTION 1.14 - "Supplemental Contracted Capacity" means an amount of capacity, in addition to the Base Contracted Capacity, in an amount that is less than or equal to the amount of Base Contracted Capacity.

SECTION 1.15 - "Supplemental Contracted Energy" means the energy associated with Supplemental Contracted Capacity.

SECTION 1.16 - "System Capacity" means capacity (e.g., Base Contracted Capacity, Supplemental Contracted Capacity, and/or Optional Supplemental Capacity) made available by TAMPA ELECTRIC to LAKELAND under this Letter of Commitment.

SECTION 1.17 - "System Energy" means the energy associated with System Capacity.

SECTION 1.18 - "System Resources" means the generating resources owned by TAMPA ELECTRIC.

SECTION 1.19 - "Unexcused Non-Delivery" means TAMPA ELECTRIC's failure or refusal to deliver to LAKELAND all or any portion of the Base Contracted Energy on a basis no more interruptive than the service provided to TAMPA ELECTRIC's firm retail customers, for reasons other than: (i) an Event of Force Majeure, or (ii) the unavailability of non-firm transmission service, whether or not such unavailability is a result of an Event of Force Majeure.

SECTION 2 - Character and Availability of System Capacity and System Energy. TAMPA ELECTRIC shall make the amounts of Base Contracted Energy described in Subsection 1.2 available to LAKELAND from its System Resources during each calendar year of the Term, as defined in Section 4. Base Contracted Energy shall be made available at an hourly rate not to exceed ten megawatts (10 MW) per hour and on a basis no more interruptive than the service provided to TAMPA ELECTRIC's firm retail service customers. TAMPA ELECTRIC shall make such Base Contracted Energy available during the clock hour(s) requested by LAKELAND's Operating Representative in accordance with the notice deadline of Section 10. In the event that TAMPA ELECTRIC fails or refuses to deliver to LAKELAND all or

any portion of the Base Contracted Energy on a basis no more interruptive than the service provided to TAMPA ELECTRIC's firm retail customers, LAKELAND shall have the exclusive remedies set forth in Section 11. From time to time, TAMPA ELECTRIC, at its sole discretion, may provide Base Contracted Energy to LAKELAND from Non-Owned System Resources.

TAMPA ELECTRIC shall provide Supplemental Contracted Capacity and Supplemental Contracted Energy as scheduled in accordance with Section 10, from its System Resources to LAKELAND during the Term, provided that making such Scheduled Capacity and associated energy available to LAKELAND will not require curtailment of TAMPA ELECTRIC's: (1) native load and spinning reserve requirements; (2) commitments for unit and/or station power sales; (3) firm wholesale service commitments; or (4) other power sales having equivalent priority as this Letter of Commitment that are scheduled prior to scheduling of service under Section 10. From time to time, TAMPA ELECTRIC, at its sole discretion, may provide Supplemental Contracted Energy to LAKELAND from Non-Owned System Resources.

TAMPA ELECTRIC shall provide Optional Supplemental Capacity and Optional Supplemental Energy from its System Resources to LAKELAND at TAMPA ELECTRIC's sole discretion and upon mutual agreement of the Parties. From time to time, TAMPA ELECTRIC, at its sole discretion, may provide Optional Supplemental Energy to LAKELAND from Non-Owned System Resources.

SECTION 3 - TAMPA ELECTRIC Transmission Service and Ancillary Services. TAMPA ELECTRIC shall provide itself non-firm transmission service and ancillary services under its open access transmission service tariff on file with the FERC in order to effect sales under this Letter of Commitment, and shall charge LAKELAND for the cost of such services. Such cost shall be based on the following rates:

- (a) Non-Firm Point-to-Point Transmission Service: Up to \$1.458 per megawatt-hour ("MWh") of scheduled energy.
- (b) Ancillary Service:
 - (i) Scheduling, System Control and Dispatch Service: Up to \$36.32 per Scheduling Event. For purposes of this Section 3, "Scheduling Event" is defined to include: (A) each prior-day scheduling of transmission service for all hours of the next day; and (B) each change to a previously determined schedule of transmission service.
 - (ii) Reactive Supply and Voltage Control from Generation Sources Service (Point-to-Point): Up to \$0.127/MWh (\$0.000127 per kilowatt-hour of scheduled energy).

The rate(s) for transmission and/or ancillary service(s) stated in this Section 3 shall be subject to change pursuant to Section 205 and/or Section 206 of the Federal Power Act at such time as the underlying rate(s) for such service(s) under TAMPA ELECTRIC's open access transmission service tariff is/are changed pursuant to such section(s) of the Federal Power Act.

The aforementioned charges for non-firm transmission service and ancillary services in connection with the sale of System Capacity and System Energy shall be included in the aggregate charges stated in Section 7 of this Letter of Commitment.

