



**Florida Power**

A Progress Energy Company

ASSOCIATE GENERAL COUNSEL

JAMES A. MCGEE

February 27, 2002

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 011365-EQ

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of revised Exhibit A to Florida Power Corporation's petition, which consists of a letter agreement between Bay County and Florida Power amending an existing cogeneration contract for the purchase of capacity and energy by Florida Power from the County's Resource Recovery Facility. The revisions to Exhibit A address two concerns raised in the recommendation filed by Staff on February 22, 2002: First, the Capacity Account is re-established until the termination of the contract; second, the County's option to buy-down 1 MW of the Facility's Committed Capacity for the contract's last year is eliminated. In all other respects the letter agreement is unchanged.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc  
Enclosure

cc: Ms. Judy Harlow

DOCUMENT NUMBER - DATE

02317 FEB 27 02

FP30-COMMUNICATIONS CLERK

Revised  
EXHIBIT A



**Florida Power**  
A Progress Energy Company

February 25, 2002

Board of County Commissioners  
Bay County  
Office of the County Attorneys  
221 McKenzie Avenue  
P.O. Box 70  
Panama City, FL 32402

Re: Early Termination of Contract For the Purchase of Firm Energy and Capacity from Bay County

Dear Sirs:

In order to formalize the intent of Florida Power and Bay County to terminate the Contract for the Purchase of Firm Energy and Capacity from Bay County dated the 29<sup>th</sup> day of April, 1988 between Florida Power Corporation and Bay Resources Management, Inc. (hereinafter referred to as the "Contract"), this Letter Agreement sets forth the parties' current understandings as follows:

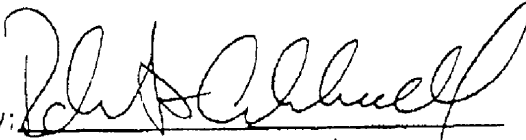
1. Under the Contract, Florida Power received capacity and energy from Bay County prior to 1995. Bay County received capacity payments prior to January 1, 1995. These capacity payments were in the nature of an "early payment" for a future capacity benefit to Florida Power. The Capacity Account set forth in Paragraph 6 of the Contract, OF's Obligation for Receiving Early Capacity Payments, shall be eliminated effective on December 31, 2006 provided that no conditions requiring repayment pursuant to the Contract exist. Should any such conditions exist before December 31, 2006, the repayment obligation shall survive the early termination date of December 31, 2006.
2. The Contract shall be terminated on December 31, 2006;
3. This Letter Agreement shall be assignable to any wholly-owned subsidiary of Florida Power or Progress Energy;
4. This Letter Agreement shall be subject to the approval of the Florida Public Service Commission, Bay County Board of Commissioners and the Board of Directors of Progress Energy. In the event that the Letter Agreement is not approved by the FPSC, Bay County Board of Commissioners or the Board of Directors of Progress Energy, then this Agreement shall be null and void and the Contract shall remain in full force and effect.

5. Florida Power shall pay consulting fees with respect to the valuation and implementation of this Letter Agreement on behalf of Bay County in an amount not to exceed Six Hundred and Ten Thousand Dollars (\$610,000).
6. Other than as set forth herein, all other terms and conditions of the Contract shall remain in full force and effect.

If the terms of this Letter Agreement meets with your approval, please execute both originals and return them to me for execution by Florida Power.

Very truly yours,


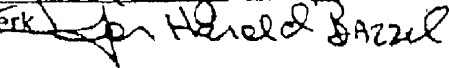
FLORIDA POWER CORPORATION

By:   
Robert F. Caldwell

ACCEPTED AND AGREED TO:

BAY COUNTY, ACTING BY AND THROUGH  
ITS BOARD OF COUNTY COMMISSIONERS

By:   
Chairman

Attest:   
Clerk 

Date approved: 2/26/02