TAMPA ELECTRIC shall provide for transmission service and ancillary services in conjunction with the sale of capacity and energy under this Letter of Commitment pursuant to a service agreement under its open access transmission service tariff that it has entered into and filed with the FERC.

Service under this Letter of Commitment shall be subject to the availability of transmission service through TAMPA ELECTRIC's

system, in accordance with the terms and conditions of its transmission service tariff on file with the FERC.

SECTION 4 - Term and Termination. This Letter of Commitment shall commence on November 4, 1996 or on such other date as the FERC makes it effective ("Effective Date") and shall continue through September 30, 2006 ("Term"), unless extended by mutual written agreement of the Parties, or unless terminated through the provisions set forth in Section 18; provided, that TAMPA ELECTRIC may terminate this Letter of Commitment effective on the first day of any calendar year after December 31, 2001 ("Termination Date"), by providing notice to LAKELAND in writing no later than one year prior to the intended Termination Date.

SECTION 5 - Renegotiation. Once during the Term and no earlier than July 1, 2001, LAKELAND may request that the Parties renegotiate the rates, terms and/or conditions of this Letter of Commitment, in accordance with this Section 5, by providing written notice to TAMPA ELECTRIC of such request. With the notification, LAKELAND shall provide, the following information concerning each wholesale purchase of electric energy, including purchases made by the Florida Municipal Power Pool ("FMPP"), (except for the purchase of energy under this Letter of Commitment) delivered to LAKELAND during the six (6) consecutive, whole, calendar months immediately prior to the date of LAKELAND's notice to TAMPA ELECTRIC ("Comparison Period"): (a) the amount(s) of energy (in megawatt-hours) delivered in the Comparison Period during "on-peak" hours, as defined in this Section 5; (b) the amount(s) invoiced to LAKELAND for such energy (including all applicable transmission service and ancillary services charges to effect direct delivery of such energy to LAKELAND); and (c) the dates and times during which such energy was delivered to LAKELAND. For purposes of this Section 5, "on-peak" hours shall mean the clock hours between 7:00

A.M. and 11:00 P.M. EPT each day of the week, excluding FRCC-specified holidays. In its notice to TAMPA ELECTRIC, LAKELAND shall demonstrate that the average energy charge (including all applicable transmission service and ancillary services charges to effect direct delivery of energy to LAKELAND), on a dollar per megawatt-hour basis, for such energy delivered during the on-peak hours of the Comparison Period was at least seven and one-half percent (7½%) less than the average of the aggregate charge(s), as described in Section 7(a), applicable to the Comparison Period. If requested by TAMPA ELECTRIC, LAKELAND shall provide a copy of the pertinent wholesale power, transmission service and ancillary services invoices paid by LAKELAND.

TAMPA ELECTRIC shall agree to renegotiate the rates, terms and/or conditions of this Letter of Commitment if, after reviewing the information provided by LAKELAND, TAMPA ELECTRIC confirms that: (1) the amount of energy from wholesale purchases, including purchases made by the FMPP, other than under this Letter of Commitment delivered to LAKELAND during the on-peak hours of the Comparison Period was no less than one-half of the Annual Minimum Energy amount applicable to the Comparison Period; and (2) the average energy charge for such delivered energy was at least seven and one-half percent (7½%) less than the average of the aggregate charge(s), as described in Section 7(a), applicable to the Comparison Period. Within fifteen (15) days following TAMPA ELECTRIC's receipt of LAKELAND's written notice requesting renegotiation of the rates, terms, and/or conditions of this Letter of Commitment, TAMPA ELECTRIC shall provide written notice to LAKELAND whether or not its request satisfies the conditions described in this Section 5. If the request satisfies such conditions, then the TAMPA ELECTRIC and LAKELAND Operating Representatives, or such other representatives as may be designated by the Parties, shall meet within seven (7) days following LAKELAND's receipt of TAMPA ELECTRIC's written notice to begin negotiation to modify the rates, terms and/or conditions of this

Letter of Commitment. If, after a maximum of nine (9) calendar weeks following LAKELAND's receipt of TAMPA ELECTRIC's written notice, the Parties do not mutually agree on the modifications to be made to the rates, terms and/or conditions of this Letter of Commitment, then TAMPA ELECTRIC shall prepare a Letter Agreement to amend this Letter of Commitment by deleting all references to LAKELAND's Annual Minimum Energy purchase commitment. Upon execution of the Letter Agreement by both Parties, TAMPA ELECTRIC shall file such agreement with the FERC. Such Letter Agreement shall be LAKELAND's sole remedy with respect to its request for renegotiation if the Parties cannot otherwise agree on modified rates, terms and/or conditions.

SECTION 6 - Purchase Commitment Increases. Subsequent to the date of this letter, LAKELAND may request increases in the amount of Base Contracted Capacity and/or Supplemental Contracted Capacity established in Subsections 1.1 and 1.14, respectively. TAMPA ELECTRIC shall assess any such request(s) and, at its sole discretion, may provide System Capacity and/or System Energy for the requested increase(s) subject to the provisions of Section 2. Once mutually agreed upon in writing by the Parties, any such increase(s) shall be considered part of the amount of Base Contracted Capacity and/or Supplemental Contracted Capacity established in Subsections 1.1 and 1.14, respectively.

SECTION 7 - Energy Charge. The charge for energy sold hereunder ("Energy Charge") shall include TAMPA ELECTRIC's system average cost of fuel, adjusted for losses through TAMPA ELECTRIC's system, plus a non-fuel adder, the sum of which shall not exceed the charge for the pertinent year specified in Subsections 7(a), 7(b) and 7(c) below. The charges specified in Subsections 7(a), 7(b) and 7(c) below shall be subject to the limitations on revenues stated in Exhibit A attached hereto and incorporated herein by reference:

(a) For each megawatt-hour of Base Contracted Energy sold by TAMPA ELECTRIC to LAKELAND:

\$31.694 per MWh from the Effective Date through December 1996;
\$31.524 per MWh from January 1997 through December 1997;
\$32.104 per MWh from January 1998 through December 1998;
\$32.654 per MWh from January 1999 through December 1999;
\$33.374 per MWh from January 2000 through December 2000;
\$34.554 per MWh from January 2001 through December 2001;
\$34.964 per MWh from January 2002 through December 2002;
\$35.184 per MWh from January 2003 through December 2003;
\$36.504 per MWh from January 2004 through December 2004;
\$36.284 per MWh from January 2005 through December 2005; and
\$37.104 per MWh from January 2006 through September 2006;
provided, that in no event shall the aggregate of the Energy Charge assessed to LAKELAND pursuant to this Subsection 7(a) and the maximum charges for transmission service and ancillary services, as stated in Section 3, exceed the following:

\$33.43 per MWh from the Effective Date through December 1996;
\$33.26 per MWh from January 1997 through December 1997;
\$33.84 per MWh from January 1998 through December 1998;
\$34.39 per MWh from January 1999 through December 1999;
\$35.11 per MWh from January 2000 through December 2000;
\$36.29 per MWh from January 2001 through December 2001;
\$36.70 per MWh from January 2002 through December 2002;
\$36.92 per MWh from January 2003 through December 2003;
\$38.24 per MWh from January 2004 through December 2004;
\$38.02 per MWh from January 2005 through December 2005; and
\$38.84 per MWh from January 2006 through September 2006;

The Energy Charge under this Subsection 7(a) shall be applicable to each megawatt-hour of Base Contracted Energy delivered by TAMPA ELECTRIC to LAKELAND, provided, that if the amount of such energy delivered by TAMPA ELECTRIC to LAKELAND

in the corresponding calendar year or part thereof is less than the Annual Minimum Energy for such period, as stated in Subsection 1.2, then a charge equal to the Energy Charge times the number of megawatt-hours of Annual Minimum Energy not delivered shall be included in TAMPA ELECTRIC's invoice to LAKELAND for System Capacity and/or System Energy supplied during the final month of such calendar year or part thereof.

- (b) For each megawatt-hour of Supplemental Contracted Energy delivered by TAMPA ELECTRIC to LAKELAND:

\$34.424 per MWh from the Effective Date through December 1996;
\$34.264 per MWh from January 1997 through December 1997;
\$34.844 per MWh from January 1998 through December 1998;
\$35.394 per MWh from January 1999 through December 1999;
\$36.104 per MWh from January 2000 through December 2000;
\$38.664 per MWh from January 2001 through December 2001;
\$39.064 per MWh from January 2002 through December 2002;
\$39.294 per MWh from January 2003 through December 2003;
\$40.604 per MWh from January 2004 through December 2004;
\$40.524 per MWh from January 2005 through December 2005; and
\$41.834 per MWh from January 2006 through September 2006;
provided, that in no event shall the aggregate of the Energy Charge assessed to LAKELAND pursuant to this Subsection 7(b) and the maximum charges for transmission service and ancillary services, as stated in Section 3, exceed the following:

\$36.16 per MWh from the Effective Date through December 1996;
\$36.00 per MWh from January 1997 through December 1997;
\$36.58 per MWh from January 1998 through December 1998;
\$37.13 per MWh from January 1999 through December 1999;
\$37.84 per MWh from January 2000 through December 2000;
\$40.40 per MWh from January 2001 through December 2001;
\$40.80 per MWh from January 2002 through December 2002;
\$41.03 per MWh from January 2003 through December 2003;
\$42.34 per MWh from January 2004 through December 2004;

\$42.26 per MWh from January 2005 through December 2005; and
\$43.57 per MWh from January 2006 through September 2006.

- (c) Unless otherwise mutually agreed to and confirmed in writing via receipted facsimile by the Operating Representatives of the Parties, in accordance with the provisions of Section 10, the Energy Charge to be applied to each megawatt-hour of Optional Supplemental Energy shall equal the maximum Energy Charge described in Subsection 7(b) (as specified for the pertinent year or part thereof), subject to the limits on aggregate charges stated in Subsection 7(b). From time to time, and upon mutual written agreement confirmed via receipted facsimile by the Operating Representatives of the Parties, in accordance with the provisions of Section 10, the Energy Charge to be applied to each megawatt-hour of Optional Supplemental Energy shall be a negotiated charge which shall not exceed the Energy Charge described in Subsection 7(b) (as specified for the pertinent year or part thereof) and, where TAMPA ELECTRIC's system incremental fuel cost, adjusted for losses through TAMPA ELECTRIC's system, is less than such Energy Charge, shall not be less than such adjusted system incremental fuel cost. The Energy Charge may vary for each clock hour that Optional Supplemental Energy is scheduled pursuant to the provisions of Section 10.

SECTION 8 - Capacity Charges.

- (a) The following monthly capacity charges shall be applicable to each kilowatt ("kW") of Base Contracted Capacity:
- \$2.00 per kW per month from the Effective Date through December 2000;
 - \$3.00 per kW per month from January 2001 through December 2004;
 - \$3.10 per kW per month from January 2005 through December 2005; and

\$3.40 per kW per month from January 2006 through September 2006.

- (b) The following hourly capacity charges shall be applicable to each prospective megawatt-hour of Base Contracted Energy associated with capacity: (1) scheduled by LAKELAND by 3:00 P.M. EPT of the previous day (pursuant to the provisions of Section 10); and (2) subsequently deleted (pursuant to the provisions of Section 10) from the Scheduled Capacity (as defined in Section 10) by LAKELAND:

\$9.48 per MWh from the Effective Date through December 1996;
\$8.01 per MWh from January 1997 through December 2000;
\$8.14 per MWh from January 2001 through December 2003;
\$8.13 per MWh from January 2004 through December 2004;
\$8.01 per MWh from January 2005 through December 2005; and
\$7.68 per MWh from January 2006 through September 2006.

- (c) The following hourly capacity charges shall be applicable to each prospective megawatt-hour of Supplemental Contracted Energy or Optional Supplemental Energy associated with capacity: (1) scheduled by LAKELAND by 3:00 P.M. EPT of the previous day (pursuant to the provisions of Section 10); and (2) subsequently deleted (pursuant to the provisions of Section 10) from the Scheduled Capacity by LAKELAND:

\$12.21 per MWh from the Effective Date through December 1996;
\$10.75 per MWh from January 1997 through December 1999;
\$10.74 per MWh from January 2000 through December 2000;
\$12.25 per MWh from January 2001 through December 2003;
\$12.23 per MWh from January 2004 through December 2004;
\$12.26 per MWh from January 2005 through December 2005; and
\$12.40 per MWh from January 2006 through September 2006.

SECTION 9 - Payment. Each month, LAKELAND shall pay for Base Contracted Capacity, Base Contracted Energy, Supplemental

Contracted Capacity, Supplemental Contracted Energy, Optional Supplemental Capacity and Optional Supplemental Energy, as applicable, the sum of:

- (a) the Energy Charges, if any, as described in Section 7;
plus
- (b) the Capacity Charges, as described in Subsection 8(a);
plus
- (c) the Capacity Charges, if any, as described in Subsections 8(b) and 8(c).

LAKELAND shall pay the Energy Charge described in Subsection 7(a) for undelivered Annual Minimum Energy. Such Energy Charge shall be included in TAMPA ELECTRIC's invoice to LAKELAND for System Capacity and/or System Energy supplied during the final month of the pertinent calendar year or part thereof.

Each month, LAKELAND shall also pay for the cost to TAMPA ELECTRIC of rendering the transmission service and ancillary services specified in Section 3, at the rates set forth in Section 3.

SECTION 10 - Scheduling of System Capacity and System Energy.

Beginning with one day prior to the Effective Date and each day thereafter during the Term and any extension(s) thereof, LAKELAND's Operating Representative shall notify TAMPA ELECTRIC's Operating Representative, by no later than 10:00 A.M. EPT, of the amounts of Base Contracted Capacity, Supplemental Contracted Capacity and Optional Supplemental Capacity, if any, that LAKELAND wishes to schedule for each clock hour of the following day. LAKELAND shall schedule System Capacity for a minimum of two (2) consecutive clock hours in any day in which it schedules System Capacity.

By 11:00 A.M. EPT of the same day, TAMPA ELECTRIC's Operating Representative shall provide the following information to LAKELAND's Operating Representative: (1) confirmation that the

amount of Base Contracted Capacity requested by LAKELAND will be made available during the clock hours requested by LAKELAND; (2) notification of the amounts of Supplemental Contracted Capacity and Optional Supplemental Capacity, that are available for those clock hours during which LAKELAND requested such types of System Capacity.

By 3:00 P.M. EPT of the same day, LAKELAND shall either: (1) commit to purchase the amounts of Base Contracted Capacity previously requested and/or commit to purchase the available amounts of System Capacity (not associated with Base Contracted Capacity) previously requested, by taking no further action; or (2) revise the requested amounts of System Capacity that it commits to purchase, consistent with the availability thereof. The committed amounts of System Capacity as determined above shall be referred to as the "Scheduled Capacity".

LAKELAND may reduce the Scheduled Capacity at least forty-five (45) minutes before the hour that any such change is to take place, provided however, that any such change shall not excuse LAKELAND from the hourly capacity charges under Sections 8(b) and 8(c), respectively. LAKELAND may increase the Scheduled Capacity at least forty-five (45) minutes before the hour that any such change is to take place by purchasing Optional Supplemental Capacity and Optional Supplemental Energy in accordance with the provisions of Section 2. Unless mutually agreed otherwise by the Operating Representatives of each Party, changes in the Scheduled Capacity shall begin and end on the hour. Each Party shall make reasonable efforts to minimize departures from the Scheduled Capacity and shall immediately notify the other Party of any necessary change to the Scheduled Capacity.

SECTION 11 -- Exclusive Remedies for Unexcused Non-Delivery.

In the event that TAMPA ELECTRIC fails or refuses to deliver to LAKELAND all or any portion of the Base Contracted Energy on a basis no more interruptive than the service provided to TAMPA ELECTRIC's firm retail customers, due to an Unexcused Non-Delivery, then LAKELAND's remedies therefor shall be limited to the following remedies set forth in this Section 11.

- (a) If as a consequence of an Unexcused Non-Delivery, LAKELAND must provide and/or purchase replacement power, then, as its exclusive remedy for all claims arising out of such Unexcused Non-Delivery, LAKELAND shall be entitled to receive and TAMPA ELECTRIC hereby agrees to pay LAKELAND damages equal to the amount by which the cost to LAKELAND of such replacement power exceeds the product of the applicable charge for energy as set forth in Subsection 7(a) times the quantity in MWh of such replacement power.

The Parties acknowledge and agree that under no circumstances shall TAMPA ELECTRIC's obligation to pay damages under this Subsection 11(a) during any calendar year exceed a cap of \$50,000.00. For calendar years 1996 and 2006, or such earlier calendar year as this Letter of Commitment is terminated, the aforesaid cap shall be prorated to reflect the number of months of service during such years (e.g., \$12,500 for calendar year 1996 and \$37,500 for calendar year 2006).

- (b) If as a consequence of an Unexcused Non-Delivery, LAKELAND is unable to provide and/or purchase replacement power after making reasonable efforts to do so, then, as its exclusive remedy for all claims arising out of such TAMPA ELECTRIC Unexcused Non-Delivery, LAKELAND shall be entitled to receive and TAMPA ELECTRIC hereby agrees to pay LAKELAND damages equal to \$1,000.00 per each MWh of Base Contracted Energy for each

twenty-four (24) hour period, or part thereof, that such energy is not delivered by TAMPA ELECTRIC.

- (c) The Parties acknowledge that the damages required to be paid under Subsection 11(b) are liquidated, since the actual damages are difficult or impossible to determine and that the liquidated damages constitute a reasonable approximation of the harm or loss.
- (d) LAKELAND shall have the right to offset any undisputed amounts due to it under this Section 11 against any payments due to TAMPA ELECTRIC under this Letter of Commitment, provided that LAKELAND shall first make written demand for payment of such amounts and TAMPA ELECTRIC does not give notice of dispute regarding all or any portion of said amounts within ten (10) days of said demand.

SECTION 12 - Operating Representatives. The Operating Representatives shall be authorized to enter into all types of System Capacity and/or System Energy transactions contemplated in this Letter of Commitment on behalf of their respective Parties and to coordinate the day-to-day operation of their respective facilities, in order to carry out the terms of this Letter of Commitment. The Operating Representatives shall be authorized to confirm/document, schedule/reschedule, curtail, and/or interrupt System Capacity and/or System Energy transactions on behalf of their respective Parties under this Letter of Commitment. The designated Operating Representatives for TAMPA ELECTRIC and LAKELAND are as set out below:

TAMPA ELECTRIC

For Daily Commitments,

Title: Manager, Bulk Power Operations; or Wholesale Power
Marketer; or Engineer, Bulk Power Operations
Address: Tampa Electric Company
P.O. Box 111
Tampa, Florida 33601-0111
Telephone: (813) 225-5078
Facsimile: (813) 225-5127

For Contract Administration,

Title: Senior Consulting Engineer or Senior Engineer, Bulk Power
and Market Development
Address: Tampa Electric Company
P.O. Box 111
Tampa, Florida 33601-0111
Telephone: (813) 228-4132 (Senior Consulting Engineer)
Telephone: (813) 228-4230 (Senior Engineer)
Facsimile: (813) 228-1640

LAKELAND

For Daily Commitments,

Title: Florida Municipal Power Pool Generation/Interchange Coordinator
Address: c/o System Operations and Planning
Orlando Utilities Commission
P.O. Box 3192
Orlando, FL 32802
Telephone: (407) 384-4125
Facsimile: (407) 384-4089

For Contract Administration,

Title: Manager of System Control
Address: City of Lakeland, Department of Electric & Water Utilities
501 East Lemon Street
Lakeland, FL 33801
Telephone: (941) 499-6555
Facsimile: (941) 499-6344

Each party shall notify the other in writing of any change in the information provided above.

SECTION 13 - Limitation of Liability. In any action arising out of or related to the performance or non-performance of this Letter of Commitment, whether sounding in breach of contract, warranty, tort, strict liability, or otherwise, neither Party shall

be liable to the other for any consequential, indirect, punitive, exemplary or other special damages. The Parties hereto agree to use reasonable commercial efforts to mitigate any direct damages, including those identified in Section 11.

SECTION 14 - Force Majeure. In case either Party hereto should be delayed in or prevented from performing or carrying out any of the agreements, covenants, and obligations (other than the obligation to pay money) made by and imposed upon said Party by this Letter of Commitment by reason of any cause, whether or not foreseeable, beyond such Party's reasonable control, including, without limitation, any strike, stoppage in labor, failure of contractors or suppliers of materials to perform, riot, fire, flood, ice, uncommonly severe weather conditions for the affected geographical area, invasion, civil war, commotion, insurrection, military or usurped governmental power, order of any court granted in any bona fide adverse legal proceedings or action, order of any civil or military authority either de facto or de jure, explosion, act of God or the public enemies, failure or malfunction of system facilities, or unscheduled outage of generating units (collectively, "Event of Force Majeure"); then and in such case or cases, each Party shall be relieved of performance under this Letter of Commitment and shall not be liable to the other Party for or on account of any loss, damage, injury, or expense (including consequential damages and cost of replacement power) resulting from or arising out of such delay or prevention; provided, however, that the Party suffering such delay or prevention shall notify the other Party hereunder of the Event of Force Majeure and shall use due and practicable diligence consistent with Prudent Utility Practice to prevent, avoid, mitigate, and remove the cause or causes thereof; and provided, further, that neither Party hereto shall be required by the foregoing provisions to settle a strike except when, according to its own best judgment, such a settlement seems advisable.

SECTION 15 - Counterparts. This Letter of Commitment may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 16 - No Dedication of the System. Any undertaking by TAMPA ELECTRIC to LAKELAND under any provisions of this Letter of Commitment shall not be construed to constitute the dedication of TAMPA ELECTRIC's system, or any portion thereof, to the public or to LAKELAND. TAMPA ELECTRIC's provision of capacity and/or energy under this Letter of Commitment does not constitute a sale, lease, rental, transfer, or conveyance of an ownership interest in or to any facilities of any kind. All obligations of the Parties shall cease upon termination of this Letter of Commitment except as otherwise expressly provided herein.

SECTION 17 - Binding Effect. All provisions contained in this Letter of Commitment shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of the Parties to the same extent as if each such successor and permitted assign were named as a Party hereto.

SECTION 18 - Provisions Governing Acceptance of Letter of Commitment. TAMPA ELECTRIC and LAKELAND recognize that this Letter of Commitment is required to be filed with the FERC pursuant to applicable provisions of the Federal Power Act and regulations promulgated thereunder as such are amended from time to time. In the event this Letter of Commitment is changed or modified by the FERC, either party, if adversely affected in its sole judgment, shall have the right to negotiate with the other Party for the necessary relief to alleviate said adverse effect(s) caused by the change(s) or modification(s) so imposed. If either TAMPA ELECTRIC or LAKELAND is unable to obtain what it considers to be the

necessary relief, after a reasonable period of negotiations, then either Party shall have the right to terminate this Letter of Commitment by providing written notice to the other Party. Termination in accordance with this Section 18 shall not give rise to any claim for damages or other relief under any theory of liability whatsoever, nor shall termination eliminate or modify the obligation to pay for any services rendered prior to such termination.

SECTION 19 - Amendments and Rate Changes. Nothing in this Letter of Commitment shall be construed as affecting in any way the right of TAMPA ELECTRIC to unilaterally make application to the FERC for a change in any rates, terms, or conditions under this Letter of Commitment pursuant to Section 205 of the Federal Power Act and the FERC's Rules and Regulations promulgated under the Federal Power Act; provided, however, that unless agreed to by LAKELAND in writing, no such filing shall be made: (a) that proposes to effect a change to the limits on aggregate charges, as specified in Subsections 7(a) and 7(b), or to any of the capacity charges, as set forth in Section 8, prior to October 1, 2006; and (b) without providing at least sixty (60) days prior written notice of such filing and a statement of such proposed change to LAKELAND. Any change shall become effective if and when permitted under Section 205 of the Federal Power Act or other applicable statute. Nothing in this Letter of Commitment shall be construed as affecting in any way the right of LAKELAND to make application under Section 206 of the Federal Power Act or to oppose or protest any filing made by TAMPA ELECTRIC under Section 205 of the Federal Power Act; provided, however, that LAKELAND shall neither make nor support an application under Section 206 that would cause the rates, terms, or conditions under this Letter of Commitment to be changed prior to October 1, 2006.

SECTION 20 - Severability. If any clause or provision of this Letter of Commitment is illegal, invalid or unenforceable under applicable present or future laws effective during the term of this Letter of Commitment, the remainder of this Letter of Commitment shall not be affected. In lieu of each clause or provision of this Letter of Commitment that is illegal, invalid or unenforceable, there shall be added as a part of this Letter of Commitment a clause or provision as nearly identical as may be possible and as may be legal, valid and enforceable.

SECTION 21 - Amendment. Except as provided in section 19 herein, this Letter of Commitment may be modified or amended only by written agreement executed by both Parties with the same formalities and in the same manner as this Letter of Commitment and accepted for filing and made effective by the FERC.

SECTION 22 - Entire Agreement. TAMPA ELECTRIC and LAKE LAND

agree that this Letter of Commitment sets forth and reflects specific business considerations mutually agreed upon by the Parties and shall not establish any precedent for any other service not referred to herein. This Letter of Commitment, together with the Agreement, as supplemented by the Service Schedule, reflect the entire understanding of TAMPA ELECTRIC and LAKE LAND with respect to this commitment. In the event of any inconsistency or conflict between the terms and conditions of this Letter of Commitment and the terms and conditions of the Service Schedule or the Agreement, the terms and conditions of this Letter of Commitment shall control.

ATTEST:

TAMPA ELECTRIC COMPANY

By: David E. Schwartz
David E. Schwartz
Assistant Secretary

By: John B. Ramil
John B. Ramil
Vice President
Energy Services and Planning

ATTEST:

CITY OF LAKE LAND, FLORIDA

By: _____
City Clerk

By: _____
Robert G. Siegel
Managing Director
Department of Electric
and Water Utilities

Approved as to Form and Correctness:

By: _____
City Attorney

EXHIBIT A

**LIMITATIONS ON REVENUES
APPLICABLE TO
TAMPA ELECTRIC COMPANY**

The maximum revenues derived during any day from the component of the charges specified in Subsection 7(a) of this Letter of Commitment that represents a contribution to fixed costs shall not exceed the product of: (1) the highest amount (in MW) of service provided by TAMPA ELECTRIC under this Letter of Commitment during any hour of the day; and (2) the product of (i) the maximum hourly charge specified below for the corresponding calendar year, and (ii) sixteen (16) hours. The maximum revenues derived during any week from the component of the charges specified in Subsection 7(a) of this Letter of Commitment, that represents a contribution to fixed costs shall not exceed the product of: (1) the highest amount (in MW) of service provided by TAMPA ELECTRIC under this Letter of Commitment during any hour of the week; and (2) the product of (i) the maximum hourly charge specified below for the corresponding calendar year, and (ii) eighty (80) hours:

\$11.54 per MWh from the Effective Date through December 1996;
\$11.58 per MWh from January 1997 through December 1999;
\$11.54 per MWh from January 2000 through December 2000;
\$8.69 per MWh from January 2001 through December 2003;
\$8.68 per MWh from January 2004 through December 2004;
\$8.40 per MWh from January 2005 through December 2005; and
\$7.55 per MWh from January 2006 through September 2006.

The maximum revenues derived during any day from the component of the charges specified in Subsections 7(b) and 7(c) of this Letter of Commitment that represents a contribution to fixed costs

shall not exceed the product of: (1) the highest amount (in MW) of service provided by TAMPA ELECTRIC under this Letter of Commitment during any hour of the day; and (2) the product of (i) the maximum hourly charge specified below for the corresponding calendar year, and (ii) sixteen (16) hours. The maximum revenues derived during any week from the component of the charges specified in Subsections 7(b) and 7(c) of this Letter of Commitment, that represents a contribution to fixed costs shall not exceed the product of: (1) the highest amount (in MW) of service provided by TAMPA ELECTRIC under this Letter of Commitment during any hour of the week; and (2) the product of (i) the maximum hourly charge specified below for the corresponding calendar year, and (ii) eighty (80) hours:

\$17.26 per MWh from the Effective Date through December 1996;
\$17.33 per MWh from January 1997 through December 1999;
\$17.26 per MWh from January 2000 through December 2000;
\$17.33 per MWh from January 2001 through December 2003;
\$17.26 per MWh from January 2004 through December 2004;
\$17.33 per MWh from January 2005 through December 2005; and
\$17.37 per MWh from January 2006 through September 2006.

Cost Versus Benefit Analysis
Off-System Sale to FMPA
1997 - 2001

Line		Cumulative Present Value 97\$000
(1)	System Incremental Cost	
(2)	Fuel	\$ 63,581
(3)	SO2 Allowance Costs	\$ 633
(4)	Variable O & M	\$ 3,845
(5)	Expansion Plan Impact	\$ -
(6)	Total Incremental Cost	\$ 68,058
(7)	Incremental Revenues	
(8)	Fuel	\$ 48,018
(9)	Transmission Charges	\$ 5,592
(10)	Net Non-Fuel Revenues	\$ 23,630
(11)	Total Incremental Revenues	\$ 77,240
System Net Benefit		\$ 9,182
= Revenues on Line (11) - Costs on Line (6)		

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Cost Versus Benefit Analysis
Off-System Sale to LAKELAND
1997 - 2006

Line		Cumulative Present Value 97\$000
(1)	System Incremental Cost	
(2)	Fuel	\$ 2,366
(3)	SO2 Allowance Costs	\$ 2
(4)	Variable O & M	\$ 83
(5)	Subtotal Incremental Cost Without Expansion Impact	\$ 2,450
(6)	Expansion Plan Impact	\$ 787
(7)	Total Incremental Cost With Expansion	\$ 3,237
(8)	Incremental Revenues	
(9)	Fuel	\$ 1,368
(10)	Transmission Charges	\$ 96
(11)	Net Non-Fuel Revenues	\$ 2,717
(12)	Total Incremental Revenues	\$ 4,181
(13)	System Net Benefit Without Expansion Impact = Revenues on Line (12) - Costs on Line (5)	\$ 1,731
(14)	System Net Benefit With Expansion Impact = Revenues on Line (12) - Costs on Line (7)	\$ 944

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Proposed Treatment
Off-System Sale To Lakeland
1997 - 2006

Line		Cumulative Present Value 97\$000
(1)	Total Revenues Collected From Sale	\$4,181
(2)	Credit Incremental Fuel To Retail Fuel Clause	\$2,366
(3)	Credit Incremental SO2 Costs To Retail ECRC Clause	\$2
(4)	Subtotal After Clause True-Up Line(1)-Line(2)-Line(3)	\$1,814
(5)	Variable O&M To TEC Operating Revenue	\$83
(6)	Transmission Charge To TEC Operating Revenue	\$96
(7)	Subtotal After Offsetting TEC Expenses Line(4) - Line(5) - Line(6)	\$1,636
(8)	50% Net Non-Fuel Revenue To Retail Fuel Clause 50% X Line(7)	\$818
(9)	50% Net Non-Fuel Revenue To TEC Operating Revenues 50% X Line(7)	\$818

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**Proposed Treatment
Off-System Sale To FMPA
1997 - 2001**

Line	Cumulative Present Value 97\$000
(1) Total Revenues Collected From Sale	\$77,240
(2) Credit Incremental Fuel To Retail Fuel Clause	\$63,581
(3) Credit Incremental SO2 Costs To Retail ECRC Clause	\$633
(4) Subtotal After Clause True-Up Line(1)-Line(2)-Line(3)	\$13,027
(5) Variable O&M To TEC Operating Revenue	\$3,845
(6) Transmission Charge To TEC Operating Revenue	\$5,592
(7) Subtotal After Offsetting TEC Expenses Line(4) - Line(5) - Line(6)	\$3,590
(8) 50% Net Non-Fuel Revenue To Retail Fuel Clause 50% X Line(7)	\$1,795
(9) 50% Net Non-Fuel Revenue To TEC Operating Revenues 50% X Line(7)	\$1,795

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TAMPA ELECTRIC COMPANY
 DOCKET NO. 970171-FU
 WITNESS: BRANNICK
 EXHIBIT NO. _____
 (KAB-1)
 DOCUMENT NO. 6
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